

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2012

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

ON

H.R. 2055

MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION, THE DEPARTMENT OF VETERANS AFFAIRS, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2012, AND FOR OTHER PURPOSES

**Department of Defense
Department of Veterans Affairs**

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**MILITARY CONSTRUCTION AND VETERANS
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2012**

THURSDAY, MARCH 31, 2011

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

The subcommittee met at 10:05 a.m. in room SD-124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Inouye, Reed, Nelson, Tester, Kirk, Murkowski, Blunt, and Hoeven.

DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF HON. ERIC K. SHINSEKI, SECRETARY

ACCOMPANIED BY:

**HON. ROBERT PETZEL, M.D., UNDER SECRETARY FOR HEALTH
MICHAEL WALCOFF, ACTING UNDER SECRETARY FOR BENEFITS
STEVE MURO, ACTING UNDER SECRETARY FOR MEMORIAL AFFAIRS**

HON. ROGER BAKER, ASSISTANT SECRETARY FOR INFORMATION TECHNOLOGY

TODD GRAMS, ACTING ASSISTANT SECRETARY FOR MANAGEMENT TECHNOLOGY

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Good morning. The hearing will come to order.

We meet today to review the President's fiscal year 2012 budget request and fiscal year 2013 advanced appropriation request for the Department of Veterans Affairs (VA).

Secretary Shinseki, I welcome you and your colleagues, and I thank you for appearing before our subcommittee.

I also welcome Senator Kirk as the new ranking member, and I look forward to working with him and with all the new and returning members of the subcommittee as we move the fiscal year 2012 budget process forward.

Before getting started with my opening statement, I want to recognize the chairman of the full Committee and the most senior member of the subcommittee, Senator Inouye, for any opening remarks he may have.

STATEMENT OF SENATOR DANIEL K. INOUE

Senator INOUE. All right. Thank you very much, Mr. Chairman.

I am here to acknowledge and commend the work of the Secretary of VA because while bringing about a new culture of efficiency, he has been able to set up a system wherein hospitals are now working with universities and major hospitals. Men and women who we consider to be hopeless cases are now hopefully getting up—comatose patients. I have seen those men and women who are now benefiting from the work of this Department in new prosthetic appliances, and that is a new specialty on my part.

What you have achieved here is almost miraculous, and I want to commend you.

I am also here for a personal reason. I have the pride of having nominated General Eric Shinseki when I was in the House of Representatives. That is a long time ago. That makes me ancient. And here he is now the head of VA and former Chief of the Staff of the Army.

I wish I could stay here, General Shinseki, but as you know, we are trying to resolve the budget, if it goes well, we will do it. So if you will excuse me, sir, and Mr. Chairman, you will excuse me. Thank you very much.

Senator JOHNSON. Thank you, Mr. Chairman.

In order to reserve the majority of the time for questions, our procedure will be to have opening statements by the chairman and ranking member, followed by an opening statement from the Secretary. We will limit the first round of questions to 6 minutes per member, but we can have additional rounds should we need them.

The overall fiscal year 2012 budget—discretionary budget request for the VA totals \$58.8 billion, \$1.8 billion more than last year's request. Additionally, the submission also includes a fiscal year 2013 medical care request of \$52.5 billion.

Mr. Secretary, I would note that outside of the increase for medical care in the fiscal year 2012 budget submission, that the Department's request for all other functions is down, a combined \$859 million from last year's request.

I understand and appreciate that as budgets get tighter, Departments are being asked to do more with less. But I want to make sure that these cuts will not erode services or diminish the quality of care that veterans receive.

In particular, I am concerned about the 25-percent reduction in the request for the construction and facilities accounts, and the impact this may have on the adequacy of VA medical facilities and healthcare deliveries in future years.

VA has a \$9 billion backlog in repairs and improvements to existing buildings, and I am concerned that this budget does not adequately address that requirement.

Before I turn to my ranking member, I want to point out that the VA is estimating that the average wait time for disability claims will reach 230 days in fiscal year 2012. This is totally unacceptable. This subcommittee has provided the VA with significant resources over the past several years, including an additional \$460 million in the current continuing resolution for fiscal year 2011, which the Department said was needed to reduce the wait time and backlog. Yet the problem is getting worse, not better.

I understand that the decision on Agent Orange claims and the complexity of new claims have added to the problem, but the VA

needs to come up with a comprehensive plan to solve this problem sooner rather than later.

I will have specific questions on these and other topics after your testimony. So I will end my opening statement here.

Senator Kirk, welcome, and do you have an opening statement that you would like to make?

STATEMENT OF SENATOR MARK KIRK

Senator KIRK. Thank you, Mr. Chairman, and thank you for having me to be a new member of this subcommittee. And, Senator Reed, it's an honor to be serving with you, especially after your nasty habit of jumping out of perfectly good airplanes on behalf of the—

Senator REED. I was just trying to emulate the Secretary.

Senator KIRK. That's right.

Mr. Chairman, I really look forward to working with you, Tina, Chairman Culberson, and Tim, and especially Dennis Balkam, Ben Hammond, Patrick Magnusson, and you, Mr. Secretary.

After Operation Iraqi Freedom, you have been very much a personal hero of mine, and I particularly have been proud of your work on the Stryker, and in a reserve capacity, I was a customer of that vehicle. And I want to touch on Stryker later during this hearing because I think its philosophy has bearing on the Department.

Now, I have served in the Navy Reserve for 23 years, and on top of that, 10 years in the Congress. My major work with the VA was regarding the North Chicago Veterans Medical Care Center, which was the first ever to truly combine with a military hospital, Great Lakes. And that combination has led to a number of groundbreaking precedents, to be topped off by it being named after the Commander of Apollo 13, Captain James A. Lovell.

We have about 780,000 veterans in Illinois, 5 Senators, 26 clinics, 12 veteran Senators. And I am looking at your budget now, and it is a hefty sum, needed for our veterans, \$181 billion. We are aware that 40 cents of every Federal \$1 is borrowed. Now, that would mean \$72 billion of this money is borrowed, one-half of it from abroad. And so, the increased scrutiny that that has given us a chance to look at your budget. I know that you are at about \$5.7 billion more than last year.

Key issues for me are medical records, and the Stryker model is the model that I hope we follow here on this subcommittee and in the Department—no new invention; commercial-off-the-shelf only, with a complete inability for beltway bandits and propeller heads to get into your decisionmaking cycle and procurement and try to invent something new that in the end will be too ambitious, too expensive, and will fail during your operational time with us. The Stryker model was to bring in a project and complete it within your secretary-ship, and my hope is that we are able to do that with medical records of inventing as little as possible.

On the care provided to veterans, I first was concerned about incidents in my own State of Marion, Illinois. We also understand that we have had 2,500 veterans exposed to HIV in Miami. In Philadelphia, the cancer unit at the VA botched 92 of 116 radioactive treatments over 6 years and then tried to cover it up. The

VA suspended similar programs in Cincinnati, Ohio, and Jackson, Mississippi. And in St. Louis, very much a part of our State's veteran's picture as well, we had to improperly sterilize tools, exposing 1,800 veterans to HIV.

I think that much of this has come to light because of you and your added scrutiny and focus on medical standards. And I hope that we will hear about how we are upgrading that, especially at those facilities.

I share the chairman's concern about claims. Justice delayed is justice denied. My understanding is this subcommittee has provided \$277 million extra since 2007 for additional claims processing, but as the chairman highlighted, adjudication times have climbed from 165 days to 230 days just in the last 2 years.

I am particularly concerned about the idea of a contingency fund. I talked about this with Chairman Culberson. I do not have a big problem with your top line, and so I think we should just roll it into your regular budget. Estimate what you need, then the subcommittee should provide it. But I think the House of Representatives is not going to be approving any contingency funds. I just talked to the full Committee chairman; he understood that, and I think he is amenable to going in the same direction, at least as of this morning. And so, my hope is that we do not set the precedent here. I think it would be a very failed precedent in the House anyway. My hope is just to team up on a good top line which reflects your actual needs.

With that, Mr. Chairman, let me just say my only hope for you, General Shinseki, was that you had gone Navy instead of Army, but it has been a very impressive career.

And Mr. Chairman, I yield back.

Senator JOHNSON. Thank you, Senator Kirk.

Mr. Secretary, again, I welcome you to the subcommittee. I understand that yours will be the only opening statement. Your full statement will be included in the record, so please feel free to summarize your remarks.

Mr. Secretary.

SUMMARY STATEMENT OF HON. ERIC K. SHINSEKI

Secretary SHINSEKI. Thank you, Mr. Chairman.

Chairman Johnson, Ranking Member Kirk, distinguished members of the subcommittee, thank you for this opportunity to present the President's fiscal year 2012 budget and fiscal year 2013 advanced appropriations request as two documents for this Department.

I thank the members of the subcommittee for the generosity of time and meeting with me prior to this hearing.

Let me also acknowledge the presence of some of our veteran service organizations. Their insights are helpful as we structure our programs to best meet the needs of veterans. And so, their insights are useful.

Mr. Chairman, thank you for allowing the introduction of my written statement.

Let me just very quickly say that the President's fiscal year 2012 budget request would provide \$132.2 billion to VA to meet its responsibilities; \$61.9 billion of that is in discretionary funding,

which is our primary discussion today, and the remainder of that, \$70.3 billion, in the mandatory account.

Our discretionary budget request represents an increase of \$5.9 billion or a 10.6-percent increase over the last enacted budget, which was fiscal year 2010.

The budget request for fiscal year 2012 and advanced appropriations request for fiscal year 2013 continue the strategic cultural change that has been underway in VA now for at least 2 years. They also enable our pursuit of three urgent priorities that have also guided our efforts for the past 2 years, namely expanding access to VA benefits and services to the topic that both the chairman and ranking member addressed, reducing and ultimately eliminating the claims backlog, and then third, ending veterans homelessness by 2015.

I would like to touch on each of those very quickly.

ACCESS

In 2008, 7.8 million veterans were enrolled in VA for healthcare. Today, that number is 8.4 million, and it is estimated to go to 8.6 million veterans in 2012, the year of the budget we are looking at in an increase of 800,000 enrollments in 4 years.

Veterans continue to be among the oldest and sickest patients in any medical system, and the youngest of them are challenged by increasingly complex injuries and the insidious wounds that we all know about from these current conflicts. Most of them are challenged economically, and so this budget request allows VA to address this surge in demand at this time given the circumstances facing our veterans.

THE BACKLOG

VA's highest priority is to eliminate the disability claims backlog in 2015, ensuring all veterans receive a quality decision with an accuracy of 98 percent in no more than 125 days. We have a ways to go to meet that goal.

Major information technology (IT) investments have been made to supplant the Veterans Benefits Administration's (VBA's) paper-bound processes with Veterans Benefits Management System (VBMS), being piloted today in Providence, Rhode Island, something that has been underway since November of last year, and Veterans Relationship Management (VRM), another initiative in the process of being fielded. We anticipate significant progress in 2012.

The fiscal year 2011 and fiscal year 2012 budget requests are intended to posture us to begin reducing that backlog in disability claims.

HOMELESSNESS

Two years ago, there were approximately 131,000 homeless veterans on any given night. Today, that estimate is down to 76,000 veterans. We intend that number to be less than 60,000 by June 2012. We have made progress, and this budget request allows us to put in place the detailed plans to both rescue and prevent homelessness amongst veterans. Healthcare for homeless veterans costs

three-and-one-half times more than what it costs to care for veterans who are not homeless. There is a cost factor associated here. This budget request enables pursuit of our goal to eliminate veterans' homelessness by 2015.

For more than 2 years now, we have established and reinforced the importance of the right behaviors, disciplines, processes, and the leadership it takes to become more effective, accountable, and efficient as a Department. Our budget is large and complex with the country's largest integrated healthcare system, the largest national cemetery system in the country, repeatedly recognized as the country's top performer in customer satisfaction over the past 10 years, the country's second-largest educational assistant program, the only zero-down payment guaranteed home loan program in the Nation with the lowest foreclosure rates in all categories of mortgage loans, and, finally, the seventh-largest life insurance enterprise in the country with a 96-percent customer satisfaction rating.

In the past, these services were either not available or affordable for the men and women who wore our country's uniforms, and, hence, the VA's mission to care for those who have borne the battle and for their spouses and orphans. This budget request is VA's plan for meeting our obligation to all veterans of all generations.

I will continue to do everything possible to ensure that we wisely use the funds that the Congress appropriates for us to improve the quality of life for our veterans innovatively and transparently so that you can see the decisions we make and how those funds are being invested.

PREPARED STATEMENT

Again, thank you for this opportunity to appear before the subcommittee and for your unwavering support. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. ERIC K. SHINSEKI

Chairman Johnson, Ranking Member Kirk, distinguished members of the Senate Appropriations Committee, Subcommittee on Military Construction, Veterans Affairs and Related Agencies.

Thank you for the opportunity to present the President's fiscal year 2012 budget and fiscal year 2013 advance appropriations requests for the Department of Veterans Affairs (VA). Budget requests for this Department deliver the promises of Presidents and fulfill the obligations of the American people to those who have safeguarded us in times of war and peace.

Today, the Nation's military remains deployed overseas as it has during the last 9 years of major conflict. Our requirements have grown over the past 2 years as we addressed longstanding issues from past wars and watched the requirements for those fighting the current conflicts grow significantly. These needs will continue long after the last American combatant departs Iraq and Afghanistan. It is our intent to continue to uphold our obligations to our veterans when these conflicts have subsided, something that we have not always done in the past. Not upholding these obligations in the past has left at least one generation of veterans struggling in anonymity for decades. We, who sent them, owe them better.

VA has an obligation to track, communicate to stakeholders, and take decisive action to consistently meet the requirements of our Nation's veterans for care and services. We pay great attention to detail but there are many factors in the healthcare market that we cannot control. We must mitigate the risk inherent when requirements for veterans' care and services, and costs in the healthcare market, exceed our estimates. This request is the Department's plan for managing that risk and meeting our obligations to all veterans effectively, accountably, and efficiently.

The President's budget for fiscal year 2012 requests \$132 billion—\$62 billion in discretionary funds and \$70 billion in mandatory funding. Our discretionary budget request represents an increase of \$5.9 billion, or 10.6 percent, more than the fiscal year 2010 enacted level.

Our plans for fiscal years 2012 and 2013 pursue strategic goals we established 2 years ago to transform VA into an innovative, 21st century organization that is people-centric, results-driven, and forward-looking. These strategic goals seek to reverse in-effective decisionmaking, systematic inefficiency, and poor business practices in order to improve quality and accessibility to VA healthcare, benefits, and services; increase veteran satisfaction; raise readiness to serve and protect in a time of crisis; and improve VA internal management systems to successfully perform our mission. We seek to serve as a model of governance, and this budget is shaped to provide VA both the tools and the management structure to achieve that distinction.

For almost 146 years now, VA and its predecessor institutions have had the singular mission of caring for those who have "borne the battle" and their survivors. This is our only mission, and to do that well, we operate the largest integrated healthcare system in the country; the eighth-largest life insurance entity covering both Active-Duty members as well as enrolled veterans; a sizable education assistance program; a home mortgage enterprise which guarantees more than 1.4 million veterans' home loans with the lowest foreclosure rate in the Nation; and the largest national cemetery system, which continues to lead the country as a high-performing institution.

For 2 years now, we have disciplined ourselves to understand that successful execution of any strategic plan, especially one for a Department as large as ours, requires good stewardship of resources entrusted to us by the Congress. Every \$1 counts, both in the current constrained fiscal environment and during less stressful times. Accountability and efficiency are behaviors consistent with our philosophy of leadership and management. The responsibility of caring for America's veterans on behalf of the American people demands unwavering commitment to effectiveness, accountability, and in the process, efficiency. In the past 2 years, we have established and created management systems, disciplines, processes, and initiatives that help us eliminate waste.

STEWARDSHIP OF RESOURCES

VA has made great progress instilling accountability and disciplined processes by establishing our Project Management Accountability System (PMAS). This approach has created an information technology (IT) organization that can rapidly deliver technology to transform VA. PMAS is a disciplined approach to IT project development whereby we hold ourselves and our private-sector partners accountable for cost, schedule, and performance. In just 1 year, PMAS exceeded an 80-percent success rate of meeting customers' milestones.

In addition to PMAS, we adopted a new acquisition strategy to make more effective use of our IT resources. This new strategy, Transformation Twenty-One Total Technology (T4), will consolidate our IT requirements into 15 prime contracts, leveraging economies of scale to save both time and money and enable greater oversight and accountability. T4 also includes significant goals for subcontractors and other protections to make sure veteran-owned small businesses get a substantial share of the work. Seven of the 15 prime contracts are reserved for veteran-owned small businesses, and four of the seven are reserved for service-disabled small businesses.

In developing the fiscal year 2012 budget, VA used an innovative, Department-wide process to define and assess VA's capital portfolio. This process for strategic capital investment planning (SCIP) is a transformative tool enabling VA to deliver the highest quality of services by investing in the future and improving efficiency of operations. SCIP has captured the full extent of VA infrastructure and service gaps and developed both capital and noncapital solutions to address these gaps through 2021. SCIP also produced VA's first-ever Department-wide integrated and prioritized list of capital projects, which is being used to ensure that the most critical infrastructure needs are met, particularly in correcting safety, security, and seismic deficiencies, and creating consistent standards across the system.

The use of metrics to monitor and assess performance is another key strategy we employ to ensure the effective use of resources and accountability. For example, in November 2010, VA launched two online dashboards to offer transparency of the clinical performance of our healthcare system to the general public. First, VA's Linking Information Knowledge and Systems (LinkS) provides outcome measurement data in areas such as acute, intensive, and outpatient care. This allows management to assess a specific medical facility's performance against other facilities while, at

the same time, serving as a motivational tool to improve performance. The dashboard, *Aspire*, compiles data from VA's individual hospitals and hospital systems to measure performance against national private-sector benchmarks. Financial and performance metrics also provide the foundation for monthly performance reviews that are chaired by the Deputy Secretary. These monthly meetings play a vital role in monitoring performance throughout the Department, and are designed to ensure both operational efficiency and the achievement of key performance targets.

We also demonstrated our ongoing commitment to effective stewardship of our financial resources by obtaining our 12th consecutive unqualified (clean) audit opinion on VA's consolidated financial statements. In 2010, we were successful in remediating three of four longstanding material weaknesses, a 75-percent reduction in just 1 year. We also began implementation of a number of key management initiatives that will allow us to better serve veterans by getting the most out of our available resources:

- Reducing improper payments and improving operational efficiencies in our medical fee care program will result in estimated savings of \$150 million in 2011. This includes continued expansion of the Consolidated Patient Account Centers to standardize VA's billing and collection activities.
 - Implementing Medicare's standard payment rates will allow VA to better plan and redirect more funding into the provision of healthcare services. The estimated savings of this change in business practices in 2011 is \$275 million.
 - Consolidating contracting requirements, adopting strategic sourcing and other initiatives will reduce acquisition costs by an estimated \$177 million in 2011.
- The effective use of IT is critical to achieving efficient healthcare and benefits delivery systems for veterans. To accelerate the process for adjudicating disability claims for new service-connected presumptive conditions associated with exposure to Agent Orange, we implemented a new online claims application and processing system.

A recent independent study, which covered a 10-year period between 1997 and 2007, found that VA's health IT investment during the period was \$4 billion, while savings were more than \$7 billion.¹ More than 86 percent of the savings were due to the elimination of duplicated tests and reduced medical errors. The rest of the savings came from lower operating expenses and reduced workload. VA is continuing to modernize its electronic medical records to optimally support healthcare delivery and management in a variety of settings. This effort includes migrating the current computerized patient record system (CPRS) into a modern, Web-based electronic health record (EHR).

Advance appropriations for VA medical care require a multi-year approach to budget planning whereby 1 year builds off the previous year. This provides opportunities to more effectively use resources in a constrained fiscal environment as well as to update requirements.

MULTI-YEAR PLAN FOR MEDICAL CARE BUDGET

The fiscal year 2012 budget request for VA medical care of \$50.9 billion is a net increase of \$240 million more than the fiscal year 2012 advance appropriations request of \$50.6 billion in the fiscal year 2011 budget. This is the result of an increase of \$953 million associated with potential increased reliance on the VA healthcare system due to economic employment conditions, partially offset by a rescission of \$713 million which reflects the cumulative impact of the statutory freeze on pay raises for Federal employees in fiscal years 2011 and 2012. The fiscal year 2013 request of advance appropriations is \$52.5 billion, an increase of \$1.7 billion more than the fiscal year 2012 budget request.

The establishment of a contingency fund of \$953 million for medical care is requested in fiscal year 2012. These contingency funds would become available for obligation if the administration determines that additional costs, due to changes in economic conditions as estimated by VA's Enrollee Health Care Projection Model, materialize in 2012. This economic impact variable was incorporated into the model for the first time this year. Based on experience from 2010, the need for this fund will be carefully monitored in 2011 and 2012. This cautious approach recognizes the potential impact of economic conditions as estimated by the model to ensure funds are available to care for veterans, while acknowledging the uncertainty associated with the new methodology incorporated into the model estimates.

¹"The Value From Investments in Health Information Technology at the U.S. Department of Veterans Affairs", Colene M. Byrne, Lauren M. Mercincavage, Eric C. Pan, Adam G. Vincent, Douglas S. Johnston, and Blackford Middleton, Health Aff, April 2010 29:4629–638.

Another key building block in developing fiscal years 2012 and 2013 budget requests for medical care is the use of unobligated balances, or carryover, from fiscal year 2011 to meet projected patient demand. This carryover of more than \$1 billion, which includes savings from operational improvements, supports anticipated costs for providing medical care to veterans in fiscal years 2012 and 2013 and is factored into VA's request for appropriations. This is a vital component of our multi-year budget and any reductions in the amount of fiscal year 2011 projected carryover funding would require increased appropriations in fiscal years 2012 and 2013.

TRANSFORMING THE DEPARTMENT OF VETERANS AFFAIRS

The Department faces an increasingly challenging operating environment as a result of the changing population of veterans and their families and the new and more complex needs and expectations for their care and services. Transforming VA into a 21st-century organization involves a commitment to many broad challenges:

- to stay on the cutting edge of healthcare delivery;
- to lay the foundation for safe, secure, and authentic health record interoperability;
- to deliver excellent service for veterans who apply for disability and education benefits; and
- to create a modern, efficient, and customer-friendly interface that better-serves veterans.

In this journey, we are focusing on opportunities to improve our efficiency and effectiveness and the individual performance of our employees.

Our health informatics initiative is a foundational component for VA's transition from a medical model to a patient-centered model of care. The delivery of healthcare will be better tailored to the individual veteran, yet utilize treatment regimens validated through population studies. Veterans will receive fewer unnecessary tests and procedures and more standardized care based on best practices and empirical data.

The purpose of the VA Innovation Initiative (VAi2) is to identify, fund, and test new ideas from VA employees, academia, and the private sector. The focus is on improving access, quality, performance, and cost. VA remains committed to the best system of delivering quality care and benefits to veterans. VAi2 plays an important role by enabling the use of promising technologies in the design of cost-effective solutions. For example, the TBI Toolbox pilot, located at McGuire VA Medical Center in Richmond, Virginia, will test a software tool to standardize data gathered from brain injury treatments. The strategy will allow sharing of rapidly evolving treatment guidelines at VA polytrauma centers and Department of Defense (DOD) medical facilities, as well as patient progress and outcomes.

The fiscal year 2012 budget continues our focus on three key transformational priorities I established when I became Secretary:

- expanding access to benefits and services;
- reducing the claims backlog; and
- eliminating veteran homelessness by 2015.

These priorities address the most visible and urgent issues in VA.

EXPANDING ACCESS TO BENEFITS AND SERVICES

Expanding access to healthcare and benefits for underserved veterans is vital to VA's success in best-serving veterans of all eras.

The Veterans Relationship Management (VRM) initiative will provide veterans, their families, and survivors with direct, easy, and secure access to the full range of VA programs through an efficient and responsive multi-channel program, including phone and Web services. VRM will provide VA employees with up-to-date tools to better serve VA clients, and empower clients through enhanced self-service capabilities. Expanding the self-service capabilities of the eBenefits online portal is one of the early successes of the VRM program in 2010, and expansion of eBenefits functionality continues through quarterly releases and programs to engage new users.

VA also saw significant progress in expanding access to veterans. In July 2010, the Center for Women veterans sponsored a forum to highlight enhancements in VA services and benefits for women veterans which resulted in an information toolkit for advocates such as veteran service organizations to share with their constituencies.

Outreach was extended directly to women when, for the first time in 25 years, VA surveyed women veterans across the country to:

- identify in a national sample the current status, demographics, healthcare needs, and VA experiences of women veterans;

- determine how healthcare needs and barriers to VA healthcare differ among women veterans of different generations; and
- assess women veterans' healthcare preferences in order to address VA barriers and healthcare needs.

The interim report, released in summer 2010, informs policy and planning and provides a new baseline for program evaluation with regard to veterans' perceptions of VA health services. The final report will be released in spring 2011.

The Enhancing the Veteran Experience and Access to Healthcare Initiative will expand healthcare for veterans, including women and rural populations. Care alternatives will be created to meet these special population access needs, including the use of new technology. Where technology solutions safely permit, VA has already transitioned from inpatient to outpatient settings through the use of tele-medicine, in-home care, and other delivery innovations.

One area of success is our expansion of telehome health-based clinical services in rural areas, which increases access, and reduces avoidable travel for patients and clinicians. In 2010, the total average daily census in telehome health was 31,155. This program will continue to expand to an estimated average daily census of 50,147 in 2012, an increase of 60 percent more than 2010.

Through the Improve Veteran Mental Health Initiative more veterans will have access to the appropriate mental health services for which they are eligible, regardless of their geographic location. VA is leveraging the virtual environment with services such as the Veterans' Suicide Prevention Chat Line and real-time clinical video conferences.

REDUCING THE CLAIMS BACKLOG

One of VA's highest priority goals is to eliminate the disability claims backlog by 2015 and ensure all veterans receive a quality decision (98-percent accuracy rate) in no more than 125 days. The Veterans Benefits Administration (VBA) is attacking the claims backlog through a focused and multi-pronged approach. At its core, our transformational approach relies on three pillars:

- a culture change inside VA to one that is centered on advocacy for veterans;
- collaborating with stakeholders to constantly improve our claims process using best practices and ideas; and
- deploying powerful 21st century IT solutions to simplify and improve claims processing for timely and accurate decisions the first time.

The Veterans Benefits Management System (VBMS) initiative is the cornerstone of VA's claims transformation strategy. It integrates a business transformation strategy to address process and people with a paperless claims processing system. Combining a paperless claims processing system with improved business processes is the key to eliminating the backlog and providing veterans with timely and quality decisions. The Virtual Regional Office, completed in May 2010, engaged employees and subject-matter experts to determine system specifications and business requirements for VBMS. The first VBMS pilot began in Providence in November 2010. Nationwide deployment of VBMS is expected to begin in 2012.

VA is encouraging veterans to file their Agent Orange-related claims through a new online claims application and processing system. Vietnam veterans are the first users of this convenient automated claims processing system, which guides them through Web-based menus to capture information and medical evidence for faster claims decisions. While the new system is currently limited to claims related to the new Agent Orange presumptive conditions of Parkinson's disease, ischemic heart disease, and hairy cell leukemia, we will expand it to include claims for other conditions.

VA also published the first set of streamlined forms capturing medical information essential to prompt evaluation of disability compensation and pension claims, and dozens more of these forms are in development for various disabilities. The content of these disability benefit questionnaires is being built into VA's own medical information system to guide in-house examinations. Veterans can provide them to private doctors as an evidence guide that will speed their claims decisions.

Another initiative to reduce the time needed to obtain private medical records utilizes a private contractor to retrieve the records from the provider, scan them into a digital format, and send them to VA through a secure transmission. This contract frees VA staff to focus on processing claims more quickly.

Additional claims transformation efforts deployed nationwide in 2010 include the Fully Developed Claims Initiative to promptly rate claims submitted with all required evidence and an initiative to proactively reach out to veterans via telephone to quickly resolve claims issues.

VA needs these innovative systems and initiatives to expedite claims processing as the number of claims continue to climb. The disability claims workload from returning war veterans, as well as from veterans of earlier periods, is increasing each year. Annual claims receipts increased 51 percent when comparing receipts from 2005–2010 (788,298–1,192,346). We anticipate claims receipts of nearly 1.5 million in 2011 (including new Agent Orange presumptive) and more than 1.3 million claims in 2012. The funding request in the President's budget for VBA is essential to meet the increasing workload and put VA on a path to achieve our ultimate goal of no claims over 125 days by 2015.

ELIMINATING VETERAN HOMELESSNESS

VA has an exceptionally strong track record in decreasing the number of homeless veterans. Six years ago, there were approximately 195,000 homeless veterans on any given night; today, there are about 75,600. VA uses a multifaceted approach by providing safe housing; outreach; educational opportunities; mental healthcare and treatment; support services; homeless prevention services; and opportunities to return to employment. The National Call Center for Homeless has received 13,000 calls since March 2010, and 18,000 veterans and families of veterans have been provided permanent housing through VA and Department of Housing and Urban Development (HUD) programs. These veterans were also provided with dedicated case managers and access to high-quality VA healthcare.

The Building Utilization Review and Repurpose (BURR) study is using VA's inventory of vacant/underutilized buildings to house homeless and at-risk veterans and their families, where practical. The Congress allocated \$50 million to renovate unused VA buildings and VA has identified 94 sites with the potential to add approximately 6,300 units of housing through public/private ventures using VA's enhanced-use lease authority. This legislative authority is scheduled to lapse at the end of calendar year 2011. The administration remains committed to this important program, and a proposal to address the expiration will accompany the Department's legislative package submitted through the President's Program. In addition to helping reduce homelessness, vacant building reuse is being considered for housing for Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn (veterans, polytrauma patients, assisted living, and seniors).

Homelessness is both a housing and healthcare issue, heavily burdened by depression and substance abuse. Our fiscal year 2012 budget plan also supports a comprehensive approach to eliminating veteran homelessness by making key investments in mental health programs.

The fiscal year 2012 budget includes \$939 million for specific programs to prevent and reduce homelessness among veterans. This is an increase of 17.5 percent, or \$140 million more than the fiscal year 2011 level of \$799 million. This increase includes an additional \$50.4 million to enhance case management for permanent housing solutions offered through the HUD–VA Supported Housing program. These funds are required to maintain the services that keep veterans rescued from homelessness sheltered; get the remaining men and women off the streets whom we have not reached in the past; and, prevent additional veterans from becoming homeless during a time of war and difficult economic conditions.

MENTAL HEALTH

The mental health of veterans is a more important issue now than ever before, as increasing numbers of veterans are diagnosed with mental health conditions, often coexisting with other medical problems. More than 1.2 million of the 5.2 million veterans seen in VA had a mental health diagnosis. This represents about a 40-percent increase since 2004.

Veterans of Iraq and Afghanistan rely on mental healthcare from VA to a greater degree than earlier groups of veterans. Diagnosis of post-traumatic stress disorder (PTSD) is on the rise as the contemporary nature of warfare increases both the chance for injuries that affect mental health and the difficulties facing veterans upon their return home. In addition, mental health issues are often contributing factors to veterans' homelessness.

In order to address this challenge, VA has significantly invested in our mental healthcare workforce, hiring more than 6,000 new mental healthcare workers since 2005. In 2010, VA hired more than 1,500 clinicians to conduct screenings and provide treatment as well as trained more than 1,000 clinicians in evidenced-based practices. The Department has also established high standards for the provision of mental healthcare services through the recent publication of our Handbook on Uniform Mental Health Services in VA medical centers and clinics, and we have developed an integrated mental health plan with DOD to ensure better continuity of

care—especially for veterans of Iraq and Afghanistan. The fiscal year 2012 budget includes \$6.2 billion for mental healthcare programs, an increase of \$450 million, or 8 percent more than the fiscal year 2011 level of \$5.7 billion.

MEDICAL CARE PROGRAM

We expect to provide medical care to more than 6.2 million unique patients in fiscal year 2012, a 1.4-percent increase more than fiscal year 2011. Among this community are nearly 536,000 veterans of Iraq and Afghanistan, an increase of more than 59,000 or 12.6 percent more than fiscal year 2011.

The fiscal year 2012 budget will support several new initiatives in addition to our efforts to eliminate veteran homelessness. For example, \$344 million is provided for the activation of newly constructed medical facilities. In addition, we provide \$208 million to implement provisions of the Caregivers and Veterans Omnibus Health Services Act and improve the quality of life for veterans and their families.

The fiscal year 2012 budget also includes operational improvements that will make VA more effective and efficient in this challenging fiscal and economic environment. VA is proposing \$1.2 billion of operational improvements which include aligning fees that VA pays with Medicare rates, reducing and improving the administration of our fee-based care program, clinical staff realignments, reducing indirect medical and administrative support costs, and achieving significant acquisition improvements to increase our purchasing power.

Beginning in 2010, VHA embarked on a multi-year journey to enhance significantly the experience of veterans and their families in their interactions with VA while continuing to focus on quality and safety. This journey required the VHA to develop new models of healthcare that educated and empowered patients and their families, focused not only on the technical aspects of healthcare but also designed for a more holistic, veteran-centered system, with improved access and coordination of care. New Models of Healthcare is a portfolio of initiatives created to achieve these objectives. We are re-designing our systems around the needs of our patients and improving care coordination and virtual access through enhanced secure messaging, social networking, telehealth, and telephone access.

An essential component of this approach is transforming our primary care programs to increase our focus on health promotion, disease prevention, and chronic disease management through multidisciplinary teams. The new model of care will improve health outcomes and the care experience for our veterans and their families. The model will standardize healthcare policies, practices, and infrastructure to consistently prioritize veterans' healthcare over any other factor without increasing cost or adversely affecting the quality of care. This important initiative will enable VA to become a national leader in transforming primary care services to a medical home model of healthcare delivery that improves patient satisfaction, clinical quality, safety, and efficiencies. VA Tele-Health and the Home Care Model will develop a new generation of communication tools (i.e., social networking, micro-blogging, text messaging, and self-management groups) that VA will use to disseminate and collect critical information related to health benefits and other VA services.

VA is taking this historic step in redefining medical care for veterans with the adoption of a modern healthcare approach called Patient Aligned Care Team (PACT). PACT is VA's adaptation of the popular contemporary team-based model of healthcare known as Patient Centered Medical Home designed to provide continuous and coordinated care throughout a patient's lifetime.

MEDICAL RESEARCH

VA's many trailblazing research accomplishments are a source of great pride to our department and the Nation. Today's committed VA researchers are focusing on traumatic brain injury, PTSD, post-deployment health, women's health, and a host of other issues key to the well-being of our veterans. As one of the world's largest integrated healthcare systems, VA is uniquely positioned to not only conduct and fund research, but to develop solutions and implement them more quickly than other healthcare systems—turning hope into reality for veterans and all Americans.

VA's budget request for fiscal year 2012 includes \$509 million for research, a decrease of \$72 million less than the 2010 level. In addition, VA's research program will receive approximately \$1.2 billion from medical care funding and Federal and non-Federal grants. These research funds will continue support for genomic medicine, point-of-care research, and medical informatics and IT. Genomic medicine, also referred to as personalized medicine, uses information on a patient's genetic make-up to tailor prevention and treatment for that individual. The Million Veteran Program invites users of the VA healthcare system nationwide to participate in a longi-

tudinal study with the aim of better understanding the relationship between genetic characteristics, behaviors, and environmental factors and veteran health.

To leverage data in the EHR, VA Informatics and Computing Infrastructure (VINCI) is creating a powerful and secure environment within the Austin Information Technology Center. This environment will allow VA researchers to access more easily a wide array of VHA databases using custom and off-the-shelf analytical tools. The Consortium for Healthcare Informatics Research (CHIR) will provide research access to patient information in VA's CPRS narrative text and laboratory reports. Together, VINCI and CHIR will allow data mining to accelerate findings and identify emerging trends. Ultimately, this critical work will lead to greater effectiveness of our medical system—improving value by assisting in the prevention and cure of disease.

VETERAN BENEFITS

The fiscal year 2012 budget request for VBA is \$2 billion, an increase of \$330 million, or 19.5 percent, more than the fiscal year 2010 enacted level of \$1.7 billion. This budget supports ongoing and new initiatives to reduce disability claims processing time, including development and implementation of further redesigned business processes. It funds an increase in full-time equivalents (FTE) of 716 more than fiscal year 2010 to 20,321 to assist in reducing the benefits claims backlog. It also supports the administration of expanded education benefits eligibility under the Post-9/11 GI Bill, which now includes benefits for noncollege degree programs, such as on-the-job training, flight training, and correspondence courses. In addition, the fiscal year 2012 budget request supports the following initiatives:

Integrated Disability Evaluation System Program.—The Integrated Disability Evaluation System (IDES) simplifies the process for disabled servicemembers transitioning to veteran status, improves the consistency of disability ratings, and improves customer satisfaction. An IDDES claim is completed in an average of 309 days; 43 percent faster than in the legacy system. VA and DOD worked together to increase the number of sites for the IDDES program from 21–27 in 2010. The six new sites are Fort Riley, Fort Benning, Fort Lewis, Fort Hood, Fort Bragg, and Portsmouth Naval Hospital, and VA and DOD will continue to expand the IDDES program.

IDDES is being expanded to provide Vocational Rehabilitation and Employment (VR&E) services to Active-Duty servicemembers transitioning through the IDDES. These services range from a comprehensive rehabilitation evaluation to determine abilities, skills, and interests for employment purposes as well as support services to identify and maintain employment. The budget request includes \$16.2 million for 110 FTE for the VR&E program to support IDDES.

Veterans Benefits Management System.—In 2011, we will conduct two of three planned pilot programs to test the Veterans Benefits Management System (VBMS), the new paperless claims processing system. Each pilot will expand on the success of the first pilot by adding additional software components. In the fiscal year 2012 budget request for IT, we will invest \$148 million to complete pilot testing and initiate a national rollout.

VetSuccess on Campus.—In July 2009, VA established a pilot program at the University of South Florida called VetSuccess on Campus to improve graduation rates by providing outreach and supportive services to veterans entering colleges and universities and ensuring that their health, education, and benefit needs are met. The program has since expanded to include an additional seven campuses, serving approximately 8,000 veterans. The campus vocational rehabilitation counselor and the vet center outreach coordinator liaise with school certifying officials, perform outreach, and communicate with veteran-students to ensure their health, education, and benefit needs are met. This will enable veterans to stay in college to complete their degrees and enter career employment. In addition, it provides veterans the skills necessary to gain employment after graduation, which can help prevent veteran homelessness. The fiscal year 2012 budget includes \$1.1 million to expand the program to serve an additional 9,000 veteran students on nine campuses, more than doubling the size of the current program.

NATIONAL CEMETERY ADMINISTRATION

The budget plan includes \$250.9 million in operations and maintenance funding for the National Cemetery Administration (NCA). The funding will allow us to provide more than 89.8 percent of the veteran population a burial option within 75 miles of their residences by keeping existing national cemeteries open and establishing new State veterans cemeteries, as well as increasing outreach efforts.

VA expects to perform 115,500 interments in fiscal year 2012, a 1-percent increase more than fiscal year 2011. In fiscal year 2012, NCA will provide maintenance of 8,759 developed acres, 3 percent more than the fiscal year 2011 estimate, while 3,228,000, or 2.6 percent more, gravesites will be given perpetual care.

The budget request will allow NCA to maintain unprecedented levels of customer satisfaction. NCA achieved the top rating in the Nation four consecutive times on the prestigious American Customer Satisfaction Index (ACSI) established by the University of Michigan. ACSI is the only national, cross-industry measure of satisfaction in the United States. On the most recent 2010 survey and over the past decade, NCA's scores bested more than 100 Federal agencies and the Nation's top corporations including Ford, FedEx, and Coca Cola, to name a few. Our own internal surveys confirm this exceptional level of performance. For 2010, 98 percent of the survey respondents rated the appearance of national cemeteries as excellent; 95 percent rated the quality of service as excellent.

NCA has implemented innovative approaches to cemetery operations:

- the use of pre-placed crypts that preserve land and reduce operating costs;
- application of “water-wise” landscaping that conserves water and other resources; and
- installation of alternative energy products such as windmills and solar panels that supply power for facilities.

NCA has also utilized bio-based fuels that are homegrown and less damaging to the environment. NCA is developing an independent study of emerging burial practices throughout the world to inform its planning for the future.

Support for the Veterans Cemetery Grants Program continues in 2012 with \$46 million to fund the highest priority veterans cemetery grant requests ready for award. In addition to State cemetery grants, NCA is engaged in discussions with tribal governments regarding the construction of veterans' cemeteries on their land and is awarding six such grants in 2011. The inclusion of tribal governments as grant recipients recognizes and empowers the authority of these groups to represent a unique group of veterans and respond to their needs.

CAPITAL INFRASTRUCTURE

Congressional support of VA has resulted in 63 major construction projects funded in whole or, in part, since 2004. When combined with investments in our minor construction and major lease programs, this has contributed to a plant inventory which includes 5,541 owned facilities, 1,629 leased facilities, 155 million square feet of occupied space (owned and leased), and 33,718 acres of owned real property.

To best utilize resources, VA has reduced its inventory of owned vacant space by 34 percent, from 8.6 million square feet in 2001 to 5.7 million square feet in 2010. As discussed previously, we are using the BURR effort to reuse vacant space for homeless veterans and their families. BURR also identifies other potential reuses of vacant and underutilized space and land within VA's inventory such as assisted living, senior housing, and housing for veterans of Iraq and Afghanistan and their families. VA also houses homeless veterans in public and private ventures through enhanced-use leasing.

Major Construction

The major construction request in fiscal year 2012 is \$589.6 million in new budget authority. In addition, VA has been the beneficiary of a favorable construction market and, as a result, is able to reallocate \$135.6 million from previously authorized and appropriated projects to accomplish additional project work—resulting in a total of \$725.2 million for the major construction program. This reflects the Department's continued commitment to provide quality healthcare and benefits through improving its infrastructure to provide for modern, safe, and secure facilities for veterans. It includes seven ongoing medical facility projects (New Orleans, Denver, San Juan, St. Louis, Palo Alto, Bay Pines, and Seattle) and design for three new projects (Reno, West Los Angeles, and San Francisco) primarily focused on safety and security corrections. One cemetery expansion will be completed to maintain and improve burial service in Honolulu, Hawaii.

Minor Construction

In fiscal year 2012, the minor construction request is \$550.1 million. In support of the medical care and medical research programs, minor construction funds permit VA to realign critical services, make seismic corrections, improve patient safety, enhance access to healthcare and patient privacy, increase capacity for dental care, improve treatment of special emphasis programs, and expand our research capability. We also use minor construction funds to improve the appearance of our national

cemeteries. Further, minor construction resources will be used to comply with energy efficiency and sustainability design requirements.

Greening the Department of Veterans Affairs

The “greening VA” effort continues to be strong. There are 21 facilities Green Globe-certified and 4 facilities LEED-certified. We have completed energy efficiency benchmarking for 99 percent of VA-owned facilities and obtained the ENERGY STAR label for 30 VA sites since 2003. Electric meter installations were completed for 60 percent of targeted buildings and we are installing solar energy systems at 35 sites for a total capacity of 30 megawatts. VA has installed wind turbines at two sites, awarded two ground source heat pump projects, awarded five renewably fueled cogeneration projects, and completed one fuel cell project.

In fiscal year 2012, we plan to invest \$27 million for solar photovoltaic projects, \$51 million in energy infrastructure improvements, \$21 million in renewably fueled cogeneration using biomass (wood waste) or biogas (waste methane), \$1 million in sustainable building, \$14 million for wind projects, and \$10 million for alternative fueling projects and expansion of environmental management systems.

INFORMATION TECHNOLOGY

IT is integral to the delivery of efficient and effective service to veterans. IT is not a supplementary function—it is key to the delivery of efficient, modern healthcare. The fiscal year 2012 budget includes \$3.161 billion to support IT development, operations, and maintenance expenses. The fiscal year 2012 budget will fund the Department’s highest IT priorities as well as information security programs, which protect privacy and provide secure IT operations across VA. Under our disciplined development program, Project Management Accountability System (PMAS), the delivery of customer software milestones exceeds 80 percent which is up from just 20 percent before the implementation of PMAS. The budget request will also fund systems that VA will develop and implement under the Caregivers and Veterans Omnibus Health Services Act of 2010.

In 2010, VA made the sound business decision to discontinue the Integrated Financial Accounting System and the data warehouse component of the Financial and Logistics Integrated Technology Enterprise. The Office of Information and Technology will fund other continuing projects such as Compensation and Pension Records Interchange (CAPRI) which offers VBA rating veteran service representatives and decision review officers help in building the rating decision. CAPRI does this by creating a more efficient means of requesting compensation and pension examinations and navigating existing patient records.

Veterans Relationship Management

The fiscal year 2012 IT budget for VRM is \$108 million, and it will support continued development of the online portal as well as the development of customer relationship management capabilities.

VIRTUAL LIFETIME ELECTRONIC RECORD

The Virtual Lifetime Electronic Record (VLER) is a Federal, interagency initiative to provide portability, accessibility, and complete health, benefits, and administrative data for every servicemember, veteran, and their beneficiaries. The goal of this major initiative is to establish the interoperability and communication environment necessary to facilitate the rapid exchange of patient and beneficiary information that will yield consolidated, coherent, and consistent access to electronic records between DOD, VA, and the private sector.

VLER will not create a new data record, but it will ensure availability of reliable data from the best possible source. The VLER health component of this initiative is in operation at two pilot sites with a plan to add nine more pilots this fiscal year. VLER will work closely with other major initiatives including VBMS and VRM. A total of \$70 million in IT funds in 2012 is required to complete the effort and move to national production and deployment of initial VLER capabilities. The VLER partnership between VA and DOD will serve as a positive model for EHR interoperability in the country, which has been an administration priority.

SUMMARY

VA is the second largest Federal department and has more than 300,000 employees. Among the many professions represented in the vast VA workforce are physicians, nurses, counselors, claims processors, cemetery groundskeepers, statisticians, engineers, architects, computer specialists, budget analysts, police, and educators—all working with the greatest determination to best serve all generations of vet-

erans. In addition, VA has approximately 140,000 volunteers serving veterans at our hospitals, vet centers, and cemeteries. There are things that they do that cannot be converted into dollar values—patience, dignity and respect for veterans, some of whom are heavily challenged by the memories of their wars.

As advocates for veterans and their families, VA is committed to providing the very best services. I will do everything possible to ensure that we wisely use the funds the Congress appropriates for VA to improve the quality of life for veterans and the efficiency of our operations—innovatively and transparently—as we deliver on the enduring promises of Presidents and the obligations of the American people to our veterans.

I am honored to present the President's fiscal year 2012 budget request for VA, and to represent all VA employees and the interests of those outside of VA, who share our commitment to veterans.

CONTINGENCY FUNDS

Senator JOHNSON. Mr. Secretary, the budget includes a request for \$953 million of contingency funds for medical services. As you described in your testimony, the need for this is due to the incorporation of current unemployment rates into the model, which may lead to greater demand for VA healthcare in fiscal year 2012. As you know, contingency funds are often viewed with skepticism by the Congress, especially in the House of Representatives. Can you explain the requirement and the rationale for this fund, and do you see this fund as a one-time only requirement?

Secretary SHINSEKI. Mr. Chairman, an important question.

As I think most members of the subcommittee know, we anticipate our requirements for healthcare through a process of modeling. It's called the Milliman model and it has been tuned to VA's factors.

Over the past 7 years, the model has gotten refined and quite precise to the point that it enjoys confidence in the Office of Management and Budget (OMB) and the Government Accountability Office, who have both looked at this. For the first time, the model has raised the requirement for an unemployment rate factor. It has never done that before. What we understand is because of the extended economic conditions, the model has raised this issue, indicating in 2012, it is likely we will need \$953 million to address the unemployment rate factor.

While I have great confidence in the basic model because we have worked with it so closely over years, the unemployment rate factor is a first-year requirement. I do not have the history to be able to speak confidently about the accuracy of its prediction. The modelers advise me to pay attention because the model is usually correct.

I guess I could have tucked that money inside the budget. I thought it best to be transparent about it and demonstrate my concern that we are addressing a first-year new modeling requirement. We have scored our budget, put the \$953 million into the budget, but set it aside, and allowed that to be called, unfortunately, a contingency fund, which I understand is a less than comfortable term. We have set it aside so that we cannot use it unless the unemployment rate factor does kick in, and I then have to take evidence of that and get a release from OMB. If that factor does not kick in, then the money goes back to the Department of the Treasury, or whatever unused portion remains goes back to the Treasury.

I would offer this was my effort to be transparent about my concern that this is a first year factor being introduced, and I wanted folks to understand that we are doing this. We scored it. We have done the right things. It is really risk mitigating as a decision that otherwise we would have to come and seek the Congress' support on a supplemental in 2012. I thought it was prudent to advance that decision in this way. I am open to any suggestions that the Congress deems appropriate.

CLAIMS PROCESSING

Senator JOHNSON. Mr. Secretary, you are to be commended for your effort to be transparent. But Senator Kirk and others will debate this.

Mr. Secretary, as you and I have discussed many times, the time it takes the VA to process a claim is a recurring complaint I have received from South Dakota. This subcommittee has provided the VA every dime it has asked for, and then some, to try and help you get a handle on the problem, yet the wait time is predicted to get even worse in fiscal year 2012. We are seeing the VA make significant strides in the past several years in shrinking the number of days veterans have to wait to see a doctor, yet on the benefits side, delays keep growing.

My first question is a very basic question. What is it about this process that makes processing claims in a timely fashion so difficult? And what is the comprehensive plan forward?

Secretary SHINSEKI. Mr. Chairman, just a little bit of history, when I arrived in 2009. For the first time our VBA, the people who do the claims processing who are good folks who come to work every day and try to do the right thing here—for the first time ever, they produced 977,000 claims decisions going out the door, and at the same time, there were 1 million claims arriving. The following year, 2010, we put 1 million claims decisions out the door and received in 1.2 million claims. We estimate this year, we are likely to receive 1.4–1.5 million claims.

To address this growth in the past, with great support from the Congress, our solutions have been to hire more people, and so every year we address the growth and have hired more people. Well, right now we have 14,000 people processing claims, and just looking at our most recent history, I can tell that hiring more people will give us an incremental improvement in production, but it will not get us to where we are knocking this backlog down. So we have to do something different.

And the issue here is automation. We have invested heavily in automation tools. The key one is being piloted today in Providence. It is the VBMS I talked about. We anticipate in 2012 VBMS is going to provide us with a tool that we can distribute nationwide and begin to use to go after the backlog. That is where we are in this process.

IT is the elephant in our house, and we have to get this done. This year in 2011, we provided an unprecedented increase for the folks in the VBA. We plussed them up by 27 percent, which is where a lot of the money that you have seen is affiliated with the increase in IT. We weighed an outcome on the 2011 decisions, and

hope the increase for tools in VBA will be sustained so we can deliver this tool.

That is where we are, and our plan is, as soon as these tools are available, to begin knocking down the backlog.

I came in 2009 with the intent of going to work on the backlog as the first priority. When I arrived, we had a brand new program called the Post-9/11 GI Bill, and all of my efforts had to go into getting the Post-9/11 GI Bill up and running, beginning in January 2009, because in August 2009 we had youngsters in classes going to school. It is a wonderful program; it is just that we had no automation tools at that time. Everything had to be done by hand. By the summer of that year, our efforts paid off. We had kids in school about 173,000 of them, put there, again, by working with about 6,500 different educational institutions. In the meantime, we built the automation tools that were going to change the environment for us. Today, we have in this program alone about 423,000 youngsters in school, all the processes, for the most part, are automated. It is because of what we went through, this sort of dark knight of the soul with the Post-9/11 GI Bill from full stop to up-and-running automation wise. I am confident that the investments we are making in VBMS are the right tool, and the payoff will be equally significant.

UNEMPLOYMENT

Senator JOHNSON. Senator Kirk.

Senator KIRK. Thank you, Mr. Chairman.

Is the unemployment factor in the fiscal year 2013 budget request as well?

Secretary SHINSEKI. I'm sorry, Senator.

Senator KIRK. Is the unemployment factor in the fiscal year 2013 budget request as well?

Secretary SHINSEKI. I am not sure I have a good answer for you on that.

Senator KIRK. Can you get back to us?

Secretary SHINSEKI. I will. I am happy to provide that.

Senator KIRK. I also want to make sure that the White House prediction of unemployment is your prediction, because my guess is the White House is going to predict over next year unemployment will fall dramatically. So I want to make sure left hand and right hand are actually talking to each other.

Secretary SHINSEKI. Yes. Again, the unemployment rate factor is an unknown for me, and I have put this in there because the model says so, and this is something I will have to deal with. I will have a better answer for you in 2012 when we see whether or not the unemployment rate factor kicks in. I am happy to provide that information.

CARRYOVER

Senator KIRK. Thank you.

And, of course, for you and Secretary Baker—as I understand it, when Secretary Baker came in as the Chief Information Officer in 2009, a significant portion of the Department's projects were behind schedule by more than 1 year and over budget by more than 50 percent. You halted the development of 44 projects and ulti-

mately canceled 12 of them. As a result of halting development on so many projects, the Department fell short of spending its money that the Congress appropriated in fiscal year 2009. As a result, the IT/VA account carried \$676 million from fiscal year 2009 to fiscal year 2010. And, with all that carryover funding to supplement your fiscal year 2010 appropriation, you then carried another \$675 million from fiscal year 2010 to fiscal year 2011.

In this time of budget constraints, and especially the pretty heavy scrutiny you are going to go through over in the House Appropriations Committee, I think the days of carrying more than \$600 million are pretty much over. I think it would help us, Mr. Chairman, if we divided the IT account into three areas, and I hope our bill can do this—one line for salaries, one line for operations and maintenance, and one line for development so that we can keep a track of what has been a real problem child here. Is that possible to do?

Mr. BAKER. Thank you, Senator. We have looked just briefly at that. Clearly, we carry over primarily on the development side, but we also have a reason to carry over on the operations and maintenance side occasionally—equipment purchases and licenses and other things that may not get executed in August or September rolling into October or November. But as you identified, the primary reason for that carryover comes from development projects that we have slowed down or stopped.

I do not think that the proposal causes me any great angst. I think we lay those out in individual lines at this point in time, so I would certainly want to work with the staff on the implications of that.

Senator KIRK. Mr. Secretary, do you think—is there a way to have sort of, for lack of a better term, a Shinseki principle here that this IT effort is brought to bed by November of next year so that we make sure that we have full Shinseki management from start to finish exactly as we had for Stryker so that there is full accountability and no new personalities? If you screw up, you go back to the same boss.

Secretary SHINSEKI. I think in essence we have that now. It is called the Program Management Accountability System, and the key words in that are management accountability. This is Secretary Baker's creation.

Senator KIRK. My thinking is, is the deadline so that it all comes in while you are definitely with us?

Secretary SHINSEKI. We can certainly set it up.

Senator KIRK. Okay.

Secretary SHINSEKI. I would not speak about the deadlines, but the key words in the Program Management Accountability System are management accountability. Initially when you tighten the screws down and people have to explain why they are either over budget or over schedule, you get that initial delay in the execution and hence, the early carryover. I predict in 2011 and 2012 the carryover will be significantly less because we now have momentum and execution. Eighty percent of our projects are being executed at a very high standard, which was much less of the case in 2009 when I arrived.

GENERAL ADMINISTRATION

Senator KIRK. Okay. One other question. The Department's fiscal year 2012 request that proposes a record high \$448 million for the VA's General Administration offices in Washington, DC, that is about \$51 million higher than in fiscal years 2010 and 2011. The increase includes \$23.5 million for an OMB initiative on reform for the Federal Government's acquisition force, but still it is a pretty high disconcerting request.

To put it in context, as recently as 2006, VA Central Office budget was just \$275 million. That is a 63-percent increase for central offices just in 4 years.

Can you give us a compelling reason why the central administration costs so much so quickly?

Secretary SHINSEKI. Senator, I am happy to provide the details; I just do not have the details you are referring to today.

[The information was not available at press time.]

Let me just offer that part of that growth has been in the Office of the Secretary—primarily, a \$834,000 increase over the fiscal year 2011 budget request. In reality, there is not another person working in my office this year that was not there last year. What I am trying to correct here, and again, I will chalk this up to transparency is in the past we have had a method of detailing people into the Office of the Secretary. They were paid elsewhere, but they actually worked in the Office of the Secretary. What I have tried to do is clean up the accounts so, if they work in the Office of the Secretary, they get paid there. It just made it clear where they were being employed.

Senator KIRK. Right.

Secretary SHINSEKI. That is part of what is here also. Acquisition is a Governmentwide initiative, and 50 percent of that funding is tied to that initiative. I am happy to provide the details and the remaining percentage.

Senator KIRK. Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. Before recognizing Senator Reed, I want to remind members that I am recognizing members in order of arrival.

Senator Reed.

CLAIMS BACKLOG

Senator REED. Thank you very much, Mr. Chairman, and thank you, Mr. Secretary, and your colleagues for your testimony today and for your service.

Both the chairman and Senator Kirk have raised very important questions about the IT funding. One other aspect that I would like to touch upon is, to what extent is that critical—the amount of money that you are carrying over—to addressing what we are all concerned about as a backlog in claims applications and processing? Another way to ask that if, in fact, this money is sort of recaptured or diverted, will that materially affect your ability to reduce significantly, and we hope eliminate, the claims backlog?

Secretary SHINSEKI. Senator, I am going to call on some of our administration leadership here because they really can describe the impact. But you know, we centralized IT because we wanted better

execution. When it was distributed throughout the Department, we had uneven decisions being made. We centralized it under an assistant secretary so we could have greater visibility and greater control.

The effect of what that creates is as though there is an IT entity. There is no IT entity. The IT is in medical, it is in benefits, and it is in cemeteries. Although you look over here and you see a fairly large program, the dots connect over here. Whenever we talk about reducing or reviewing the IT budget, those reductions end up impacting medical care and, most importantly, veterans' benefits where the backlog is what we are trying to take down. Even our cemeteries are tied to that.

I am happy to have Secretary Baker talk about the IT pieces, but I think it is important to ask the administrations what the impact to them is, if that is okay.

Senator REED. Go right ahead, please.

Mr. WALCOFF. Thank you, Senator. I am really glad that I have the opportunity to address this because it is something that I feel really strongly about.

As has been mentioned by several members, we have certainly gotten resources for people over the last several years. We have added a large number of people, yet we have not been able to accomplish what all of us want to accomplish, which is to eliminate this backlog.

Senator REED. For the benefit, can you identify your position?

Mr. WALCOFF. Okay, I am sorry. My name is Mike Walcoff. I am the Acting Under Secretary for Benefits.

Senator REED. Right.

Mr. WALCOFF. There has not been in the past the investment in technology in VBA that there really needed to be, particularly for this business line. If there is one reason that I would focus on for how we got to this point of a backlog, that would be it. What I would say is, that is being remedied in the fiscal year 2012 budget. It started in 2011, and it is being remedied in 2012 by the existence of two particular projects, one being the VBMS. This is the initiative that is going to take us away from a paper-laden, cumbersome system that has been the same as it was 50 years ago, to an electronic system, where everything is done through technology. It is going to allow us not only to produce more claims but, more importantly, I believe, increase our quality. Right now, our quality is at 84 percent. The Secretary has set a goal for us of 98 percent, a pretty significant increase.

What this system is going to do is by being rules-based, it is going to make it so when our rating specialists go in to work a claim, some of the issues that they have to decide, or the forks in the road that they came to in the past and possibly gone down the wrong road, this system is going to guide them to making the right decision on each of those decision points.

They will still be making the decision, but they will be greatly aided by the technology. It is extremely important that this go through, since it is really the key to allowing us to get over the hump of the situation where we keep getting more claims in than we complete, even though we keep increasing our production.

The second initiative is called the VRM system. The Secretary referred to it. This has to do with the methods that veterans use to interact with us. Right now, when a veteran wants to interact with us, basically he is confined to waiting until the normal business hours and calling us on the telephone. What the VRM initiative is going to do is enable a veteran to do a lot of things with self-service whenever he wants. If he wants, at 3 o'clock in the morning, to get up to change his address, instead of having to wait till the next morning to make a phone call, he can go in the system himself and do it. He can come in and check the status of his claim instead of having to call an agent the next day. He can change his direct deposit. There are all kinds of things that he can do with VRM that he can do with most other businesses he deals with that he has not been able to do with us before. It is extremely important.

The other question I get is, why are you so confident that these initiatives are going to be successful? I would tell you that my confidence is primarily because I have seen what technology has been able to do for the GI Bill. I think most of you remember we had some problems with the GI Bill in the beginning. We had to do a couple of things to work out of that, but the fact is we are in much better shape now. The main reason we are in such good shape now is because of the technology that was developed by our IT organization under Secretary Baker's leadership.

I appreciate the opportunity to answer. As you can tell, I am excited about this because it really is what is going to turn us around in the backlog area.

Senator REED. Thank you very much. My time has expired. But I think one of the—and I am no expert in business management, but private companies are able to reserve up front a significant amount of money for investment in new technologies, etc. One of the problems with our budgeting is everything is the same—personnel is the same, investing in technology is the same, etc. And this seems to me one of those examples where if we are able to reserve sufficient resources and invest them wisely, we will be able to save going forward and serve our veterans more effectively.

But thank you, gentlemen. Thank you, Mr. Chairman.

Senator JOHNSON. Senator Nelson.

CONSTRUCTION

Senator NELSON. Thank you, Mr. Chairman.

Secretary Shinseki, let me just briefly say that under your leadership, I really believe the VA is making the kinds of gains that we are really taking care of the veterans in a much, much more responsible way, and in a way that is far more current in dealing with their needs. Obviously, there are commitments that need to be met, and we need to be as good at taking care of our veterans as we are at creating them. And I commend you for all your efforts and success in improvement.

The commitment made in last year's budget request to the Omaha VA hospital is very good news for thousands of veterans in Nebraska and western Iowa. The fiscal year 2011 budget request addresses the needs of the Omaha VA hospital by providing a plan and design money for what will be a much needed 21st century

healthcare facility. And I understand the plan and design of this facility can take as much as 18–24 months.

Mr. Secretary, as we are still operating under a continuing resolution, you have indicated in a previous conversation that the budget stalemate in Washington presents the possibility of a delay for the Omaha VA project. And if that is a possibility of the delay, perhaps maybe you can help me understand, as we have spoken privately, about what this might do to the construction and fulfilling the needs of veterans in that region of our country.

Secretary SHINSEKI. Certainly, Senator. I think, as you know, the project is to replace most of the existing campus. It will involve a new surgical suite, bed tower, intensive care unit, clinical and administrative services, and parking, so it is a significant project.

The request in the fiscal year 2011 budget request is for \$56 million of design monies. We have within our capability to do advanced planning, and so we are in the process of doing advanced planning now. Schematic design as it is called; we expect it will be probably completed by July of this summer. We would then look for the design dollars to be awarded so we can go forward.

As long as the money arrives this year, we can go to the next phase, and we will then offer to the Congress the opportunity to allow us to carry that over for a 18–24 month period over the next few budget years. We would not be asking for new money, but it is the design monies that were awarded with the fiscal year 2011 budget. There may be a little delay, but we would be able to continue with the project.

Following that design, we expect construction documents and an offering for bids. It is a phase sequence. Right now, the \$56 million is critical because it will allow us to begin the next phase. Any request for dollars will be based on what that design criteria ends up being. That is where we are, Senator.

Senator NELSON. And Dr. Pretzel, you are so very familiar with the Omaha facility. Can you give us an idea of how healthcare will be improved for veterans in—that will be accessing that hospital—that facility?

Dr. PETZEL. Thank you, Senator Nelson, I can.

There are several major problems at the facility right now that are going to be corrected. The heating, ventilation, and air conditioning systems are out of date and they cannot be improved. The operating room suites are very much undersized and not in appropriate relationship to the intensive care unit. We have difficulties with water seeping through the inner and outer walls, etc. There are multiple problems, Senator, that will be corrected by this within the facility. I think, most importantly, we will have a state-of-the-art new facility, state-of-the-art intensive care unit, and state-of-the-art operating rooms. We will be able to operate this facility much more efficiently than we are able to operate the Omaha facility now and do a better job of accommodating the needs of the veterans in Nebraska and western Iowa.

Senator NELSON. We have even experienced, as I recall, power outage in the middle of surgical operations, which have created more than a slight challenge for the healthcare of the veterans.

Dr. PETZEL. Yes, sir, that is true.

CEMETERIES

Senator NELSON. Let me ask first with the time I have left. The plans that are underway for the new veterans' cemetery in Satrap County, and could you comment on—I know that cemeteries are under your direction. Could you let us know how things are going that way, Mr. Muro?

Mr. MURO. Thank you, Secretary. Thank you, Senator.

Right now, we have two sites that have risen to the top that we are reviewing, and once we get through the process, we will actually provide the Secretary with a recommended site that is the best for the area. That process is moving along very well. Once we get to that point, the offer to sell will be probably mid-summer, early summer. Then we will move forward and we will request funding in future years for construction. We have the funding to purchase and to design and to conduct all the studies we need at this point.

Senator NELSON. My time has expired, Mr. Chairman. Thank you.

And thank you, gentlemen, for your answers.

CONSTRUCTION

Senator JOHNSON. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman. I want to thank you, Secretary Shinseki, and all the folks up at the table today. I appreciate your service. I will tell you that being on the Veterans Affairs Committee and on this subcommittee we get to see a lot of one another. I hope you appreciate that. I appreciate that, and I appreciate the work you do.

A couple of things: First of all, I want to thank you, Mr. Secretary, and Dr. Petzel for your work on a veterans clinic in Billings and because it is going to help a lot. It is going to help prevent rural veterans in Montana from traveling potentially 400 miles to get a clinic once this baby is built.

And I just wanted to talk about VA construction for 1 minute. I know these are tight times, but in your budget, how do you feel—the infrastructure portion of this budget, the VA construction portion of this budget. Does it meet the needs of our veterans? I am looking at it from a rural end in rural America, so if you would comment, I would appreciate that.

Secretary SHINSEKI. Certainly, Senator. As part of our review of our construction projects, one of the things we had to make sure of is we were focused on safety and security, both of veterans and the workforce. When you look at our projects, those projects that we are going to improve the safety and security of facilities migrate to the top, so there is a little bit of reordering. We are looking for new budget authority of \$1.27 billion. It is not at the level that past budgets have been, but we have had to make some tough choices. But what it does do is provide balance in this budget. We support State cemetery grants out of this amount. State extended care grants also get attention. We did not zero those out to take care of just construction for VA; we understand that there is a partnership here between this Department and the States and being able to look after veterans.

Minor construction request, \$550 million; major construction request, a total of \$725 million. That is a combination of appropriations of \$590 million plus \$135 million that we are putting into the account because we have written tough contracts. We have competed them, and we get a better rate, because of the economic situation; a better price break on those returns. So, \$135 million of efficiencies have been rolled back into our major construction account.

Major construction: 10 medical facility projects are in our priority list. As you know, we do partial funding as the requirements occur, so there are seven major medical facility projects underway, and then we are designing three new medical projects and one new cemetery project. It is a robust program.

Senator TESTER. You have got two wars, maybe more, who knows. Does it meet the needs of the demand of the folks you have got coming back from the theater converting into veterans in civilian life?

Secretary SHINSEKI. It does at this point.

MILEAGE REIMBURSEMENT

Senator TESTER. Okay, good.

Vet centers—first of all, thanks once again for getting us a couple more over the last few years and getting them opened up. They are going to be a big benefit to veterans, especially those with unseen injuries.

My question is, when you go to a clinic, there is a mileage reimbursement. If you go to a vet center, there is not. There is not a mileage reimbursement for the veterans, the disabled veterans. I have got a bill in to remedy that situation because I do not think it is right, and I will get into homelessness and mental illness here in a second. But the question is, what is your perspective? You probably have not had a chance to look at it because we just dropped it in recently. But what is your overall thoughts about potentially paying disabled veterans mileage reimbursement to get to vet centers? Go ahead.

Secretary SHINSEKI. Let me ask Dr. Petzel to comment on this.

Dr. PETZEL. Thank you, Mr. Secretary. Senator, that is an issue that we have been looking at.

Senator TESTER. Good.

Dr. PETZEL. We have been looking at that issue now over this last year and are in the process of developing a pilot to look at how this might be done and what it would cost.

Senator TESTER. Okay.

Dr. PETZEL. The issue is that in a fundamental way, because the vet centers are an alternate program, they are not viewed as being treatment. And the law, as you know, says—

Senator TESTER. Understand.

Dr. PETZEL [continuing]. That we reimburse for treatment. We would be delighted to work with you to try and find—

UNEMPLOYMENT

Senator TESTER. Yes. I would love to have that opportunity, and I think there is a lot of really, really, really—and that is why you guys—I know—I mean, there are a lot of them around, and rightfully so. With the unseen injuries we are getting out of Iraq and

Afghanistan, I think they are critically important. And if we are keeping people away, that would not be good either.

Real quick, and I just want your perspective on this. We talk about unemployment. What I am reading and what I am hearing is we have got two different kinds of unemployment in this country. We have got unemployment among general civilian population, and then we have got unemployment among our veterans in our civilian population. It is much, much, much higher. Do you have anything in this budget that will help remedy that?

Secretary SHINSEKI. We do see the difference, Senator, and this is what this contingency fund is intended to look at, and that is, the model tells us we are going to be facing this factor next year. It is a first year factor for us, but we have mitigated the risks.

Senator TESTER. Okay. Thank you. My time is up. I just want to close by saying one thing, Mr. Chairman. We have six people at the table up here. Three of them are confirmed and three of them are not. I think that is a sad statement. I think that you guys that are not confirmed hanging out there is ridiculous in an agency that is so critically important as we create more and more veterans, to have you guys sitting there and not being confirmed and you have been in that position for a while. So I appreciate your service, especially under those conditions.

Thank you.

Secretary SHINSEKI. Thank you, Senator.

EQUIPMENT STERILIZATION

Senator JOHNSON. Senator Blunt.

Senator BLUNT. Thank you, Chairman.

I am going to make one positive comment about what is happening at the VA and share one concern of mine. Then, I would like to ask a question about the John Cochran Division in St. Louis, regarding whether there is anything in either design or land acquisition that is included in this budget.

The positive comment is one I shared with you the other day, General Shinseki. The veterans' clinic in Branson, Missouri, in my old congressional district, and obviously a community I still represent, is likely unique in that at least a majority and probably a substantial majority of the people that visit this clinic only go there once. It is a real example of health IT at work. This is one of the areas where VA is clearly ahead of the overall medical environment. It is a good example of how much time, energy, and effort, you save and the better care that is available if doctors have access to an out-of-town patient's file. I believe that only about 25 percent of the people that visit the facility go multiple times. These are the people who are traveling. There are a number of doctors at the Branson Clinic. It is a substantially sized facility. VA is out there in a significant way showing how health IT works, and I'm appreciative.

The John Cochran Division in St. Louis, on the other hand, continues to have challenges. Last summer, they notified approximately 1,800 people who had used the dental clinic that the equipment had not been properly sterilized. It was a terrifying thing for all 1,800 people to get that notice.

Recently, a concern about surgical sterilization of equipment shut down the surgical part of the facility for a few days, both of which led to really low ratings from the consumers of their confidence in the facility. The last time I was there, I noticed that part of their problem is the age of the facility. My understanding is the John Cochran Division is at some position in land acquisition near the facility. I am wondering if there is anything in this budget that impacts either design or land acquisition there, or other things that might solve those problems at the John Cochran Division.

Secretary SHINSEKI. Let me call on Dr. Petzel.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Blunt, first of all, just briefly to describe what is happening and go back to what has happened.

Senator BLUNT. Well, I actually think I know what has happened. So, I do not have much time.

Dr. PETZEL. All right.

Senator BLUNT. Just tell me—

Dr. PETZEL. I will.

Senator BLUNT [continuing]. What we are going to do about it.

Dr. PETZEL. There is the project that you are aware of that is ongoing right now which is the redoing of the Sterile Processing Department (SPD)—

Senator BLUNT. The sterilization.

Dr. PETZEL [continuing]. The sterilization. That is going to be accomplished by July 2012. It involves creating a new area for SPD, and then renovating the present SPD and moving back into it.

We would have to get back to you about the specific things that are in the queue for St. Louis. There are a number of projects that are going to impact St. Louis in the future. We are just not prepared to be able to comment on that now.

Senator BLUNT. And I think one of them may involve Jefferson Barracks and the facility there.

Dr. PETZEL. That is another project. Jefferson Barracks is undergoing—

Senator BLUNT. Right.

Dr. PETZEL [continuing]. An extensive renovation.

Senator BLUNT. Yes.

Dr. PETZEL. Part of that is going to entail moving some of the spinal cord injury work that is done down at Jefferson Barracks up into the Cochran area where it is going to be surrounded by the intensive medical support that is needed.

There are also additional projects that are in the queue, and I would like to be able to get back to you—

Senator BLUNT. That would be great, Dr. Petzel—

Dr. PETZEL [continuing]. Post-hearing.

Senator BLUNT [continuing]. If you would do that. I would like to see what those projects are, and how any of them may be impacted by this budget, and the status of where both of those facilities are headed.

Dr. PETZEL. Yes, sir.

ARLINGTON CEMETERY

Senator BLUNT. Mr. Muro, I saw this morning again another report on concerns about Arlington. Every one of those reports, I am

sure, creates questions in the minds of families who now wonder how accurate the information is on the graves of those they care about. Can you give me a little update on what we are doing there?

Secretary SHINSEKI. Senator, may I—

Senator BLUNT. Certainly.

Secretary SHINSEKI [continuing]. Respond to that—

Senator BLUNT. Certainly.

Secretary SHINSEKI [continuing]. Because I saw the same article, and I took the opportunity to pick up the phone and call the Secretary of the Army, John McHugh.

Senator BLUNT. Yes.

Secretary SHINSEKI. Secretary McHugh assures me that he is working on this and is going to resolve these issues. At the same time, I have committed to him that all of our capabilities at VA are at his disposal. We have some of his people going through our training programs. We have provided some of our workforce there to augment his workforce, even as he is hiring folks. We are committed to helping him solve the issues he is wrestling with, and I think there will be a good outcome here. That is where we are.

Senator BLUNT. Is there a different arrangement for memorial affairs at Arlington than at some other veterans facilities? Are they all under the direct control of the service branches?

Secretary SHINSEKI. I will ask Mr. Muro to address this.

Mr. MURO. Are you wanting me to address how they control it at Arlington or at our cemetery?

Senator BLUNT. I am asking if it is different—is Arlington not considered one of your cemeteries. Is that right?

Mr. MURO. Correct, it is not one of ours.

ADVANCED APPROPRIATIONS

Senator BLUNT. Okay. Alright. Thank you, Secretary, for explaining your follow-up there to me. I think I am out of time, though I did want to ask just briefly your sense of the merits of the 2-year budgeting appropriation cycle that you are in. Just a brief sense of that because I think that is the direction we ought to try to head and many other areas, if we could.

Secretary SHINSEKI. Senator, I attribute this to the wisdom of the Congress in providing the advanced appropriations to this Department. I think we are one of very few departments to have this.

What it has allowed us to do is to get away from annual budgeting, sort of internal pressures where at the end of the year if you have any money left over, you are encouraged to spend it because you are going to give it up anyway. As I have said earlier, it may even be punitive, because your next year's budget is reduced by that amount.

What it has allowed us to do is to put in front of our leadership, the folks who bring to bear these ideas, the need to write good, tough contracts, which lets us be business oriented. We need to write good, tough contracts, and then compete them. You always get a better outcome. We look for an opportunity to have veterans who own small business, be part of this which is important to us because veterans hire veterans, and that addresses some of the other issues regarding veteran unemployment.

If we do those things, at the end of the year there will be savings. I have guaranteed leadership there is going to be savings, and I have invited them not to fall into the old bad habits, and spend at the end of the year. Let us collect savings and let me work with the Congress to explain what we have been able to accomplish, and then take those savings and reinvest in future budgets so we are buying down the requirement for new monies.

I know this is different. I know it is unusual. Some would say not a wise thing to do, but I just think this is the right thing to do with how we treat the monies we are entrusted with.

Out of this year, we have a full year's budget in healthcare. I can see at the end of this year a \$1.1 billion in savings. We have taken \$600 million of that and bought down our requirement in 2012. Our budget top line remains the same, but \$600 million of that is how we have bought down the budget with our savings. In 2013, \$500 million is a second piece of the \$1.1 billion. We have bought down our requirement for new dollars, and I am anticipating now that this will allow us to save another \$1 billion in 2011–2012 and another \$1 billion in 2013, so that out of this 3-year cycle, I am looking for a \$3 billion reinvestment opportunity. I just think this is the right way for us to approach our responsibilities.

Senator BLUNT. Thank you, Secretary.

Thank you, Chairman.

Senator JOHNSON. Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman.

Secretary Shinseki, I want to pick up kind of on that point that Senator Blunt was just talking about. I really appreciate your comments.

First, I want to start, though—thank you for your service on behalf of our veterans. It is such incredibly important work, and I truly appreciate it. We all do.

The second thing I want to mention is the VA medical facility in Fargo, North Dakota is outstanding. It is outstanding. You serve not only all of North Dakota, you serve a big chunk of Minnesota. You also serve into eastern Montana. I have toured it on a number of occasions. The facility is a good facility, and you are improving it, and your people there are caring people. And when I have gone through that facility and I have talked to veterans, they across the board have expressed appreciation for the quality of care and the quality of service that they get. I would encourage you, some time when it works for you, to come out. I would like to invite you to tour the facility. They are making some expansion improvements to it right now. But I think it is a clear demonstration of quality work on behalf of our great veterans, and I thank you for that.

Given the budget challenges we face, which are very, very real, and the incredible importance of taking care of our veterans, what ideas do you have—and I think you started down that trail on Senator Blunt's last question. What can we do to try to make these dollars go further when we talk about taking care of our veterans? What kind of things can we do to help? I mean, flexibility and the 2-year budget cycle. What ideas do you have that we can help make these dollars go further?

Secretary SHINSEKI. That is an excellent question, Senator. What we have tried to do over the past 2 years was change the culture

here in VA into a more business orientation, and we have done a lot, but we still have work to do inside our Department. Great people come to work every day trying to do the right thing, but if we are not synchronized and all looking at the same objectives, you won't have a tendency to get efficiency and accountability. Those things are then bumper stickers that you never really get delivery on.

The 2-year budget helps because it allows us to get away from the pressures of that year-to-year budget. Senator Kirk asked about the growth in the general account, which is the overhead. Well, suggesting that we ought to be more efficient does not usually result in efficiency. You have to put plans into place, you have to make clear objectives, and then you have to supervise, and that is the only way you get the right outcomes. A little bit of this issue is the growth and overhead that is of concern. I am happy to provide details, but it is the results we are looking at here.

If I can turn \$3 billion in a 3-year span of budgets, I think there is other opportunity here that we would like to continue what we believe are the right behaviors and culture. Long after any of us are departed from this table, if we have put the right behaviors, the right disciplines, and processes in place, then this will be a new way of doing business in this Department. The support of this Congress would be crucial to our being able to deliver that system.

IT is the lifeblood here. Unfortunately, because we wanted to get control over IT, we centralized it over in Secretary Baker's account, so it looks like IT, but IT isn't an entity. It is everything we do over in healthcare. There is no separation between healthcare and medical IT, the same for benefits, and the same for cemeteries. My interest is being able to sustain the priorities that we have invested in so we can continue to deliver these returns.

BUDGET REQUIREMENTS

Senator HOEVEN. What are the key pressure points in terms of your budget and your ability to take care of veterans right now? You know, they are coming with post-traumatic stress disorder (PTSD), brain tissue injuries. We have been at war for more than 10 years. What are the pressing pressure points in terms of you taking care and meeting these needs of veterans vis-à-vis your budget constraints?

Secretary SHINSEKI. Well, it is the growth in the number of veterans coming to enroll with us. As I have indicated, in 2008, just before I arrived, we had 7.8 million veterans enrolled in healthcare; in 2012, that number is estimated to be 8.6 million, or about an 800,000 growth in population over 4 years. My expectation is that will continue to rise, and so, the investments in IT, in research and the quality of healthcare that we have underway today must continue.

The investments in IT for veterans' benefits decisions have to be sustained so that we can accept this increase in the number of claims being submitted. As I indicated, 1 million claims a year is not unusual. Now we expect it will be 1.4–1.5 million in this year alone.

I just think that the program we have described is a good one. The budget supports that. We have a new strategic program for

looking at our footprint with all of our facilities. We are trying to anticipate in the future where the veterans are going to populate, and how our current footprint is designed to meet that requirement. If it does not do that very well, how are we going to adjust over time? That is going to take a lot of work and a lot of engagement with the Congress to understand what that future plan will look like.

Senator HOEVEN. Mr. Chairman, if I might, one short follow-up to that.

Do you have the ability to move resources the way you need to provide care, and do you need significant more fixed asset or fixed facility to meet that population need you talked about, or can you focus your dollars into taking care of people?

Secretary SHINSEKI. You know, this is a great question because I am trying to answer the question looking forward.

Right now, I think we have the capability to respond in the way you have expressed. We do, however, from time-to-time, have to review our priorities, and that involves discussing them with the Congress. I am comfortable that we have a relationship and dialogue with the Congress so we can do that.

I believe that we have the tools at this point, Senator, and I am happy to come back and work with you and provide a better answer.

Senator HOEVEN. Thank you.

Senator JOHNSON. Senator Murkowski.

HEALTHCARE REFERRAL

Senator MURKOWSKI. Thank you, Mr. Chairman.

Good morning, gentlemen.

Mr. Secretary, thank you for your service, for your commitment to our veterans, to all of you. You do an exceptional job by them.

Mr. Secretary, when we were here at this same hearing last year, I had an opportunity to discuss the practice that we see in Alaska of sending far too many of our veterans outside to Seattle for their care. And at the hearing last year, you told me—and I quote from the transcript—you said, “We are going to look at very closely why we would send a veteran on a 2,000-mile journey if there is competent, safe healthcare available close by.” And then, Dr. Petzel, you also said, “It’s one thing to come down for open heart surgery, which may be a super special kind of thing to do, but on the other hand, routine surgery that could be performed in Anchorage on a contract or in-fee basis probably ought to be looked at.”

And as I mentioned to the Secretary in our meeting this week, which I appreciate, we are making some progress in certain areas. We are seeing that when it relates to veterans who are receiving chemotherapy treatment. We are now seeing that care provided locally.

The report from the VA inspector general in 2010 looked at the referral patterns over the years 2008 through 2009—591 veterans were required to travel to the lower 48 during that time period; 63 percent of those veterans resided in either Anchorage or the Matsu area, which is just outside of Anchorage. It is the home to the most sophisticated medical care that we have available in Alaska.

This week, Secretary, when we spoke, I shared with you the cases of two of our veterans, one a 79-year-old Anchorage veteran who was required to travel to Seattle for an orthopedic consult. The other one was a 74-year-old Anchorage veteran who had been directed to Seattle for goiter surgery. Both of these procedures could have been done, and when we asked the VA there in Anchorage, the standard response is, well, VA regulations provide that it must be done in a VA facility. Even if it is in Seattle, that is where the care has to be provided.

So I am going to take this opportunity again to ask, Mr. Secretary, why would we send a veteran on a 2,000-mile journey if there is competent, safe healthcare available close by? And Dr. Petzel, I would ask you if you stand by your statement from last year that if routine surgery can be performed in Anchorage, it ought to be provided by contract or a fee basis if it cannot be done in a VA facility. So, if we can just go back to that colloquy that we had last year.

Mr. Secretary.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Murkowski, you accurately did quote what I said back in the hearing last year. I was pleased when we reviewed this to see that the chemotherapy patients have been provided for in Anchorage. I am not pleased with the progress we have made. I think there are more things that could be done. Specifically, we would like to work with the Indian Health Service (IHS), the Native tribes, and the Air Force to see, like the Air Force and others who contract in the community, if we could do a consolidated bit of contracting to get a better price.

One of the issues has been the difficulty, with only one provider, of getting a contract that would be possible to work with. You have my promise that we are going to look much more carefully at being able to provide more of the care in the community. There will be an occasional thing, such as the example used before of open heart, where it might be in the—

Senator MURKOWSKI. Sure.

Dr. PETZEL [continuing]. Veteran's best interest to move. I stand by what I said before, and we will do a better job now of looking for alternatives in the community.

Senator MURKOWSKI. Okay. Well, we want to work with you.

Mr. Secretary.

Secretary SHINSEKI. Yes. Senator, let me just add, I think Dr. Petzel's response was significant. I would just say, as I am looking at the numbers I have, and the numbers you cited for 2010, these numbers are based on a 2009—

Senator MURKOWSKI. Right.

Secretary SHINSEKI [continuing]. Survey. For 2011, thus far, up till March, we are down to inpatient referrals to 26. Still, I would want to get into the 26 and then answer your question about why are we still sending folks. I do not have that detail, but from 200 or so down to 26, we are moving in the right direction.

And then in outpatient referrals, from the 2009 numbers of 600-plus, we are down to 278. So again, I would want to get in the details of the numbers.

I would also add that for non-VA care, fee-basis care, we are paying, about \$4 billion a year, and that is going to go up significantly over the 2012–2013 time frame. We do have the ability to refer patients to the economy for civilian healthcare in communities when we are not able to provide it. I will work with Dr. Petzel and with you to have a better idea of what we are going to try to accomplish, set some objectives, and then let us work at them.

Senator MURKOWSKI. I appreciate you stating not only that you will work with us on this. Again, we recognize we have made some progress, but I think it is clear that we can and we must do more.

When you state you want to set some objectives, I appreciate that because you operate over there within the VA system from a very businesslike perspective using benchmarks and matrixes. I guess I would ask whether or not you can give me a matrix in terms of what we can anticipate or what we would hope to reduce the number of Alaska veterans that are being sent outside for care in this next fiscal year. If that is not something that you can give me today, maybe we can work on defining what that is.

Secretary SHINSEKI. I am not able to give you those numbers today, but I am happy to work with you and try to look forward and anticipate what the requirements are going to be, and at least have a common vision of what is the likely outcome.

Senator MURKOWSKI. I want to try to better understand. Again, we keep getting the message out of Anchorage VA that they are limited in their ability to provide for a level of flexibility if the regulations say we are stuck with it. Is it necessary for the Congress to provide you with any additional legislative authority in order to reduce the number of veterans that are sent outside for care, because I am getting a mixed message out of what is coming from the State and then what I hear from you and your clear willingness to work with us. But do we need more to ensure that there is no question but that that authority exists to provide that care locally?

Secretary SHINSEKI. I do not think at this point, Senator, we need any more assistance on this. Just let me get into it a little more deeply, and then come back and work with you on those outcomes. Then if you still feel that it is not sufficient, I am happy to work legislation with you.

Senator MURKOWSKI. I appreciate that, and I look forward to further defining how we address the care of the many veterans in our State. And I appreciate that.

Thank you, Mr. Chairman.

NATIVE AMERICANS

Senator JOHNSON. I will permit a brief second round of questioning.

Secretary Shinseki, it remains important to me that we meet the unique needs of our Indian veterans. The Wagner State block was a groundbreaking partnership between the VA and IHS, and was long overdue. Mr. Secretary, now that the facility has been open for almost 1 year, how has cooperation between these two agencies been going, and does the VA plan on duplicating those efforts at other locations?

Secretary SHINSEKI. Mr. Chairman, the real hero here is Dr. Petzel, so I am going to let him provide the details.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Johnson, as you know, I am very familiar with the clinic in Wagner. It started a long time ago when I was a network director in Minneapolis and you and I shared the podium when we did the groundbreaking at—

Senator JOHNSON. Yes.

Dr. PETZEL [continuing]. That place. It was a precedent-setting effort. It is a VA-owned and operated clinic that sits on reservation land almost in the middle of the city of Wagner, and it is used by both American Indians and non-Indian veterans. It is an example that we would like to transmit to other parts of the country.

There have been a few others now, and we do have a number of clinics that are located proximate to reservations, but really not very many of them that are on reservations. Wagner has been a good example. It is operating. They have 370 patients enrolled. We think it is something that could be done in other parts of the country.

But the difficulty, and the big lesson learned there, was the fact it was very difficult to get the tribes, the IHS, the VA, and the local community all together on the same page deciding what to do. It took us actually 10 years to develop that. With the new memorandum of understanding (MOU) between the VA and the IHS, I am hoping that we can truncate that process and accomplish getting more of these clinics built in a much, much shorter period of time.

Senator JOHNSON. Do you have a concrete example of another VA-IHS combination?

Dr. PETZEL. Well, I do in South Dakota actually—

Senator JOHNSON. Yes.

Dr. PETZEL [continuing]. Where there has been a lot of progress made. We have a PTSD treatment program on the reservation at Pine Ridge. We do telehealth in both Rosebud and Pine Ridge in South Dakota. We have compensated work therapy programs at four Indian reservations in South Dakota. So there are a lot of examples of us being present on the reservations.

They are very remote, and they are underserved. There is just no doubt about the fact they are underserved. Just to point out the value and the importance of doing this, in South Dakota, 50 percent of the American Indian males are veterans.

Senator JOHNSON. Yes.

Dr. PETZEL. This is a warrior society. They participate in our military extensively, and I think we need to do a better job, quite frankly, of meeting their needs on the reservation.

Senator JOHNSON. Dr. Petzel, the healthcare reform bill authorized the IHS to enter into arrangements with the VA to share not just medical facilities, but also services. Are there plans underway to expand the sharing of healthcare services between the VA and IHS for Indian veterans in Wagner?

Dr. PETZEL. Senator, thank you, Mr. Secretary.

Senator, I cannot point to a specific thing that is going on in Wagner. I will go back and we can look and hopefully get back to you, as a post-hearing response. I do know that in a general sense across the country, once our attorneys in the IHS and the VA have agreed on what exactly the legislation means there will be substan-

tial opportunities to share services around the country, particularly for us to provide specialty care referral services for the IHS, and for us to, as you had mentioned earlier, co-locate some of our primary care and mental health facilities on reservations. I anticipate there will be a growth in our activity.

[The information was not available at press time.]

Senator JOHNSON. Mr. Secretary, what is the VA doing to improve access to VA healthcare and counseling on tribal lands?

Secretary SHINSEKI. Mr. Chairman, the basis for our approach here, and we are just at the inaugural stages of this, is we just signed an MOU with the IHS in October of last year, and that is now beginning to promulgate the activities that I think over time will deliver what Dr. Petzel is describing.

Just as an example here, the Wagner community-based outpatient clinic, as Dr. Petzel describes, is built on Yankton Sioux tribal lands, and it is bringing in more than just tribal veterans to that location. It is sized to fit about 700–800 veterans, and right now, the population is growing. We are about at the 370–400 mark, and there are lots of opportunity for growth. A lot of what will be required will be driven by the veterans who come there looking for services. Right now, we provide primary care, mental health services, and home-based primary care out of Wagner, as well as contracted specialty care. It is open 5 days a week, with normal working hours, so there is great access for veterans in the 10-county area that is serviced by Wagner.

INTEROPERABILITY

Senator JOHNSON. Senator Kirk.

Senator KIRK. Thank you, Mr. Chairman.

Back to health IT, especially medical records, what would be the difficulty in just saying across the board that all imagery are JPEGs, all documentation is Word documents, all databases are Access databases, so that we could just kill the proprietary thing right off the bat and have almost interoperability tomorrow?

Mr. BAKER. Thank you, Senator.

I think the one in there that I would be most concerned about would be specifying on the database side. Data representation is probably the toughest part of that one.

I would tell you that we are very focused on incorporating a lot more commercial-off-the-shelf—private-sector software, into what we do. It is our entire strategy.

Senator KIRK. Right.

Mr. BAKER. We recognize that we cannot build electronic health records (EHRs) at the rate that private sector does. If you look, we are blessed by the fact that we build and own one, and it is still one of the best EHR systems out there.

Our entire strategy going forward is to figure out how to bring in a lot more commercial-off-the-shelf into what we do and turn that into our entire strategy for EHRs.

Senator KIRK. What is wrong with just having you use the Department of Defense (DOD) stuff since they are generating veterans, or since you are a little bit larger than them right now, having them just surrender and using the VA standard? I mean, honestly.

Secretary SHINSEKI. I would just say that this has been a discussion that has been underway for 2 years now, and I think between the two of us, DOD understands that its current system capabilities are not going to be what they need in the future, so they are looking for a new direction.

We have a terrific EHR, but again, it is about 20 years in being. We are going to have to just also ensure the sustainability of that system. It is a great opportunity for both of us to put our heads together. Secretary Gates and I and our staffs met on the 17th of March to come to an agreement on a joint common platform. We have done that. Our staffs now have the responsibility by our next meeting in early May to come back with an implementation plan and the details of what that means. At that point, I am happy to come back and explain what our future will look like, and I expect that commercial-off-the-shelf will be very heavily represented.

Senator KIRK. The chairman and I were briefly talking. I think it would be great if he and I had you and Secretary Gates up here in mid-May to discuss how far you got and to have the Appropriations Committee propel you forward on defeating one side or the other, and just going with a common standard so that we are not inventing very much.

Secretary SHINSEKI. I am happy to come back and provide that update to the subcommittee. I cannot speak for Secretary Gates' calendar.

Senator KIRK. I was just talking with Tina. She said, you know, if we include Chairman Inouye and Chairman Cochran, it might propel attendance.

Secretary SHINSEKI. I think we have a good solution. This is what he and I have been working on for 2 years, and I think there is real potential for an outcome here that is different than anything that has been tried over the previous decades.

CLAIMS ADJUDICATION

Senator KIRK. Great. I read the House transcript of your hearing pretty closely. In it, Chairman Culberson laid out an inspector general (IG) report that said callers to the VA had only a 49-percent chance of reaching an agent and getting correct information; that in claims processing, 23 percent of claims were processed incorrectly, and 50 percent of the compensation determinations were unnecessarily delayed. How have you responded to that IG report that the House Appropriations Committee focused so much attention on?

Secretary SHINSEKI. Mr. Walcoff.

Mr. WALCOFF. Senator, what you are actually quoting from are several different reports that the IG has done involving different parts of the VBA operation.

The reports on the quality of the claims adjudication, I would tell you that we recognize the fact that we have got to do something to improve the quality of our adjudications. That is why the technology part is so important because we recognize that just doing more claims at the current accuracy rate that we are doing is not the answer, we have got to make sure we improve our quality. We are working to do that.

Senator KIRK. I guess more worrying is the—only 49 percent chance of a caller—

Mr. WALCOFF. I am going to make a statement on that. We had some disagreement with them on the methodology they used to come up with that statistic. We did not concur with that fact the way that was quoted. Now, that being said, I will tell you that there is a lot of room for improvement in the quality of the call agent's work at our call centers. I am not going to deny that. We have done a lot of work since that report came out on reorganizing our training, having it more centralized, and having the individual call centers more accountable for how the training is being implemented. While I might not necessarily agree with that specific number, I will tell you that there is definitely room for improvement, and we are definitely trying to improve.

Senator KIRK. Last question, Mr. Chairman. The Congress appropriated a very large amount of money for health IT over at the Department of Health and Human Services (HHS). Can you describe how you have reached out to HHS who has what I would technically describe as a vast amount of money that we appropriated on the IT side?

Secretary SHINSEKI. Senator, we have been working with HHS. Part of the effort between Secretary Gates and I, first of all, we have two good EHRs, and our belief is that if we can merge our capabilities here and come out with this joint common platform in a way that is useful—if we are attentive to everyone else, not just the two of us, and have it be useful for HHS to use as a model as it looks forward, it will be cheaper and faster as well.

Senator KIRK. If I called Secretary Sebelius and said, how about the VA electronic record becoming the Medicare record, would she fight me?

Secretary SHINSEKI. I do not know the answer to that, but I can tell you that we have been working with her IT folks in this arena and keeping them abreast of our work with DOD.

Senator KIRK. Great.

Mr. Chairman, thank you.

Secretary SHINSEKI. May I just add, Mr. Chairman, to Mr. Walcott's remarks? And the question is the IG report. I do not quarrel with the IG report. I think what you will see in our efforts to automate addresses most of those sort of observations in the report.

First of all, we have a growth in veterans coming to us, and that is accompanied by a growth in the amount of claims we are getting every year. The numbers are significant. Our ability to intervene here with just hiring more people, we have realized, at least I have realized in 2 years, you cannot hire and train fast enough because the quality you want comes with 20–30 years of claims processing. That is where the experience and the insights make for good, high-quality outcomes. Frankly, our quality employees with 2 or 3 years' experience cannot match that.

What we can match is if designing this rules-based engine that takes advantage of that 30-year set of experience and put it into the rules, then the 2- or 3-year experienced employee fills out the right data, pushes the button, and the computer can take over.

Senator KIRK. And by rules-based, you know, for people out in the public, this is like TurboTax.

Secretary SHINSEKI. It is.

Senator KIRK. It asks you a set of questions, and based on those answers, generates a tax return. This would ask a set of questions and would generate a disability determination.

Secretary SHINSEKI. Absolutely.

Senator KIRK. Yes.

Secretary SHINSEKI. Last year we produced 1 million claims in 2010. Just so there is clear sighting on what is involved in here, I would tell the subcommittee that 57.6 percent of those claims that we produced were reopened compensation claims, either a request for increase, a new condition that wanted us to take cognizance of, or a claim that had been previously denied. When you are in paper, every resubmission is a new start.

Senator KIRK. Right.

Secretary SHINSEKI. When you get that information in automation, 60 percent of the work is already done. It has already developed, and what you are doing is you are pulling that data up and reviewing it. That is why we want to get to this automation piece and why that is going to make a tremendous change in the way we have been doing business.

I would say of the phone calls that come in and cannot get a satisfactory answer, 50 percent of the calls are administrative like I want to change my number of beneficiaries; I want to change my mailing address; or I want to change my bank account. It is either those administrative calls or what is the status of my claim. It is sort of like that, with where is my FedEx package en route. All of this is through automation, and that is why the other project, VRM, is really the opportunity for a veteran to check in the system without having to make a phone call and wait for a call back or try to find someone with the right information. They can influence their interactions with us at a time and a place of their choosing, and that is why I think this automation solution in both these categories, claims and relationship management, hold the best opportunity for a major and significant change in how veterans interact with us and their satisfaction.

RURAL VETERANS

Senator JOHNSON. Senator Murkowski, do you have any follow-up questions?

Senator MURKOWSKI. Just very quickly, Mr. Chairman, if I may. And this follows on your inquiry about working with the IHS.

Mr. Secretary, we have been talking for a number of years now about how we can better provide access for our Alaska Native veterans that are living in some pretty far flung parts of the State, some pretty remote areas, and how we can provide care for them closer to their homes, utilizing the Alaska Native Health System. And I appreciate your comment earlier about working together more collaboratively within IHS and with the tribes.

We have got a tribal liaison that has been created within the VA. I appreciate that. I really hope that we are able to see some positive action out of that. We will await that.

A couple of years ago, the Anchorage VA launched this pilot project to provide our rural veterans with a limited number of appointments at Native health facilities or community centers. We had an opportunity to discuss the independent report that came out August of last year, and it was not surprising that it was as big a disappointment, I think, as the report concludes. I had sent you a letter earlier saying that I was concerned about the design of this and how we were really going to be able to get the information out. What we learned was that 92 percent of the veterans surveyed indicated they had never heard of it. Many others said they did not use the pilot because they did not understand how it worked. Providers expressed their concerns that it was too limited in scope to provide for adequate level of care.

So we are through that. We are now where we are, and it does not seem like we have figured out what that solution is, how we provide for that better level of access to our rural veterans and more specifically, to our Alaska Native veterans.

Have we learned anything from this pilot project? What—and this is a very general question to you, but where do we go next in our efforts to provide care for our rural veterans?

Secretary SHINSEKI. Let me call on Dr. Petzel, and I will conclude.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Murkowski, you accurately described the results of that pilot. My personal feeling is that not all of the right things were done in terms of implementing that pilot. As you pointed out, for making people aware, and providing for a case manager coordinator to see that people actually used it and then follow through to see that the people that were eligible and in the area could actually use the clinic.

I think with the new MOU with the IHS and then the sharing arrangements that are described in that MOU, we have got an opportunity to go back and look at veterans using IHS clinics.

One of the issues that has arisen around the country, not just in Alaska, is the difficulty sometimes of having non-Native people use a facility that was dedicated to Natives. The fact that we have the interest on the part of the IHS at the national level in seeing that this occurs and that we do this, I think is going to go a long ways toward overcoming that resistance that we felt in some areas.

I think one of the immediate answers to your question is that we need to go back and re-look at and reinvigorate the idea of us using Native clinics for non-Native veterans, number one.

Number two is what I mentioned earlier, and that is a concerted effort at contracting for-fee care with the Air Force and the Alaska Native community. I just believe that we would provide a substantial amount of leverage if all three of us got together and looked for one contract with a network perhaps of providers that could better meet the needs of the Air Force, the VA, and the Native community.

You have got my promise that we are going to go back and look at trying to reinvigorate our using the Native clinics.

Secretary SHINSEKI. Senator, let me just conclude. I think if we were to look at the history of VA healthcare delivery, I think we would all recognize decades ago we had large hospitals, and

healthcare delivery was, come to the hospital and get your healthcare. In the past 15 years or so, some bright folks at VA decided to change that delivery model and to push from those hospitals out to the communities where veterans live. That is why we have community-based outpatient clinics and vet centers and mobile clinics, and so forth. I think that they were a good first step in trying to outreach to where the veteran populations were.

With the chairman's leadership, we have begun a rural program within VA, which takes that outreach to the next step with \$250 million a year now for several years and that addresses the rural requirements, which is creating more opportunities for access to veterans.

I do not think what we have done is quite visualized what you are describing, and that is the longer reach to the highly rural areas where there are no roads, and it is difficult to get in to provide healthcare in the way we have traditionally provided it. That is why this MOU with the IHS is significant for us. I do not think we have maximized yet the capabilities here, and we probably need to take that vision—that next step—and codify some very specific objectives that we intend to accomplish here. I'm happy to do that with you and your staff and also with the chairman, who has been helpful here in the rural efforts.

Senator MURKOWSKI. I think the answer is clearly there. It is not as if we need to create or build VA facilities in every small community in America. That is not our answer. But where you do have systems, Federal healthcare systems, whether it is within the military, the DOD, or whether it is within IHS. Looking at it from the veteran's perspective, they are looking it and they are saying, "It is all Federal money here. I am a veteran. I am a Native. There ought to be some ability to work within this Federal system." It is not unlike what Senator Kirk has been talking about in terms of the electronic records. I think the average individual just cannot fathom that the VA does not connect with, speak with, DOD when it comes to the records of that individual who at one point in time was active military, then moved to the veteran. He has not changed. His health status has not changed, and yet his records do not travel with him. And it is not unlike being able to receive a level of care. You are working within different Federal health systems. There must be some better way that we can help to facilitate this. So again, I urge you as we look to these systems that we are setting up, whether it is our tribal liaisons to work within—between the VA and the IHS, the MOUs that we have. I think we need to get more aggressive because right now what happens is the promise that we have made to our veterans when it comes to healthcare seems to be only able to be fulfilled if you happen to live in the right part of the country. And that was not the promise. So we have got to be a little more flexible.

I think you have given the commitment to work with us, and I look forward to working with the chairman on this as well.

Thank you.

Secretary SHINSEKI. Senator, I would just conclude that the MOU we signed with the IHS is significant because we have begun to implement and to define what that really means. To this point, it includes pharmaceutical support, telehealth, homeless services,

cultural competence education, co-managing patients, physician cross-credentialing, and building of community-based outpatient clinics located near and even on tribal lands, which you know is a serious discussion, including transportation programs. We have begun to flush out what that MOU represented, and we just need to do that faster and better.

Senator MURKOWSKI. Thank you, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. I would like to thank the Secretary and those that accompanied him for appearing before this subcommittee. We look forward to working with you this year.

For the information of the members, questions for the record should be submitted to the subcommittee staff by the close of business on April 7.

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

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

STRATEGIC CAPITAL INVESTMENT PLAN (10-YEAR PLAN)

Question. Mr. Secretary, the budget release was accompanied by the Department's Strategic Capital Investment Plan (SCIP). This plan outlines the Department of Veterans Affairs' (VA's) capital needs totaling between \$55 and \$60 billion over 10 years. Yet the VA is estimating it will spend a combined \$720 million less on all of its construction programs in fiscal year 2012 than in fiscal year 2011.

How do you plan to achieve completion of the plan if budget requests continue to shrink?

Answer. The intent of the SCIP process is to provide, for the first time, a comprehensive and complete picture of VA's current inventory and outline the steps needed to enable VA to continually improve the delivery of benefits and services to veterans, their families, and their survivors. The fiscal year 2012 SCIP process identified \$53-\$65 billion in cost estimates over the course of the 10-year planning horizon.

The SCIP plan provides a rational, data-driven strategic framework to ensure all capital investments are focused on the most critical infrastructure needs first and funded in priority order. Safety and security is the criteria with the highest weight so projects that have the greatest impact in this area typically rank high and are included in our budget request. For example the highest ranking major construction projects address seismic issues at West Los Angeles and San Francisco, California, and Reno, Nevada. Furthermore, because the plan is data-driven and prioritizes projects based on identified needs, it ensures that VA uses the best value solutions to provide the highest quality benefits and services to veterans, their families, and survivors. The SCIP process also emphasizes the use of noncapital solutions to close gaps.

VA's fiscal year 2012 budget submission reflects choices that are made each year balancing the construction needs identified in the SCIP 10-year plan with other VA priorities. The advantage to the SCIP process is that the plan focuses resources on the highest capital asset priorities.

VETERANS BENEFITS MANAGEMENT SYSTEM

Question. Mr. Secretary, the Department has been in the process of developing its new paperless claims processing system—or Veterans Benefits Management System (VBMS)—for several years now. I understand that the first phase of VBMS is currently being tested at the VA in Providence, Rhode Island.

Can you tell us when you expect this system to be fully deployed?

Answer. The VBMS initiative involves business transformation efforts coupled with incremental technology releases to modernize the benefits adjudication process. There are three successive phases that are designed to develop and test process improvements and VBMS technology solutions in a production claims setting. Full na-

tional deployment is scheduled to begin in calendar year 2012, with completion projected in calendar year 2013.

As you have pointed out, VBMS is a critical part of your transformation initiative and seems to be one of the key pieces in your plan to eliminate the claims backlog and wait times.

Question. When can we expect to see tangible results from this system?

Answer. National deployment of VBMS will begin in calendar year 2012, with a staggered rollout to regional offices. Regional offices will deploy VBMS in groups of three to five offices. Offices should expect to see tangible results within 6–9 months postdeployment as they work through their existing inventory of paper-based claims and transition to the paperless environment. All offices in the Veterans Benefits Administration are projected to transition to VBMS by the end of calendar year 2013.

Question. In other words, when will this system actually lower the average time a vet has to wait for a claim to be processed?

Answer. As VBMS is deployed in small groups, processing times for those regional offices will be reduced as they work through the paper-based inventory and transition into the paperless environment. Veterans should expect to see a reduction in processing time within 6–9 months of their regional office of jurisdiction transitioning to VBMS. Ultimately, VBMS will provide the technology solution to achieve the goal of no veterans waiting more than 125 days for a quality decision on their claim.

Question. The VA was a pioneer in the development of electronic health records. However, the current system was designed in the 1980s and needs to be updated. The Department of Defense (DOD) is in the same boat. Over the years, this subcommittee has strongly encouraged both Departments to develop systems based on the same designs so that each aren't reinventing the wheel and doubling the cost to taxpayers.

Have you and Secretary Gates made a decision to pursue systems based on the same architecture?

Answer. Yes. In a meeting on May 2, 2011, Secretary Shinseki and Secretary Gates agreed to pursue a joint electronic health record.

Question. If not, why not, and if you have, when will development begin?

Answer. DOD Secretary Gates and VA Secretary Shinseki formally agreed on March 17, 2011, that the two Departments will work cooperatively toward a common electronic health record (iEHR). The iEHR is currently in the early planning phases. Planners have agreed to transform the team structure to best support the proposed governance model.

MEDICARE RATES

Question. Mr. Secretary, the VA is moving toward charging Medicare rates for certain services. I believe you are in the process of shifting to that model with dialysis right now and your budget assumes that you will also begin doing the same with ambulatory services in fiscal year 2012. There has been concern raised that moving to the lower Medicare rates could disrupt services for vets, especially in rural areas.

How do you plan to ensure that services for vets are not disrupted?

Answer. Dialysis is a service provided by VA as part of the veterans medical benefits package, and VA provides dialysis treatment within VA or by purchasing dialysis treatments from non-VA providers when such care is unavailable internally. VA is currently evaluating the risks associated to veteran access and VA costs if large provider groups decide to not accept veterans at the Centers for Medicare & Medicaid Services (CMS) rates. We believe many, if not most, providers will accept the CMS rates as these are the same rates reimbursed by other Federal payers. As a result we anticipate that there will be little to no impact on access to care for veterans. If we observe any negative impact new contractual agreements may be utilized to ensure our veterans continue to receive dialysis services closer to home. If contracts are required, VA will work in those specific areas to ensure no negative impact to access for these healthcare services.

BLACK HILLS HEALTH CARE SYSTEM

Question. Secretary Shinseki, 1 year ago, as rumors were swirling in South Dakota about changes to the Black Hills Health Care System, you assured me that before any final decisions were made, the VA would hold local town hall meetings to receive input from veterans and employees. I noticed that in the Department's SCIP, a project to build a new domiciliary in Rapid City, South Dakota, ranked No. 7. Such a project would have a significant impact on the Hot Springs VA campus and the Hot Springs community, where the domiciliary is located. I also understand

there are efforts underway to expand the Rapid City community-based outpatient center.

Secretary Shinseki, what is the VA's overall, long-term plan for the Black Hills Health Care System?

Answer. We are working to develop a feasible long-term plan for VA Black Hills that aligns services to veterans needs and locates more services closer to where the larger groups of veterans live. Demographic changes and migration of veterans, jobs, and other services to larger population centers in western South Dakota and northwestern Nebraska are forcing us to evaluate whether the current service configuration and locations of care are appropriate for optimal service to veterans both now and in the future. I can assure you that prior to any final decisions being made about Black Hills, veterans and stakeholder input will be received.

Question. When will this be communicated to the veterans and VA staff in the Black Hills?

Answer. No specific plan for re-configuration has been presented to the Secretary at this time. As options are developed, VA will ensure that all stakeholders, including veterans, Members of Congress, service organizations, employees, and the community are included in the discussion.

QUESTION SUBMITTED BY SENATOR MARY L. LANDRIEU

CONTINGENCY FUND

Question. In the current fiscal environment, it is important that we look for inventive solutions to meet the needs of our growing veteran population while remaining fiscally responsible. We are also at a time when transparency is paramount in the way that we build and execute our budgets. I would like to commend Secretary Shinseki for innovative use of a contingency fund for veterans medical services.

Based on this backdrop, what are the trigger points that would warrant the use of the \$940 million contingency fund?

Answer. Section 226 of the Administrative Provisions proposed in the 2012 President's budget states that:

“. . . such funds shall only be available upon a determination by the Secretary of Veterans Affairs, with the concurrence of the Director of the Office of Management and Budget, that:

- (a) The most recent data available for:
 - (1) National unemployment rates,
 - (2) Enrollees' utilization rates, and
 - (3) Obligations for Medical Services,

validates the economic conditions projected in the Enrollee Health Care Projection Model, and

- (b) Additional funding is required to offset the impact of such factors.”

QUESTIONS SUBMITTED BY SENATOR BEN NELSON

MEDICAL CERTIFICATION AND EMPLOYMENT

Question. I recently met with a group of Iraq and Afghanistan veterans, two of whom were medically trained personnel who served on the front lines treating injured servicemembers. When they separated from the military, these veterans tried to continue their medical service in the community, but found that they lacked the State and local certifications to secure a job. Now both of these vets are unemployed and are faced with the decision to take 1 year or more, using their GI Bill benefits, to go through certification programs for skills they may already have. This seems to me to be a misutilization of two great resources: our combat veterans who have great training and real-world experience, and our GI Bill funds which may be paying for duplicate training. I understand it is not just our medical personnel who are facing this dilemma, this problem crosses multiple disciplines, including mechanics, firefighters, military police, etc.

Has the VA looked into this particular issue of specialized fields that require certification and what could perhaps be done for veterans to capitalize on their military training and service, so that we aren't duplicating money, time and training for the same specialties?

Answer. The Veterans Health Administration (VHA) staff is actively engaged with the Office of Personnel Management, and participated in a March 29, 2011, mini-summit on this issue. The purpose of the summit was to better understand the environment affecting veterans and transitioning servicemembers with medical back-

grounds seeking Federal nursing positions. Additionally, there was discussion regarding the creation of a career track to assist and guide these former medics and corpsmen who desire Federal nursing careers. Executives from VHA are assigned and actively working on subgroups to assist in developing strategies to improve recruitment into nursing and other allied health occupations. Federal agencies, colleges and universities, and other organizations are collaborating on these teams to identify potential solutions.

Qualification standards for nursing and some other occupations do require that candidates be licensed and/or credentialed to practice in their fields. Licensing standards traditionally rest with organizations external to VHA.

GI Bill benefits may be used to pay the costs associated with licensing and/or certification. If specific additional training is required to achieve a license or certification, the GI Bill could also be used for that training.

Question. What are we doing to help our veterans translate their military service into the civilian workforce?

Answer. The Department of Veterans Affairs (VA) will work with the Departments of Defense and Labor, accrediting agencies, and certifying bodies to ensure that the training and work experience that servicemembers receive will be acceptable for civilian employment.

At the present time, all schools and programs approved for VA education benefits must have processes in place to grant credit for prior training and experience. Each individual student's records must be evaluated, and credit granted as appropriate. Schools and programs make the final determination of whether a student will receive credit for prior training and experience.

Additionally, vocational rehabilitation and employment (VR&E) counselors meet individually with each veteran or servicemember seeking our services to assess their rehabilitation needs, set employment goals, and determine the most effective means to achieve successful outcomes.

As part of a comprehensive assessment, VR&E counselors conduct a transferable skills analysis to determine how an individual's previous education or experience may be used to qualify for employment in a similar occupation or related field. As a result of the assessment, the individual may be able to identify a shorter path to suitable employment that is compatible with his or her interests, aptitudes, and abilities. The individual and the VR&E counselor may develop a rehabilitation plan focused on VR&E's rapid access to employment track. VR&E provides employment assistance services that include short-term training or certification examinations, if needed to qualify for employment in the chosen occupation.

If the comprehensive assessment indicates that a longer period of education or training is needed to prepare for competitive employment, VR&E can help with transitional employment while the individual participates in VR&E's long-term services track. Depending on the individual's financial needs and the rate of pursuit of training, assistance may be provided through a work-study position or through job placement services focused on supplementing the monthly subsistence allowance with full-time or part-time work that would not interfere with completion of the rehabilitation plan.

QUESTIONS SUBMITTED BY SENATOR MARK PRYOR

SAVINGS

Question. On March 1, 2011, the Government Accountability Office (GAO) released a report with recommendations to reduce duplication and save money across almost every Federal agency. On March 8, 2011, I sent letters to various agencies asking them to review the recommendations and report back to me regarding whether or not the agency agrees with GAO's findings and advise me of any actions taken or planned to be taken to address GAO's findings. I sent a letter to the Department of Veterans Affairs (VA) but have not gotten a response. GAO had three specific areas for the VA to look at.

Opportunities for the Department of Defense (DOD) and the VA to jointly modernize electronic health record systems.

Answer. The VA is responding to Senator Pryor's letter. In a meeting on May 2, 2011, Secretary Shinseki and Secretary Gates agreed to pursue a joint electronic health record. This is a complex, large-scale effort to modernize the health records systems of the two Departments in a manner that will allow for unprecedented amounts of data-sharing. This effort will produce enormous cost-savings for taxpayers over the long term through the use of large-scale efficiencies.

The integrated electronic health record (iEHR) when completed, will be a national model for capturing, storing, and sharing electronic health information, and will eliminate the costly duplicative medical testing that typically occurs as Active-Duty service personnel transition out of the military and over to VA healthcare facilities for medical care.

Question. The need to control drug costs and increase joint contracting when cost-effecting within the VA and DOD.

The VA and DOD currently have 88 joint national generic pharmaceutical contracts. The VA/DOD joint contracting subcommittee of the Federal Pharmacy Executive Steering Committee (FPESC) is focusing on increasing this number. There are currently 30 joint proposed contracts undergoing clinical review, and 8 joint pending contracts in various stages of contracting at the National Acquisition Center. It should be noted that because VA and DOD contract requirements can be extensive, a joint contract may actually decrease the number of bids and may result in no award.

Under the current formulary management systems, the opportunity for VA/DOD joint national contracting for pharmaceuticals is limited to generic drugs. Alteration of the structure of one or both formulary systems used by VA and DOD would be required in order to increase joint contracting opportunities for branded drugs; requiring legislative and/or regulatory changes. The FPESC subcommittee for joint contracting will continue to review both new and existing drugs for the possibility of joint contracting. The DOD and VA will continue to optimize joint contracts for generic drugs as joint contracts are currently in negotiations for previous blockbuster drugs such as losartan, tamsulosin, and ramipril.

Question. The need to improve cost-effectiveness and enhance services for transportation-disadvantaged persons. Have you had a chance to look at these recommendations? What are your thoughts on them?

Answer. The VA has included the VA Beneficiary Travel Program as part of its Health Care Efficiency Initiative. The program has been closely reviewed and areas for improvement identified with revised policy, procedures, and technical solutions currently being implemented that will result in improved efficiencies and cost-savings in the provision of this benefit.

VA recently initiated the Veterans Transportation Service (VTS) which seeks to overcome barriers to access, especially for veterans who are visually impaired, elderly, or immobilized due to disease or disability, and those living in rural and highly rural areas. VTS will increase transportation resources and options for all veterans, but also focus on improving efficiency of existing transportation resources through use of 21st century technology including ridesharing software and global positioning system (GPS) units. The program is established at four sites and is currently being implemented at an additional 22 facilities.

In addition to the long-standing collaborative effort with the Disabled American Veterans' Veterans Transportation Network that provides transport to veterans otherwise not eligible for beneficiary travel, VA is drafting regulations and procedural guidance to implement section 307 of Public Law 111-163, which authorized a program of grants for veterans service organizations to provide transportation services to highly rural veterans. This program will allow VA to support veterans service organization efforts to provide innovative means to transport veterans to healthcare. Once the program is operational, access to VA healthcare will increase for certain veterans currently experiencing barriers to VA healthcare due to transportation issues.

VA currently utilizes public and commercial transport services for both special mode (ambulance, wheelchair van, etc.) and common carrier (bus, taxi, airplane, train, boat, or ferry) transportation of eligible beneficiaries. Veterans integrated service networks and individual healthcare facilities are encouraged to enter into contracts for such services whenever possible. They also have authority to arrange services on an individual basis as required, and to reimburse for transport not previously authorized in certain circumstances. Field stations are encouraged to explore all available local, regional, State, and Federal transportation resources to provide services to eligible veterans at VA expense, as well as to assist veterans who do not meet beneficiary travel eligibility with potential transportation options.

In addition, as an agency member of United We Ride, VA is working with the Departments of Labor, Defense, and Transportation (among others) on a veterans initiative that will make it easier for veterans, military families, and other community members to learn about and arrange for locally available transportation services that connect them with work, education, healthcare, and other vital services.

HOMELESSNESS

Question. In the Department's fiscal year 2012 budget proposal, the administration requests a 17.5-percent increase in funding for programs that prevent and reduce homelessness among veterans. Part of this increase includes additional funding to better coordinate case management with the Department of Housing and Urban Development (HUD) through the HUD-Veterans Affairs Supported Housing (HUD-VASH) program. In the recently released GAO report on duplicative Government programs, GAO found that there are seven Federal agencies and more than 20 programs that address homelessness and that better coordination would minimize fragmentation and overlap.

How are you coordinating with the other agencies involved in addressing homelessness?

Answer. To eliminate homelessness among veterans, VA must coordinate these and other efforts with internal and external stakeholders. This strategy is a cornerstone of VA's Plan to End Homelessness Among Veterans. VA, along with other Federal partners and key stakeholders, has been an active participant in the planning and implementation of the U.S. Interagency Council on Homelessness's (USICH's) Federal Strategic Plan to Prevent and End Homelessness. Both VA and USICH plans require close partnerships with Federal, State, local, and tribal governments; faith-based, nonprofit, and private groups; outreach to veterans, people, and organizations providing services to veterans and the general public.

The strong partnership and coordination between VA and HUD is evidenced by the implementation and expansion of the HUD-VASH program and VA's participation in the 2011 Point in Time Count. The coordinated efforts between HUD, VA, and the Department of Labor (DOL) are also demonstrated in the HUD-VA Homelessness Prevention Pilot. This 3-year pilot is a partnership among VA, HUD, DOL, and local community agencies to provide housing assistance and supportive services to veterans returning/transferring from military service in the following locations:

- MacDill Air Force Base in Tampa, Florida;
- Camp Pendleton in San Diego, California;
- Fort Hood in Killeen, Texas;
- Fort Drum in Watertown, New York; and
- Joint Base Lewis-McChord near Tacoma, Washington.

At VA's National Forum on Homelessness Among Veterans Conference held in December 2010, each VA Medical Center (VAMC) was charged with holding a homeless veteran summit to confer with key partners in VA's efforts to end homelessness among veterans. Key partners of these local homeless veteran summits included local public housing authorities, Continuums of Care, HUD, DOL, State VA Departments, other key Federal, State, and local organizations. These meetings enabled VAMC leadership, staff, and local organizations to determine ways to more efficiently and effectively assist homeless veterans in accessing needed supportive services and suitable permanent housing in order to achieve and maintain stabilization. More than 170 local summits have been held since January 1, 2011. These summits have improved existing partnerships and assisted in building new partnerships.

Also at this conference, each VAMC was directed to participate in the 2011 Point in Time Count of the homeless held in January 2011, and in their local Continuum of Care. These directives have served to foster closer cooperation and collaboration between VA staff and community providers, including those in rural areas. These meetings will continue and further strengthen the ability of VA and other housing and service provider partners to effectively work together to end homelessness among veterans.

VA's Community Homelessness Assessment, Local Education and Networking Groups Program (CHALENG) is an innovative program designed to enhance the Continuum of Care for homeless veterans provided by the local VA and its surrounding community service agencies. The guiding principle behind Project CHALENG is that no single agency can provide the full spectrum of services required to help homeless veterans become productive members of society. Project CHALENG enhances coordinated services by bringing the VA together with community agencies and other Federal, State, and local governments who provide services to the homeless to raise awareness of homeless veterans' needs and to plan to meet those needs. The fiscal year 2009 CHALENG report indicates that local VAMCs have established almost 4,000 formal and informal collaborative agreements to serve homeless veterans.

RESEARCH

Question. The administration is requesting \$509 million for medical and prosthetic research for fiscal year 2012, which is \$72 million less than the 2010 levels.

I've had several veteran service organizations express concern regarding this drop in funding given the type and number of injuries we see sustained by returning veterans.

Can you address how your agency is addressing these concerns and the current efforts being made in these areas?

Answer. VA supports research projects based on merit review, and within the fiscal year 2012 budget, VA will support approximately 135 fewer projects from all services when compared with the fiscal year 2010 level. While there will be fewer projects, VA will continue to emphasize research on deployment and veteran-specific health issues. Areas of particular focus, such as gulf war veterans illnesses, women veterans, and mental health, will be preserved or increased, with the reductions being realized across the board in other areas.

VA's Office of Research and Development is adopting International Organization of Standardization (ISO) 9001 principles to increase management efficiencies in conducting clinical trials. The ISO is widely considered to be the standard for efficient and effective management systems. These improvements will further reduce the cost of performing clinical trials by reducing administrative costs and streamlining processes.

QUESTIONS SUBMITTED BY SENATOR MARK KIRK

UNEMPLOYMENT RATE (MILLIMAN MODEL)

Question. Mr. Secretary, in last year's budget submission, the Department of Veterans Affairs (VA) requested \$50.611 billion in advance appropriations for its medical care accounts in fiscal year 2012. However, the Department has since informed us that its budget estimates were based on 2008 actuarial data that did not account for a high unemployment rate. This year's request includes an additional \$953 million for veterans' medical care, appropriated as a "Contingency Fund," if the Department needs additional resources due to high unemployment. However, we have no information about how unemployment has affected the fiscal year 2013 advance request.

Is the unemployment rate a factor in the 2013 advance request; if so, what is the assumed unemployment rate; and do you expect to submit a revised request for 2013 based on economic conditions?

Answer. Our actuarial model projection run for fiscal year 2013 assumed an unemployment rate of 7.4 percent. The budgetary impact of this economic factor on VA medical care for fiscal year 2013 will be considered during the development of the fiscal year 2013 President's budget, similar to the update of the fiscal year 2012 estimate in the fiscal year 2012 budget submission.

CLAIMS PROCESSING

Question. Mr. Secretary, one of the biggest problems facing the Department is claims processing. Since 2007, this subcommittee has provided \$277 million in additional resources for extra claims processors, plus \$150 million in stimulus funding, in order to accelerate adjudications and reduce the disability claims backlog. Yet the stubborn fact remains that the Department hasn't been able to get its arms around this enormous problem. This budget predicts that average adjudication times and the disability claims backlog will be the worst they've ever been, with average adjudication times increasing from 165 days to 230 days in only 2 years due to the influx of Agent Orange claims.

What is it in this process that takes so much time? Do you need legislative fixes? New regulations? Or is it simply that the Department hasn't yet been able to balance new technologies with its claims processing method?

Answer. The number of disability claims received continues to increase at record pace. This challenge is due to a number of factors, including:

- The addition of three presumptive conditions associated with exposure to Agent Orange;
- VA's successful outreach efforts;
- The return of servicemembers from Iraq and Afghanistan;
- More complex medical issues; and
- An increasing number of issues claimed by each veteran.

VA is confident that our transformation efforts will enable us to eliminate the claims backlog in 2015. The cornerstone of VA's claims transformation strategy is the Veterans Benefits Management System (VBMS). VBMS integrates a business transformation strategy to address process and people with a paperless claims processing system. Combining a paperless claims processing system with improved busi-

ness processes is the key to eliminating the backlog and providing veterans with timely and quality decisions.

Question. I understand that the Department hopes to roll out the VBMS to revolutionize the disability benefits claims process. But given the Government's history of developing IT projects, I just want to be sure we're not pinning all our hopes on one IT program to solve all of these problems. Is that what we're doing?

Answer. We believe that VBMS will be a valuable tool in eliminating the backlog starting in 2012. Evolving to a paperless process is essential, but we are aggressively pursuing our claims transformation initiatives right now, in order to lay the technological and business transformation groundwork to streamline claims processing and eliminate the claims backlog. Our end goal is a smart, paperless, electronic claims processing system.

While we work to develop the paperless system, we are making immediate changes to improve the efficiency of our business activities. New calculators for certain medical conditions guide claims decisionmakers with intelligent algorithms similar to tax preparation software or through simple spreadsheet buttons and drop-down menus. A growing body of evidence-gathering tools, called disability benefits questionnaires, brings new efficiencies to collection of medical information needed to rate each claim. The Fully Developed Claims Program speeds the decision process by empowering veterans and helping them submit claims that are ready for VA decision as soon as they are received.

Question. Are you looking at making it easier for veterans to clearly know what documentation he or she needs to submit to the VA when making a particular disability claim, and thereby simplifying the back-and-forth between the veteran and the Department that consumes much of the adjudication process?

Answer. VA has implemented several initiatives designed to inform and help veterans with their claim submissions. Three disability benefits questionnaires are available online, and more on the way, for veterans to provide to their private or VHA physician. Each disability benefits questionnaire is for a specific condition, and the questions guide the physician's response to ensure we receive the data we need to make a decision on the veteran's claim.

VA also offers an online application system, Veterans Online Application, that is accessible through e-Benefits and the VA Web site. The application system allows a veteran to file a claim for compensation, pension, education, or vocational rehabilitation and employment benefits.

VA implemented the Fully Developed Claims Program, partnering with veterans service organizations to assist veterans in submitting everything VA needs at the time of their application. VA is working to improve its processes with a goal of completing fully developed claims within 90 days of receipt.

In addition, the Veterans Claims Assistance Act requires VA to notify all claimants of the information and evidence necessary to substantiate their claims, which portion of the information and evidence VA will try to obtain for them, and which portion they are expected to provide.

NORTH CHICAGO

Question. Mr. Secretary, one of my biggest priorities since I entered the Congress has been the Captain James A. Lovell Federal Health Care Center (FHCC), a first-of-its-kind partnership between the VA and the Department of Defense (DOD) to fully integrate all medical care into a single mission. The facility not only integrates the two facilities, but also serves 40,000 Navy recruits, 67,000 military and retiree beneficiaries each year, and veterans throughout northern Illinois and southern Wisconsin. I look forward to working with you to make sure this first-of-its-kind partnership with the DOD is a success.

Can you provide me with an update on this facility, how has integration gone thus far, and do you view it initially as a success?

Answer. As of May 5, 2011, after 216 days, the James A. Lovell FHCC continues to work through the change management processes as the new organization evolves. The FHCC is currently meeting the needs of all beneficiaries. Because there are no shortages of clinicians, healthcare providers at the FHCC currently serve all beneficiaries not requiring urgent or emergent care on a first come, first served basis. As of April 2011, the facility does not have a wait list for patient access. The close monitoring of Navy recruit medical readiness ensures we are able to maintain the "pipeline to the fleet" of enlisted sailors. Integration is completed in a number of areas and the new ambulatory care facility is fully operational. The joint governance structure was fully implemented on October 1, 2010. Information management/information technology (IT) efforts are beginning to yield successful results, in particular in joint registration and single medical sign on for both DOD and VA record sys-

tems. Successes and lessons learned from FHCC are helping to contribute the way forward of an integrated electronic health record (iEHR) maximizing joint interoperability of records and care for the DOD and VA beneficiaries.

The FHCC is continuing the development of an integrated budgeting and financial reconciliation process. For fiscal year 2011 through fiscal year 2013, the FHCC plans to use historical financial data to budget and determine the amount each department will transfer to the Joint Fund and expects to manually conduct the year-end reconciliation process. By fiscal year 2014, the FHCC plans to have an automated year-end financial data reconciliation process. However, as of April 2011, the integration of fiscal authority had not been fully implemented because there was no legal authority to transfer appropriations to the Joint Fund. For fiscal year 2011, the FHCC is being funded through an alternative funding mechanism (resource-sharing agreement) established by the executive agreement. However, with funding now authorized for transfer to the Joint Fund, the FHCC will be funded through the Joint Fund beginning July 1, 2011.

In the workforce management and personnel integration area, 469 DOD civilian personnel were transferred to VA as of October 10, 2010—the deadline established in the executive agreement. FHCC completed integration of the staff training programs through an integrated education department, as stated in the executive agreement. One component of staff education is the maintenance of medical and dental skills for the FHCC's Navy healthcare providers. One of the benefits of the integration is that dental school graduates obtaining advanced education in the Navy can see Veteran patients while completing their residencies and have opportunities to be exposed to different dental conditions than those normally seen in the generally younger and healthier recruit population. This is especially helpful training for dentists who will be placed on ships, where they are often the only on-site dentist. There is a similar benefit for healthcare professionals providing inpatient care.

GAO is conducting a study of the Lovell FHCC due to the Congress this summer and DOD contracted the Institute of Medicine to evaluate whether the integrated DOD/VA healthcare facility in North Chicago is more beneficial to DOD and VA than their independent facilities in serving the needs of their eligible populations. The Institute of Medicine is expected to evaluate health outcomes, patient satisfaction, provider satisfaction, quality of care, and costs of care and prepare a written report with findings, conclusions, and recommendations for DOD and VA that will be available to the general public in 2012.

Question. As I understand it, the VA and the DOD have pledged \$100 million for an IT project at this unique facility to allow their medical software communicate with one another. Can you provide me with an update on that project?

Answer. In a meeting on May 2, 2011, Secretary Shinseki and Secretary Gates agreed to move forward with joint solutions for the remaining capabilities not yet delivered at the Captain James A. Lovell FHCC. The refined implementation will be informed by the work being done on the iEHR Way Ahead.

The current status of the IT projects is:

- Medical single sign-on with context management:
 - Production: December 13, 2010;
 - Current status: Sustainment;
- Single patient registration:
 - Production: December 13, 2010;
 - Current status: Maintenance and enhancements;
- Pharmacy (iEHR):
 - Current status: On-hold pending iEHR business policy review: July 7, 2011;
- Laboratory and radiology orders:
 - Production Limited/Controlled: March 2011;
 - Current status:
 - Radiology:
 - Production: Projected to go live June 15, 2011;
 - Current status: Preparing for live production;
 - Laboratory:
 - Production: Projected full production July 15, 2011;
 - Current status: Currently in limited production to a controlled number of physicians.

Question. That brings to me a larger question about joint collaboration between the DOD and the VA. As I understand it, each Department is in the process of developing its own electronic medical record at a cost of billions of dollars to taxpayers. However, GAO recently reported the departments lack the mechanisms to jointly address collaborative opportunities for common development. I want to be sure that DOD and VA aren't on separate, parallel tracks that duplicate costs.

Are the Departments working together on these massive efforts, and has everyone agreed to build to the same standards, and where have you identified potential economies of scale for joint development?

Answer. Yes. The VA and the DOD are working together to jointly develop an electronic health record that will provide information to both agencies about our soldiers, sailors, airmen, and veterans. Both agencies have agreed to consolidate data where applicable, use common services, and develop a joint platform in order to realize economies of scale.

Question. One approach that would make sense to me is for the Congress to require each Cabinet Secretary to certify that all new development on an electronic medical record is both interoperable between VA and DOD and that neither Department is reinventing the wheel. Do you have any response to that potential approach?

Answer. The Secretaries of VA and DOD agreed to meet on a continuous basis to monitor and discuss the progress made on the joint electronic health record being developed by their staff. These recurring meetings will afford the Secretaries to continue to move forward with joint solutions for the remaining capabilities not yet delivered at the Captain James A. Lovell FHCC and to discuss and remove any impediments that stand in the way of making progress.

STAFF OFFICES

Question. Mr. Secretary, as you well know, this country faces record-high deficits and debt, and we are now entering a period of fiscal restraint and budget cuts.

So I couldn't help but notice that the Department's fiscal year 2012 budget request proposes a record-high amount of \$448 million for the VA's General Administration offices in Washington, DC. This amount is \$51 million higher than in fiscal years 2010 and 2011. Now I understand that this increase includes a \$23.6 million Office of Management and Budget initiative to reform the Federal Government's acquisition workforce, but I find this specific request disconcerting.

To put this in some context, as recently as 2006, funding for VA central offices was \$275 million. That's a 63-percent increase in the budgets for VA central offices since 2006.

Question. Can you give us a compelling reason why these offices should be increased by \$51 million over last year when almost all other agencies and Departments across our Government are taking painful budget cuts, particularly in their administrative overhead in Washington, DC?

Answer. Much of this staff office increase is driven by new capabilities necessary to oversee and enhance enterprise-wide performance in critical areas such as safety and security, acquisitions, human capital and financial management. For example, the fiscal year 2012 request includes \$23.6 million to increase the capacity and capability of VA's acquisition workforce. In addition, \$2.9 million will be invested to enhance VA's Emergency Preparedness capability and to fully implement Homeland Security Presidential Directive 12. This will lead to improvements in veteran and employee safety and greater protection of VA facilities. Overall, staff office capability seeks greater enterprise-wide efficiency, accountability, and effectiveness.

Question. Putting aside the \$23.6 million Office of Management and Budget initiative to reform the Federal Government's acquisition workforce, can you please provide us with the impacts if General Administration remains at the fiscal year 2010 enacted level of \$397.5 million?

Answer. The fiscal year 2012 budget supports the establishment of a corporate management infrastructure that will lead to greater accountability, efficiency, and effectiveness throughout VA. Some of the major investments that would not be supported at fiscal year 2010 levels include the following:

- Enhance VA's Emergency Preparedness capability and full implementation of Homeland Security Presidential Directive 12 (HSPD-12) initiated August 27, 2004. This makes facilities safer for veterans and employees.
- Increase the use of the Alternative Dispute Resolution (ADR) program which will lead to a safer work environment and provide cost-savings. Use of the ADR program in VA has increased to 55 percent which VA estimates has resulted in \$81 million in cost avoidance in 2010.
- Build a facilities management system that will maximize life cycle performance and reduce project costs
- Perform audits of the non-VA Care (fee) program expected to identify \$4 million in improper payments and further cost avoidance.
- Improve VA/DOD collaboration, and build a corporate analysis and evaluation process to improve analysis and data that drive corporate level decisions.

- Establish the Office of Tribal Government Relations to increase Nation-to-nation partnerships and increase access and awareness and utilization rates of American Indian/Alaska Native veterans and their families.
 - Leverage new media tools to improve VA's ability to get the right information to the right veteran at the right time and incorporate their feedback
- In addition to strengthening corporate-level oversight, the General Administration account also funds the Board of Veterans Appeals (BVA) and the Office of General Counsel (OGC):
- If the BVA were funded at the fiscal year 2010 level, this would be a reduction of \$4.7 million below the budget request. BVA would need to reduce staffing by 35 full-time equivalents which would reduce the number of appeals decided by 5,460 cases and increase the time all veterans must wait for a final decision on appeals of their disability claims.
 - Funding OGC operations in fiscal year 2012 at the fiscal year 2010 level would represent a reduction of \$3.3 million and 24 full-time equivalents. That would adversely impact OGC's ability to keep pace with an increasing legal workload, including meeting litigation deadlines set by the U.S. Court of Appeals for Veterans Claims (so that veterans would wait longer for decisions), and also keep VA from timely issuing regulations to implement acts of the Congress.

POLYTRAUMA CENTERS

Question. Mr. Secretary, I want to commend the VA for the quality of its care to wounded veterans recovering at VA polytrauma centers. I understand that veterans in deep comas at VA polytrauma centers are returning to consciousness at a higher than average rate.

Can you provide the subcommittee with a detailed background of this encouraging development?

Answer. As veterans and servicemembers with catastrophic injuries started coming to the VA Polytrauma Rehabilitation Centers for care, it became apparent that patients who were slow to recover consciousness required a specialized clinical program to address their medical and rehabilitation needs. These patients require high complexity and intensity of medical services and associated resources in order to improve the level of responsiveness and decrease the occurrence of medical complications. Furthermore, there are few programs specifically designed for patients with disorders of consciousness outside of VA.

VA charged a workgroup of subject matter experts from VA, Defense and Veterans Brain Injury Center, and the private sector to develop a specialized emerging consciousness program for veterans and servicemembers who are slow to recover consciousness after severe traumatic brain injury (TBI) and polytrauma. This is a clinical algorithm prescribing the main elements of the medical, nursing, therapy, technology, and family education and support services required for the care of patients in an emerging consciousness state. The Emerging Consciousness Program was implemented in 2007, and is continually updated to reflect advances in medical science.

The VA Emerging Consciousness Programs at the Polytrauma Rehabilitation Centers maintain the highest standards of accreditation and certification for rehabilitation facilities awarded by the Commission on Accreditation of Rehabilitation Facilities. These programs admit both Active-Duty servicemembers and veterans with various forms of acquired brain injury, including TBI, anoxia (or lack of oxygen), stroke, and infectious causes (e.g., encephalopathy). Approximately 65 percent of the admissions have been Active-Duty servicemembers. Of the Active-Duty servicemembers, approximately 45 percent were injured while serving in a foreign theater of operations. Mechanisms of injury have included combat injuries (blast, penetrating), motor vehicle collisions, violence, and metabolic damage from underlying medical conditions.

Retrospective review of outcomes from 121 veterans with impaired level of consciousness admitted to the four Polytrauma Rehabilitation Centers from 2003 through third quarter of 2009 were compiled and analyzed using a research approved protocol. Results showed emergence from coma in 70 percent of veterans with blast related TBI, 85 percent of nonblast-related TBI, and 60 percent with anoxic brain injury. Of those who emerged, 75 percent did so by 4 months post-injury. These results were presented at the American Congress of Rehabilitation Medicine in October of 2010, and are being submitted to medical journals for publication.

QUESTIONS SUBMITTED BY SENATOR MITCH McCONNELL

KENTUCKY COMMUNITY-BASED OUTPATIENT CENTERS

Question. Of the contract-run community-based outpatient centers (CBOCs) in Kentucky, what is the level of patient satisfaction with their care?

Answer. [Follows:]

OVERALL SATISFACTION

[Percentage]

| Facility | September 2010 | Fiscal year 2010 average | Fiscal year 2011 year-to-date |
|-------------------------------|----------------|--------------------------|-------------------------------|
| Hopkinsville, Kentucky | 89.6 | 55.3 | 53.3 |
| Bowling Green, Kentucky | 28.7 | 49.5 | 41.1 |

Question. How is this satisfaction measured, if at all?

Answer. Satisfaction with Department of Veterans Affairs (VA) healthcare is measured using the Survey of Healthcare Experiences of Patients (SHEP). After a healthcare visit, veterans may receive a confidential questionnaire in the mail from VA's Office of Quality, Safety and Value asking about their satisfaction with recent outpatient or inpatient treatment at the specific medical center. The survey is used to communicate any concerns, complaints, compliments, or questions about the care received. Survey responses are compiled in the result of a SHEP score.

To what extent are CBOCs provided incentives to provide good patient care?

Answer. VA has the same high expectations for performance and quality for its CBOCs as for its VA Medical Centers (VAMCs). To enhance staff engagement in quality and process improvement, VAMC and CBOC providers' incentive pay incorporates metrics that reward meeting and exceeding VA-wide performance measures, and their performance plans incorporate performance accountability on these metrics. Performance measures that receive particular emphasis in provider evaluation include measures of veteran access and clinic management for common chronic conditions, such as diabetes, congestive heart failure, and pneumonia.

HOMELESSNESS

Question. What is the VA doing to enhance efforts to locate homeless veterans and to help them?

Answer. VA operates the largest system of homeless treatment and assistance programs in the Nation. The hallmark of VA's homeless programs is that they provide comprehensive care and benefits including medical, psychiatric, substance use, rehabilitation, dental care, and expedited claim processing for these veterans. In the past decade, major VA homeless initiatives on outreach, treatment, residential services, and vocational rehabilitation have touched the lives of tens of thousands of veterans. Outreach, especially to the homeless on the street, is an essential component of VA's plan to end homelessness among veterans. VA's outreach workers engage veterans in the community who are living on the streets and assist them to acquire appropriate services and housing. VA's outreach efforts are also essential in the prevention of homelessness. Identification of a veteran who may be at-risk of homelessness is crucial to keeping that veteran from falling into the cycle of homelessness.

In fiscal year 2010, outreach teams from VA's Health Care for Homeless Veterans (HCHV) Program conducted more than 42,000 clinical assessments and the community-based residential treatment component of this program admitted more than 3,500 homeless veterans. VA provides homeless outreach at all 152 VAMCs and has several programs targeted toward outreach efforts.

Health Care for Homeless Veterans.—The central goal of the HCHV Program is to reduce homelessness among veterans by conducting outreach to those who are the most vulnerable and are not currently receiving services and engaging them in treatment and rehabilitative programs. The HCHV Outreach Program has served approximately 90,237 veterans in fiscal year 2010 and more than 36,000 veterans during the first quarter of fiscal year 2011.

The Health Care for Homeless Veterans Contract Residential Treatment Program.—The contract residential treatment component of the HCHV Program ensures that veterans with serious mental health diagnoses can be placed in community-based residential treatment programs which provide quality housing and services. HCHV provides "in place" residential treatment beds through contracts with community partners and VA outreach and clinical assessments to homeless veterans

who have serious psychiatric and substance use disorders. The HCHV Contract Residential Treatment Program has served 54,723 unique veterans since 1987; approximately 3,519 veterans were served in fiscal year 2010.

Stand Downs.—Stand downs are primarily focused on services. They are collaborative events, coordinated between local VAs, other Government agencies, and community agencies who serve the homeless. Over the years, stand downs have become increasingly crucial components in VA's efforts to outreach to homeless veterans. Since the first stand down was held in San Diego in 1988, literally tens of thousands of veterans have benefited from the array of services made available through these events. During fiscal year 2010, VA assisted in supporting 196 stand down events where 44,325 veterans were served. Thirteen sites held their first stand down in 2010.

Supportive Services for Veteran Families Program.—The Supportive Services for Veteran Families (SSVF) Program will make available grant funds for community providers to help veteran families rapidly exit homelessness, or to avoid entering homelessness. In addition to providing linkage to VA healthcare and other services, grantee organizations will have the ability to directly address the type of emergent needs that, if unmet, can be deciding factors in a family's struggle to remain stably housed. Funds for emergency rental assistance, security, and utility deposits, food and other household supplies, child care, one-time car repairs, and other needs will help to keep veterans and their families housed—as families. A notice of funding availability was announced earlier this calendar year and the application period closed on March 11, 2011. VA is in the process of reviewing these applications and awarding grants. VA expects to announce awards in June 2011.

Veterans Homelessness Prevention Demonstration Program.—The Veterans Homelessness Prevention Demonstration (VHPD) (also referred to as the HUD-VA Pilot Program) is designed to explore ways for the Federal Government to offer early intervention homeless prevention, primarily to veterans returning from wars in Iraq and Afghanistan. This demonstration program provides an opportunity to understand the unique needs of a new cohort of veterans and will support efforts to identify, outreach, and assist them to regain and maintain housing stability. This 3-year HUD-VA prevention pilot is a partnership among VA, the Department of Housing and Urban Development (HUD), the Department of Labor (DOL), and local community agencies. VHPD will serve the following locations:

- MacDill Air Force Base in Tampa, Florida;
- Camp Pendleton in San Diego, California;
- Fort Hood in Killeen, Texas;
- Fort Drum in Watertown, New York; and
- Joint Base Lewis-McChord near Tacoma, Washington.

As the lead agency, HUD is awarding grants for the provision of housing assistance and supportive services to prevent veterans and their families from becoming homeless, or reduce the length of time veterans and their families are homeless. HUD's Office of Special Needs Assistance Programs executed the grant agreements with the pilot site Continuum of Care grantees on February 3, 2011. The first veterans were seen on April 1, 2011.

The National Call Center for Homeless Veterans.—The National Call Center for Homeless Veterans (NCCHV) was founded to ensure that homeless veterans or veterans at risk for homelessness have free, 24/7 access to trained counselors. The hotline is intended to assist homeless veterans and their families, VAMCs, Federal, State, and local partners, community agencies, service providers, and others in the community. The NCCHV (1-877-4AID VET) was fully implemented on March 1, 2010. From March 1, 2010, to February 28, 2011, there were 25,771 calls to the NCCHV. Of the calls received, 20,831 callers identified as veterans; 6,578 veteran callers identified as being homeless; and 11,769 veteran callers identified as being at risk of homelessness.

Veterans Justice Programs.—As part of VA's Plan to End Homelessness Among Veterans, VA is focused on serving veterans involved with the criminal justice system, who may be homeless or at risk for homelessness. In fiscal year 2010, the Health Care for Re-Entry Veterans Program and the Veterans Justice Outreach Program continued to provide outreach and linkage to services to justice-involved veterans at high risk of homelessness. Many of these vulnerable veterans were diverted from homelessness and provided healthcare, residential, and benefits assistance. Studies have shown that for adult males, incarceration is the most powerful predictor of homelessness (Burt et al., 2001). The Health Care for Reentry Veterans (HCRV) Program provides outreach and linkage to post-release services for veterans in State and Federal prisons; HCRV specialists have provided reentry services to 24,244 reentry veterans since fiscal year 2008. The Veterans Justice Outreach (VJO) Program focuses on veterans in contact with law enforcement, jails, and courts, in-

cluding the rapidly expanding veterans treatment courts. VJO specialists have served a total of 8,004 justice-involved veterans since the start of the program.

National Homeless Registry.—Although not a program itself, VA's comprehensive Homeless Registry is intended to provide up-to-date information about the prevalence of homelessness among veterans and key demographics of the homeless veteran population seen in VA homeless programs. The registry is also intended to provide information regarding VA homeless programs, enabling VA to identify and monitor program utilization and treatment outcomes. VA is working with other Federal partners to expand this capability. The registry includes information on more than 367,230 veterans, and includes data from 2006 to the present.

VA and community partners participated in the 2011 Homeless Point in Time (PIT) Count conducted by the local Continuums of Care. Participation and engagement of VA staff during the PIT Count ensured that homeless veterans were provided immediate information about VA services and programs.

VA continues efforts to identify and contact homeless veterans, improve access to services, create new connections both within and outside VAMCs, and educate healthcare providers and veterans regarding VA homeless services and benefits.

Women Veterans.—Women veterans make up nearly 6 percent of homeless veterans. Eleven percent of those accepted for Federal housing vouchers are women. In addition, women veterans are more likely than nonveteran women to become homeless. Risk factors for homelessness among women veterans include mental health conditions, substance abuse, and a prior experience of military sexual trauma. The Women Veteran's Health Strategic Healthcare Group is developing a screening instrument to identify women veterans at risk of homelessness. This screening instrument will identify women at risk, before they become imminently homeless, and enable efficient and timely referral to social and mental health services.

Question. What more can be done in this area?

Answer. The VA National Center on Homelessness Among Veterans (NCHV) has adopted a research agenda with a focus on the epidemiology of homelessness among veterans and the effectiveness of services intended to prevent and end homelessness among veterans. These studies are aimed at closing gaps in the research related to the prevalence of homelessness among veterans, characteristics of veterans who experience homelessness, and factors that predict homelessness among veterans as well as veterans' utilization of services and whether these services are both efficient and effective.

The initial studies conducted by the NCHV are focusing on developing a definitive count of homeless veterans. The NCHV collaborated with HUD to develop *Veteran Homelessness: A Supplemental Report to the 2009 Annual Homeless Assessment, Report to Congress February 2011* which provides a point-in-time count of homeless veterans in the United States, as well as the characteristics and locations of homeless veterans. An additional investigation by the NCHV of the prevalence and risk of homelessness among veterans in a selection of communities provides more detailed analyses of homelessness risk. These studies suggest that veterans are over-represented in the homeless population. Specifically, the multi-site investigation found that, after controlling for poverty, age, race, and geographic variation, female veterans were three times as likely as female nonveterans to become homeless, and male veterans were twice as likely as male nonveterans to become homeless.

Another study underway will identify specific risk factors for homelessness among veterans in order to accurately prioritize prevention resources for those who are at imminent risk of homelessness. The NCHV is developing a homelessness risk assessment, which will be piloted in a variety of settings, to include VAMC emergency rooms, CBOCs, and other specialty clinics. The homelessness risk assessment will be tested for reliability and validity. The assessment instrument is a brief, two-stage assessment. It first assesses whether a veteran has a safe and stable place to stay for at least 90 days. If the veteran appears to be at risk, the second stage of the instrument assesses the veteran's current living situation, barriers to living independently, and supports that the veteran may have or require to access and maintain safe and stable housing. The assessment will inform appropriate referrals to homelessness prevention or other services. In addition, data collected through the assessment process will guide decisions regarding need for and targeting of resources moving forward, including specific characteristics that may pose risk for homelessness.

While homelessness among veterans in the Operation Enduring Freedom (OEF), Operation Iraqi Freedom (OIF), and Operation New Dawn (OND) service era is a priority concern, there is limited empirical data about the extent to which or dynamics whereby they do become homeless. To address this, the NCHV is examining the onset of homelessness among recent veterans, including those returning from the

OEF and OIF conflicts. Working in conjunction with the VA Office of the Inspector General and municipal shelter providers in Columbus, Ohio; New York City, New York; and Philadelphia, Pennsylvania, researchers at the NCHV are compiling an array of data that will facilitate identifying risk factors for homelessness among OEF/OIF veterans at the time of their separation from the military. This promises to inform prevention programs and potentially increase their efficiency. Service use patterns among this group will also be examined to assess the extent to which they use VA services, community services, or a combination of the two. The review of service use patterns will increase the understanding of how veterans access the services available to them, and may facilitate better coordination of services between VA and mainstream homeless service systems.

The NCHV is also organizing a series of studies around the general topics of mortality, morbidity, and aging among homeless veterans. The overall goal of this project is to assess the demographic trends among the homeless veteran population to project future trends in the size and makeup of this population, and to anticipate future demand for services. Research conducted by study investigators has shown the overall single adult (i.e., not family) homeless population to be steadily aging. If this trend continues, it would lead to higher risk for early mortality and greater needs for long-term care. Research is currently underway to assess whether the trend also holds for homeless veterans, and the impact that providing homeless veterans with housing has on subsequent health and mortality.

WOMEN VETERANS MEDICAL CARE

Question. What is the VA doing to assist female veterans?

Answer. VA works to ensure that timely, equitable, and high-quality comprehensive healthcare services are provided in a sensitive and safe environment at VHA facilities nationwide. The VA strives to be a national leader in the provision of healthcare for women.

Since 2009 VA has ensured that full-time women veteran program managers are in place at all VAMCs. These employees are women veteran champions who improve advocacy for women veterans, oversee outreach, and work to improve quality of care by implementing new policies and evidenced-based best practices in healthcare for women.

VHA Handbook 1330.01, released in May 2010, requires that every female veteran have access to primary care from a proficient and interested provider who can provide primary care, gender-specific care, and mental healthcare. VHA is currently assessing the ongoing system-wide enhancement of access to comprehensive primary care with a structured tool and validated external site visits.

Ensuring privacy, dignity, and safety of women veterans in VA healthcare settings is a top VA priority. VA has clarified safety and security policies in VHA Handbook 1330.01 which requires a female chaperone present at all gender-specific examinations and procedures. In addition, VA has been assessing the environment of care on a monthly basis, and tracking correction of any privacy deficiencies.

Another top priority is education of primary care providers to maintain a proficient work force for care of women veterans. VA has educated more than 800 primary care providers in a mini-residency for women's health. Through extensive trainings offered this summer, VA will fulfill the goal of having at least 1,200 providers trained by end of fiscal year 2011. It is important that wherever a woman veteran access VA healthcare she can be seen by a women's health provider for her primary care.

Working with VA researchers, in 2010 VA completed a National Survey of Women Veterans to assess healthcare needs and barriers to care. In addition, in order to benchmark services to women veterans, VA will soon release Sourcebook Volume 1 of the Women's Health Evaluation Initiative which describes the socio-demographic characteristics and healthcare utilization patterns of women veterans.

Ongoing work will improve patient care coordination by improving emergency department care for women veterans, identifying high-risk medications in pregnant or lactating patients, and creating a novel system in the computerized patient medical record system for tracking abnormal mammogram results.

Question. What is the VA doing to ensure that female veterans have sufficient privacy during their medical visits to VA facilities?

Answer. Following the Government Accountability Office's (GAO) report, "VA Has Taken Steps to Make Services Available to Women Veterans, but Needs to Revise Key Policies and Improve Oversight Processes," (March 2010), VA has undertaken an extensive evaluation of its facilities, identifying existing deficiencies in the environment of care, including bathrooms, privacy curtains, locks, and other areas. These deficiencies have been prioritized and tracked for correction. In fiscal year

2011, VA has budgeted \$21 million in nonrecurring maintenance projects that will be used at the facility level to correct bathroom privacy deficiencies in addition to the \$241.8 million of gender-specific care (from treatment funds) and \$2.89 billion for total care for women veterans. In fiscal year 2010, VA spent more than \$214 million in gender-specific care and nearly \$2.6 billion in total care for women veterans.

Question. What more can be done in this area?

Answer. Access to care, including making care available outside of typical operating hours, continues to be a part of the prospective changes to support ever increasing patient-centeredness of VA healthcare. According to information gathered in March 2011, 29 facilities across 24 States currently offer extended primary care hours for women. Overall, 20.4 percent of facilities offer extended primary care hours (operating hours outside of usual operating hours 8 a.m. to 4:30 p.m.) for women, and 24 percent offer extended primary care hours for men. It is anticipated that these numbers will continue to increase as the transformation to patient-aligned care teams and the focus on more patient-centered care continues.

Question. What efforts are being done specifically at Kentucky VA facilities in this vein?

Answer. The Louisville and Lexington VAMCs both have active women veteran's health programs. Full-time women veteran program managers are in place at each facility and are working to improve advocacy, outreach, and quality of care for women veterans. As a result of their efforts, there has been a steady increase in numbers of women veterans using Kentucky VA facilities. In addition, primary care providers from Louisville and Lexington have attended women's health mini-residency training to improve their proficiency in providing comprehensive primary care to women veterans.

WOMEN VETERANS APPOINTMENTS

Question. I am informed that the percentage of female veterans who do not show up for their medical appointments is in many cases greater than the percentage of male veterans that do not show up for theirs.

What is the VA doing to better understand why this occurs, and what is being done to reduce this higher percentage?

Answer. VA has been collecting data on no-shows and missed appointment opportunities for several years. While there are small absolute differences in no-show rates by gender, further analysis demonstrates that these differences are not statistically significant.

In 2008, the VHA Under Secretary for Health (USH) released a report that surveyed the current state of healthcare delivery to women veterans. This report called attention to gaps that existed in the care for women veterans, noting that the delivery of primary care for women veterans is frequently fragmented requiring women to travel to multiple locations or make several appointments to receive primary care. Recommendations from the USH report to improve service delivery were incorporated into policy changes outlined in VHA Handbook 1330.01 released in May 2010.

VHA Handbook 1330.01 requires that every female veteran have access to primary care from one provider who can provide primary care, gender-specific care, and mental healthcare. This policy will reduce fragmentation of care and need for women to return for separate appointments for gender-specific services. VA is also evaluating the ongoing system-wide enhancement of access to comprehensive primary care with a structured tool and validated external site visits. Increasing numbers of VA facilities are providing extended hours for women's health services (more than 20 percent of facilities).

VA has conducted a scientifically validated National Survey of Women Veterans to assess barriers to use of VA Care and will soon undertake another national survey of women veterans as required by Public Law 111-163.

VA recognizes that needs of women are different from men and is enhancing facility and clinic designs to better meet the needs of women veterans. The VHA transformation to patient-aligned care teams improves access for women by incorporating alternatives to face-to-face care including increased access to telehealth and e-health communications through the My Healthe Vet secure messaging system. These enhancements will improve access for women veterans as they balance their own needs for healthcare with their priorities for their children and their jobs.

OUTREACH FOR KENTUCKY MEDICAL FACILITY

Question. The location of the new VA hospital in Louisville, Kentucky, is of great importance to the local veterans community. In this vein, the VA's initial efforts at

outreach to the veterans community to determine their views on a site location has been poorly planned and executed. Veterans were given little notice about the last public hearing and many were unable to participate. I therefore would urge the VA to better consider the views of local veterans, particularly African-American and younger veterans, in regards to the location of the hospital.

How will the VA improve its outreach efforts in this respect?

Answer. VA is committed to maximizing the dissemination of information to all veterans the Robley Rex VAMC serves. Our efforts were designed with all veterans in mind and are intended to reach all populations.

Two public meetings were conducted on May 11, 2011. The purpose of the meetings was to inform veterans and the general public on the status of the due diligence process and the locations of the five sites under consideration. Methods used to make veterans and the public aware of this event consisted of the following:

- Beginning April 25, 2011, a mass mailing to approximately 45,000 veterans seen by the Robley Rex VAMC was sent advising of the public meeting and inviting them to attend. The mailing was done to ensure all veterans seen by the medical center were aware of the public meeting and invited to attend.
- Letters providing notification of the public meeting date and times were also mailed to veterans service organizations, legislative offices, Kentucky VA, and to the medical center's major affiliates.
- On January 3, 2011 (Frankfort), March 2, 2011 (Frankfort), and April 6, 2011 (Owensboro), the medical center sent representatives to the Joint Executive Council for Veteran Organizations. This also occurred on April 21, 2011, for the VA Voluntary Service meetings to provide status updates on the due diligence process, announce the upcoming public meeting, and answer questions.
- Public notices have been placed in the medical center's volunteer newsletter (May 4, 2011) and local newspaper (May 1, 2011, and May 8, 2011). Media advisories were issued on April 26, 2011, and May 11, 2011.
- Flyers and posters have been placed throughout the medical center and CBOCs.
- The medical center has recently launched an Internet site where visitors, at their convenience, can review progress updates and other related issues.

Question. In addition, how are the opinions of local veterans being incorporated into the decisionmaking process of the VA?

Answer. Time will be allowed during both meetings for participants to ask questions and provide comments concerning site preference.

- Verbal comments will be recorded, transcribed, and collated.
- Participants will be provided with a form they may use to prioritize site preferences and provide written comments.
- Participants had the opportunity to submit their preferences/comments either at the public meetings on May 11, 2011, or via mail from May 11–20, 2011.

The medical center is also in the process of conducting another veterans preference survey using a third-party vendor in order to scientifically determine veteran preferences for the five sites under consideration.

Results from the verbal and written comments of the public meeting and the veterans preference survey will be included with the findings and recommendations of the due diligence process and submitted to the Secretary for consideration while making his final decision.

EMPLOYMENT ASSISTANCE

Question. With the rate of veterans returning from combat increasing, and with an already high unemployment rate, what is the VA doing to help ensure that these brave servicemembers are able to find jobs when they return to civilian life?

Answer. VA administers a number of programs and works with the Departments of Labor and Defense to assist servicemembers in their transition to civilian life.

VA's Vocational Rehabilitation and Employment (VR&E) Program assists disabled veterans prepare for and obtain sustainable employment. VR&E provides employment services such as:

- Translation of military experience to civilian skill sets;
- Direct job placement services;
- Short-term training to augment existing skills to increase employability (e.g., certification preparation tests and sponsorship of certification); and
- Long-term training including on-the-job training, apprenticeships, college training, or services that support self-employment.

Additionally, under the Coming Home to Work Program, full-time VR&E counselors are assigned to 13 military treatment facilities to assist disabled servicemembers plan their future career.

VA's Post-9/11 GI Bill education benefits cover the cost associated with the education or training needed to help veterans as they transition back into civilian life. This includes tuition and fees, a monthly housing allowance, and an annual books and supplies stipend up to \$1,000.

Additionally, VA will work with the DOD and DOL, accrediting agencies, and certifying bodies to ensure that the training and work experience that servicemembers receive will be acceptable for civilian employment.

The Transition Assistance Program (TAP) is a partnership among the Departments of Defense, Veterans Affairs, Transportation, and Labor's Veterans Employment and Training Service (VETS) to provide employment and training information to servicemembers within 180 days of separation and retirement. Servicemembers learn about job searches, career decisionmaking, current occupational and labor-market conditions, resume preparation, and interviewing techniques. They are also receive an evaluation of their employability relative to the job market and information on veterans' benefits.

DOD, DOL, and VA administer a Web site for Wounded Warriors that provides access to thousands of services and resources at the national, State, and local levels to support recovery, rehabilitation, and community reintegration. The National Resource Directory Web site (www.nationalresourcedirectory.gov) provides extensive information for veterans seeking resources on VA benefits, including disability and education benefits.

DEPARTMENT OF VETERANS AFFAIRS HOSPITAL AT EASTERN KENTUCKY

Question. I am informed that many veterans in eastern Kentucky are forced to travel several hours to Lexington or Huntington, West Virginia to undergo procedures at VA hospitals.

I would like to know what the feasibility is for a new, centrally located hospital in eastern Kentucky.

Answer. VA bases planning for future healthcare facilities on projected demand for healthcare services by veterans within specific market areas. These projections are obtained from the VA enrollee healthcare projection model, which is produced in partnership with Milliman USA, Inc, the largest healthcare actuarial firm in the United States. Demand for acute inpatient services for veterans in eastern Kentucky is projected to decrease over the next 10 and 20 years, which would make a new, centrally located hospital in eastern Kentucky not feasible. Decreasing demand in patient services is primarily due to changing demographics, as well as continuing shifts in the healthcare industry from inpatient to outpatient care. A hospital sized to meet the small demand would be inefficient to operate and could not offer the breadth and scope of services required to maintain safety and quality of services.

Question. What criteria (infrastructure, veterans' population, etc.) does a community need to meet to warrant a VA hospital and what can the eastern Kentucky region do to try to facilitate and hasten construction of a VA hospital there?

Answer. VA engages in thorough and continuous analyses of several factors when planning healthcare delivery in communities. These factors include the enrolled veteran population, the projected demand for healthcare over a 20-year horizon, and existing and planned points of service in that area. Population and demand projections take into account current servicemembers and veterans from ongoing conflicts (OEF/OIF/OND), to include gender-specific healthcare needs. Demand projections address both inpatient and outpatient services, including specialty care.

PRESCRIPTIONS

Question. It is my understanding that, based on a November 21, 2006, VA memorandum, that VA officials as a general matter are restricted in their authority to write prescriptions to commercial pharmacies. It is also my understanding that many low-income veterans might benefit from significant cost-savings if their non-service-related prescriptions could be filled at commercial pharmacies.

What is the rationale for this policy?

Answer. The November 21, 2006, memorandum (attached below) does not restrict VA prescribers in their authority to write prescriptions that veterans may have filled in commercial pharmacies. Paragraph 4b on the November 21st memo states: "VA practitioners are permitted to write prescriptions for veterans to be filled in private sector pharmacies, if they meet all prescribing requirements for the State where the prescriptions will be filled."

The memorandum also provides guidance to VA prescribers to ensure patients do not receive duplicate prescriptions from VA and non-VA pharmacies that the electronic medical record is updated with a reference to the prescriptions being filled

in a non-VA pharmacy and that DEA registration numbers should not ordinarily be used for identification purposes.

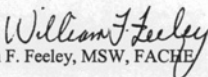
Paragraph 4.a prohibits the “transfer” of a prescription previously filled in VA to a non-VA pharmacy. This requirement does not prohibit VA prescribers from writing a new prescription, only from transferring an existing prescription. The reason paragraph 4.a. was included in the memorandum was for safety reasons. If an error were to be made by the non-VA pharmacy in their understanding of the existing VA prescription, the patient could be harmed. For this reason, VA has instructed prescribers to cancel the VA prescription and issue a new one upon the patient’s request.

[The memorandum follows:]

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|--|--------------------------|
| <p>Department of Veterans Affairs</p> <p>Date: November 21, 2006</p> <p>From: Deputy Under Secretary for Health Operations and Management (10N)</p> <p>Subj: Low Cost Prescriptions for Generic Drugs</p> <p>To: Network Director (10N1-23)</p> | <p>Memorandum</p> |
|--|--------------------------|

1. In late September 2006, Wal-Mart began a pilot in the Tampa, Florida area to provide \$4 prescriptions for 30-day supplies of selected generic drugs. The pilot was quickly expanded throughout the state of Florida and is now available in 27 States. Approximately one dozen other large regional and national retail pharmacies are offering similar services.
2. Veterans subject to the \$8 VA prescription copayment (for each 30-day supply of medication) are expressing interest in obtaining prescriptions from non-VA sources in order to obtain savings.
3. VHA has convened a work group to examine options for making generic drug co-payments more affordable for veterans. Assuming an acceptable option will be developed and approved, it will take time to implement approved changes.
4. In the interim, the following guidance is provided to assist VHA staff:
 - a. VA pharmacy staff are prohibited from transferring prescriptions to private sector pharmacies, either telephonically or by other means such as FAX and e-mail.
 - b. VA practitioners are permitted to write prescriptions for veterans to be filled in private sector pharmacies, if they meet all prescribing requirements for the state where the prescriptions will be filled. When doing so, they must take action to cancel the VA prescriptions to prevent patients from receiving excessive quantities and to record the prescriptions written for non-VA filling in the progress note.
 - c. Drug Enforcement Administration (DEA) registration numbers assigned to VA medical care facilities must not be used as practitioner identifiers for the purpose of writing prescriptions to be filled in non-VA pharmacies. Prescribers’ personal DEA numbers are to be used for this purpose if required by the non-VA pharmacy. Fees for personal DEA numbers are waived for federal employees, who can register via the DEA website.
 - d. Although it is not encouraged, practitioners are permitted to telephone prescriptions to private pharmacies at VA patients’ requests, if they meet all State requirements for the state in which the prescription is being filled. Telephoning or otherwise transmitting prescriptions to private pharmacies may not be delegated to other clinical staff and must be documented in the medical record.
 - e. In cooperation with VHA Forms staff, VA facilities can develop local prescription blanks to write prescriptions to be filled in non-VA pharmacies. However these blanks are subject to the same security and control requirements as the VA prescription blanks used for internal Schedule II (C-II) prescribing.

- f. It is an expected part of clinical care for practitioners to obtain and record a complete list of all medications currently used by patients. The Non-VA medication file has been developed and should be used for the purpose of documenting medications obtained outside the VA. It is particularly important that any medications prescribed by VA practitioners for outside fill are documented in this file.


William F. Feeley, MSW, FACHE

Question. What can be done to fix this problem?

Answer. Since there is no prohibition for writing prescriptions to be filled in non-VA pharmacies, we don't believe that corrective action is required.

CLAIMS BACKLOG

Question. Although the Congress approved the hiring of more than 1,200 new claims processors for fiscal year 2010, I am told that veterans continue to wait far too long to have their claims processed.

What is the average time between when a claim is filed and when the VA finalizes the process?

Answer. The average time to process a VA disability claim is currently 182 days. A significant factor contributing to the recent increase in processing time is Secretary Shinseki's decision of October 13, 2009, to add three new conditions to disabilities currently presumed related to exposure to herbicides used in the Republic of Vietnam (ischemic heart disease (IHD), Parkinson's disease (PD) and hairy cell (B-cell) leukemia (HCL)). While a very positive decision for our veterans, VA must readjudicate previously denied claims for IHD, PD, or HCL filed by Nehmer-class members (Vietnam veterans and their survivors) in order to provide retroactive benefits pursuant to 38 CFR section 3.816. This requirement involves claims filed or denied from September 25, 1985, to the date Secretary Shinseki announced his decision on October 13, 2009. Approximately 93,000 cases were identified fitting this criterion. Due to the complexity of readjudicating claims in this category, all Nehmer readjudication claims are currently being reviewed and readjudicated by the Veterans Benefits Administration's (VBA's) 13 nationwide resource centers, along with some employees at the St. Paul regional office.

VA is also adjudicating a second group of claims under Nehmer provisions that were received between Secretary Shinseki's announcement on October 13, 2009, and the date VA published the final regulation establishing a presumption of service connection on August 31, 2010. Approximately 50,000 cases were received during this period. Completion of these Nehmer claims often requires review of multiple volumes of claims folders to ensure accuracy of effective dates. Unfortunately, there are no technological enhancements to this review process. It is extremely labor-intensive, and one case alone may take 4 to 6 hours to review.

VA currently has 1,300 employees at resource centers around the country devoted to the readjudication of Nehmer claims. Another 1,800 VA employees across VA's 56 regional offices are adjudicating Agent Orange claims received after October 13, 2009. All other regional office employees continue to process non-Agent Orange workload.

Question. As the number of veterans and claims continue to increase, what is being done going forward to ensure that claims are processed in a more efficient and timely manner?

Answer. Our approach to transformation is a holistic approach that changes our culture, improves our processes, and integrates innovative technologies. Through our claims transformation initiatives, we are laying technological and business transformation groundwork to streamline claims processing and eliminate the claims backlog. VA's end goal is the Veterans Benefits Management System (VBMS), a smart, paperless, electronic claims processing system.

VBMS will dramatically reduce the amount of paper in the current claims process, and will employ rules-based claims development and decision recommendations where possible. Utilizing automated workflows and business rules engines will prevent common errors, thereby improving quality. Additionally, by using a services-

oriented architecture and commercial off-the-shelf products, VA will be positioned to take advantage of future advances in technology developed in the marketplace to respond to the changing needs of veterans.

While we work to develop the paperless system, we are making immediate changes to improve the efficiency of our business activities. New calculators guide decisionmakers with intelligent algorithms (similar to tax preparation software) or through simple spreadsheet buttons and drop-down menus in evaluating certain medical conditions. A growing body of evidence-gathering tools, called disability benefits questionnaires, brings new efficiencies to collection of medical information needed to rate each claim. The Fully Developed Claims Program speeds the decision process by empowering veterans and helping them submit claims that are ready for VA decision as soon as they are received.

Question. Also, what is currently being done to address the massive existing backlog of VA claims?

Answer. VBA increased the claims processing workforce in 2010 by converting 2,400 temporary employees, previously funded through the American Recovery and Reinvestment Act, to full-time employees, and hiring an additional 600 new employees. We currently employ more than 11,000 full-time claims processors. VBA will begin to realize additional gains in production beginning in the fourth quarter of fiscal year 2011 as our new employees complete their training and gain in experience. We are continuing to hire claims processors in fiscal year 2011.

In addition, all veterans service representatives and rating veterans service representatives with more than 1 year of experience in their position are now mandated to perform 20 hours of overtime per month. VBA realized positive results when a similar overtime strategy was implemented to reduce the backlog of education claims in the first year of post-9/11 GI Bill implementation.

VBA recognizes that continuing to increase our full-time equivalent levels is not a sufficient solution. The need to better serve our veterans requires bold and comprehensive business process changes to transform VBA into a high-performing 21st century organization that provides the best services available to our Nation's veterans, survivors, and their families.

VA's multi-tiered approach for addressing the dramatically increasing volume of incoming claims includes a number of innovations. VA deployed two rules-based calculators to streamline and improve decision quality, with more tools in the pipeline. VA is providing veterans with improved online access to claims status information and other self-service options (such as ordering copies of discharge records) through the eBenefits portal. This increases client satisfaction while freeing VA staff to work on claims. A recently deployed Agent Orange (AO) miner tool links AO-related databases together and facilitates data search in developing veterans' AO claims. New evidence-gathering tools are being developed, such as the disability benefits questionnaires, which sharpen the focus in medical examinations to ensure all information needed to rate the claim is gathered the first time in the medical examination process and is presented succinctly. VA's Fully Developed Claims Program operating in all 56 regional offices puts veterans in the driver's seat for submitting claims that are ready to rate when received.

We estimate that in late 2012, production will begin to outpace receipts. At that same time, we plan to begin the deployment phase of the VBMS. VBMS will provide powerful new tools to claims examiners to boost efficiency and productivity. Gains in accuracy through rules-based processing will reduce re-work and appeals. Rules-based processing and calculator tools also speed the rating process, which will increase employee productivity and provide additional staff hours to rate other claims.

POST-TRAUMATIC STRESS DISORDER/TRAUMATIC BRAIN INJURY/MENTAL HEALTH

Question. Post-traumatic stress disorder (PTSD) and traumatic brain injury (TBI) continue to be serious conditions for many veterans, as are a host of other mental health issues.

What more can be done to help veterans coping with PTSD, TBI, and mental health issues?

Answer. VA has established a comprehensive system of clinical care for veterans with mental disorders including those veterans who suffer from TBI and other physical problems. These services are fully described in VHA Handbook 1160.01, Uniform Mental Health Services in VA Medical Centers and Clinics, published in 2008. This handbook defines requirements for those mental health services that must be available to all veterans, and those that must be directly provided by VA staff in VA facilities—medical centers, very large, large, mid-sized, and small CBOCs. Uniform access to evidence based clinical care across the VA system is a core feature of VA mental health services, as is a recovery orientation, providing services that

will help veterans with serious mental illness fulfill their personal goals and live meaningful lives in a community of their choice. VA continues to work toward full implementation of the services described in the handbook; we have accomplished most implementation, but efforts remain for full implementation and sustainment.

As of the first quarter of fiscal year 2011, 50.7 percent of OEF/OIF/OND veterans who have come to VAMCs and clinics for care have received a provisional diagnosis of mental disorder. Of these 53.4 percent have a provisional diagnosis of PTSD and 39.3 percent have a provisional diagnosis of depressive disorder. It is clear that mental health issues are prominent among returning servicemembers, but also that PTSD is not the only diagnosis manifested by these veterans.

Recognizing that TBI is another common problem among veterans of the Southwest Asia wars, VA collaborated with the Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury (DCoE) to hold a 2-day consensus conference of clinical and scientific experts on April 27–28, 2009. That conference concluded, based on a thorough review of the published evidence, that the assessment and treatment of veterans with co-occurring PTSD and mild TBI could be approached using the evidence-based approaches identified in the VA/DOD clinical practice guidelines. This information is the current standard of practice for these disorders and has been disseminated across the VA system through a variety of face to face, satellite broadcast, and Web-based educational programs. VA mental health and rehabilitation services collaborate to address the needs of veterans with co-occurring PTSD, other mental health problems, and TBI. This coordination is typical of VA's integration of mental health with primary care and other medical services in order to enhance access of veterans to mental health services.

With a clinical infrastructure based on evidence-based assessment and treatment, and enhanced mental health staffing since 2005, VA mental health services are left with two goals—sustaining and expanding the capability to provide these services and promoting access of veterans to these services. Sustaining services is being achieved by tracking the implementation of the Uniform Mental Health Services Handbook. Increasing access is being addressed by initiatives such as providing VA staff at colleges and universities, in a current pilot program, and enhancing availability of VA services in rural areas. Expanding the public's awareness of VA mental health services is being achieved through multiple activities, including (but not limited to):

- Large public outreach campaigns;
- Dissemination of a version of the Uniform Mental Health Services Handbook developed to communicate about required mental health services in language readily understood by veterans and their families;
- Web-based activities such as MyHealtheVet;
- The National Center for PTSD Web site;
- Collaborating with the Caregiver Initiative being implemented by VA Social Work Service;
- Information on VA services and ways to access these services made available through social media such as Facebook;
- A recently released PTSD app for iPhones; and
- Collaborations with community partners, including initiatives such as the VA/DOD Integrated Mental Health Strategy and the Substance Abuse and Mental Health Services Administration Policy Academy Technical Assistance Center.

RURAL ACCESS

Question. What is the VA doing to provide improved access to healthcare services for the large population of rural veterans, especially in Kentucky?

Answer. For fiscal year 2011, VA Rural Health Initiative funding of \$250 million has been appropriated for National Telehealth/Telemedicine Expansion, Project Access Received Closer to Home, Veterans Rural Resource Centers, Teleradiology Services Sustainment, and veterans integrated service network (VISN) rural initiatives to include outreach clinics and mental health projects.

Approximately 3.3 million veterans enrolled in the veterans healthcare system live in rural and highly rural areas. This represents 41 percent of the approximately 8 million total enrolled veterans. Access to care for rural veterans is increasing which is partly due to the addition of 26 new rural CBOCs. As 25 additional rural CBOCs open, the numbers of enrolled veterans reported are expected to quickly grow.

Rural access is also expanded through opening new rural outreach clinics, mobile units, and telehealth. Data from fiscal year 2009, fiscal year 2010 and fiscal year 2011 quarter one reports show that 416,131 VA encounters/services were provided

for rural veterans, including 8,927 rural OEF/OIF veterans and 11,704 rural women veterans.

The State of Kentucky has seen a steady increase in VHA enrollment for rural veterans, across all enrollment categories. In fiscal year 2010, 269 additional rural veterans enrolled in VHA. The State of Kentucky is part of VISN 9. VA currently funds 11 projects in VISN 9, all designed to expand access to high quality healthcare. Approximately 5,734 VA encounters/services have been provided to/for rural veterans through these projects.

In fiscal year 2010, there were 1,485 veterans in Kentucky that had telehealth-based care in VA clinics; these patients received 3,120 encounters. Of this population receiving clinic-based care via telehealth, 88 percent (1,314) were in rural areas. Currently, as of June 6, 2011, 1,024 veterans in Kentucky are enrolled in VA's home telehealth programs, and 64 percent (656) of these patients live in rural areas.

VA has opened two new rural health CBOCs, expanding both primary and specialty care, and has made significant expansion of available rehabilitation services in the area. VISN 9 is especially proud of expansion of teleretinal screening at the Clarksville CBOC.

With funding from VA, VISN 9 has been a key contributor to the Rural Health Professions Institute (RHPI). RHPI collaborated with Mountain Home VAMC to deliver training to CBOCs and VISN representatives from across the Nation. The RHPI developed new teaching tools and technologies to facilitate understanding of rural culture and delivery of care. RHPI educated staff to the array of VA telehealth technologies, which offered rural veterans the opportunity to receive care from a variety of specialists. Although these projects are not located in Kentucky, they do provide access and care to veterans from Kentucky.

Question. What measures are being taken by the VA to expand the use of telemedicine to help rural veterans who lack access to major VA facilities?

Answer. VA provides funding of initiatives that optimize the use of available and emerging technologies to enhance services to veterans residing in rural and highly rural areas. VA continues to fund innovative and diverse pilot projects and service initiatives that improve access and quality of primary, mental health, and specialty care; and enhance care through advances in technology and telehealth services. In addition, the Veterans Rural Health Resource Center—Eastern Region focuses on the education and training of VA and non-VA service providers caring for rural veterans and bringing specialty care to community-based clinics via telehealth technology. In fiscal year 2010, VA telehealth programs provided care to veterans residing in rural and highly rural areas as follows:

- Approximately 20,000 veterans using Home Telehealth;
- Approximately 45,000 veterans using Clinical Video Telehealth; and
- Approximately 77,000 veterans using Store and Forward Telehealth.

VA plans to expand by 50 percent, both its Home Telehealth Program and capacity to undertake clinical consultations using real-time clinical video telehealth in fiscal year 2011. The capability to remotely review clinical digital images via Store and Forward Telehealth (nonradiology) is planned to increase by 30 percent in fiscal year 2011. VA also has other specific initiatives to expand the scope of its telehealth services that include:

- Spinal cord injury (Tele-SCI);
- Audiology (Tele-audiology); and
- Pathology (Tele-pathology) clinical consultation networks.

VA is developing a rural telehealth communications plan, which will include an annual report of accomplishments. The products and tool developed as a result of the communication plan will be distributed VHA-wide. VA places the highest priority on telehealth services and will continue to support expansion of telehealth services nationally.

FORT KNOX IRELAND COMMUNITY-BASED OUTPATIENT CLINIC

Question. I am informed that DOD will begin budgeting for the replacement of the Fort Knox Ireland Army Community Hospital in fiscal year 2013. Currently, Ireland has a CBOC affiliated with it.

What steps are being taken by the VA to ensure that efforts on the CBOC are synchronized with those of DOD and the new hospital?

Answer. There is an ongoing dialogue between the VA and DOD concerning this issue. Efforts are being coordinated through the VA's DOD-sharing office and involve discussion at both the local and national levels. VA is developing a business case to best address the needs of veterans served by the CBOC at Fort Knox, which will be evaluated in VA's strategic capital investment planning process.

SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 11:54 a.m., Thursday, March 31, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

**MILITARY CONSTRUCTION AND VETERANS
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2012**

THURSDAY, APRIL 7, 2011

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

The subcommittee met at 2:01 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Landrieu, Reed, Nelson, Pryor, Kirk, and Hoeven.

DEPARTMENT OF DEFENSE

OFFICE OF THE SECRETARY OF DEFENSE

STATEMENT OF HON. ROBERT F. HALE, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

ACCOMPANIED BY DR. DOROTHY ROBYN, DEPUTY UNDER SECRETARY FOR INSTALLATION AND ENVIRONMENT

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Good morning. This hearing will come to order.

I welcome everyone to today's hearing to discuss the President's fiscal year 2012 budget request for military construction (MILCON) and family housing for the Department of Defense (DOD) and the Department of the Navy.

Our first panel today will be the DOD Comptroller, Bob Hale, and Dr. Dorothy Robyn, the Deputy Under Secretary for Installations and Environment.

Secretary Hale, Dr. Robyn, thank you for coming. We look forward to your testimony.

I remind my colleagues that, in order to reserve the majority of the time for questions, our procedure will be to have opening statements by the chairman and ranking member, followed by opening statements from the witnesses.

The President's MILCON and family housing budget requests for fiscal year 2012 totals \$14.8 billion, nearly \$4 billion less than last year's request. This decrease is due primarily to reduced requirement for base realignment and closure (BRAC) funds. I note that the deadline for BRAC completion is this September, and I hope that you can give us an update on where we are on completing the program.

These are austere times, and I understand that every agency must tighten its belt. However, I remain concerned about the level of construction funding for the Guard and Reserve. While I realize that last year was a high mark for the Army Guard, I note that all of the Guard and Reserve accounts are down this year, with the exception of the Air Force Reserve. In the past, the Guard and Reserve have benefited from earmarks and congressional plus-ups. That does not appear to be an option this year.

I know that relocation of marines from Okinawa to Guam remains a top priority for the Department. I know that DOD has faced many obstacles in getting this effort off the ground. I look for a progress report on the Guam relocation, as well as other major challenges facing the Department.

Senator Kirk, would you care to make an opening statement?

STATEMENT OF SENATOR MARK KIRK

Senator KIRK. Thank you, Mr. Chairman. I would.

I would note that our MILCON request of \$14.8 billion is down \$4 billion, or 21 percent, from the fiscal year 2011 budget request, largely due to the near completion of BRAC 2005. The budget request proposes to reduce Active-Duty MILCON by \$1.5 billion, or 12 percent, and to reduce Guard and Reserve construction by 14 percent, to \$1.2 billion, compared to the fiscal year 2011 request, although the Air Force Reserve construction request reflects a 325-percent increase—that's returning, actually, to a more normal level. I'm particularly worried on some of the accounts and the funding levels, but there are some issues that I would highlight.

I would note that the bill has a request for about \$146 million for the State of Illinois, including in my old congressional district at Great Lakes—and, great to see that.

Some of the questions that I hope we deal with today is, regarding a future bed-down for two brigade combat teams in Germany, and whether we will actually fund that, or we will bring one or both of them home.

There's no published cost right now for full-tour normalization in Korea, and I'm particularly worried about the cost of that proposal. My understanding is, it's about 54,000 dependents on the peninsula, with housing and schools. I would note DOD just sent over a list of the largest noncombatant evacuation orders in our history, and the largest one—one that I participated in as a Pentagon staffer in July 2006—was for 14,000, and this would be far in excess, if we ever had to get the people that we would bed down in Korea out of there quickly.

I'm also worried about—no master plan or releasable total cost for the facilities in Guam. Now, we did have this old chart which showed a big bed-down—this is, I think it's a fiscal year 2009 chart—showing how this thing would be staged in Guam, and where we would go. I guess the administration hasn't been able to update it. But my hope, for Mr. Hale, is you would be able to do that—to give us, and this subcommittee, some greater clarity over our Guam adjustments, especially in light of the Fukushima disaster. Would the Japanese have the cash to be able to come through on their commitments? And we are certainly looking for-

ward to Secretary of Defense and Secretary of State April 29 meetings as to what they can tell us about that.

I'm concerned on the Guam side that the U.S. military commitment to Guam, which is vast and necessary, in my view, should, first, include a huge missile defense architecture—because this thing is going to have one big bullseye on it. And we would want to—need to protect this investment. Second, the Environmental Protection Agency now estimates the water and power requirements alone for DOD would now total not the original estimate which I see here, of \$300 million, but more like \$1.3 billion. And it would seem that we would need to realign our expenses with those new estimates.

I'd also like your estimate on the \$100 million request for Bahrain—a \$45 million water development phase and a \$55 million bachelor officer quarters—given the instability in that region and where we go.

So, with those few, couple of noncontroversial issues, Mr. Chairman, I turn it back to you.

Senator JOHNSON. Secretary Hale, Dr. Robyn, thank you again for appearing before our subcommittee. Your prepared statement will be placed in the record, so I encourage you to summarize your remarks to allow more time for questions.

Secretary Hale, please proceed.

SUMMARY STATEMENT OF HON. ROBERT F. HALE

Mr. HALE. Well, thank you, Mr. Chairman, members of the subcommittee. And thanks for the opportunity to discuss the MILCON and facilities portion of the fiscal year 2012 budget. Your support is essential if we are to provide America's service men and women with the infrastructure and facilities that they need to meet our national security requirements.

To put our MILCON and family housing budgets in perspective, I'd like to start with just a very brief overview of the overall budget. And then I'll offer some comments from a financial perspective on some of the issues that have already been raised, and then turn to Dr. Robyn for more details on the MILCON and family housing.

Mr. Chairman, for DOD as a whole, we're requesting \$553 billion of budget authority for fiscal year 2012. This will equip and sustain a military at war, and one currently involved in major operations in Libya and Japan.

We'll devote those requested fiscal year 2012 funds to meeting three key priorities: First, reaffirming our commitment to take care of the All-Volunteer Force, which includes a 1.6-percent military pay raise, family support programs, and substantial healthcare programs. Second, re-balancing the Department's capabilities so we can prevail in current conflicts, including heavy investments in unmanned aerial vehicles and cyberwarfare activities. And third, enhancing our capabilities for conflicts we may face in the future through substantial investments in tactical aircraft, ships, ground vehicles, missile defense, and much more.

The budget also seeks efficiencies throughout DOD. We propose savings of \$178 billion through 2016. The Department as a whole saves \$78 billion and uses that to accommodate a reduction in our top line, which is in support of the administration's deficit control

efforts. The military services identified another \$100 billion in savings, and they will retain and invest those savings to meet high priority warfighter needs.

Some of these efficiencies affect MILCON and facilities. For example, the Army chose to make modest reductions in MILCON funding, while retaining sustainment funding for existing facilities. The Navy and Air Force generally retained planned MILCON funding, but they are pursuing a new approach to prioritization they believe will permit modest reductions in spending for facility sustainment.

Turning to the MILCON and family housing request, as you know, it's \$14.8 billion—that's less than our previous requests over the last 4 years, as the chairman mentioned, due largely to declining investments in BRAC, but also because of reductions in global defense posture and grow-the-force initiatives. Of the \$14.8 billion invested, \$12.5 billion is for MILCON, including important new quality-of-life programs consistent with our first and highest priority goal to take care of our people. The request includes funding to begin recapitalizing the Landstuhl hospital—the first stop for wounded service members—and \$550 million to replace or modernize 15 schools for military dependents. Additionally, our plan over the next 5 years is to replace or recapitalize more than one-half of Department of Defense Education Activity (DODEA) schools over the next few years. Our request also includes \$0.6 billion—\$600 million—for BRAC, and another \$1.7 billion for family housing.

In addition to the base budget, we're asking for \$178 billion for overseas contingency operations, primarily in Afghanistan and Iraq. No new funds are requested for fiscal year 2012 for MILCON in the overseas contingency operations budget.

I'd like to say a few words from a comptroller standpoint about some key programs. First, budgets for MILCON have increased rapidly in recent years, increasing from \$5.1 billion in fiscal year 2000 to \$13.1 billion in fiscal year 2012, an average growth of 8.1 percent a year, making MILCON the fastest-growing defense appropriation during this period of time. While this growth by itself doesn't suggest cutting back on MILCON funding, all defense spending will have to be reviewed as we seek to slow the growth in the overall defense budget.

There are a few items of significant interest. One is BRAC. Most of the 222 BRAC recommendations have been completed or will be finished by the statutory deadline of September 15. As a result, we're requesting only \$600 million to fund BRAC-related caretaker and environmental restoration activities. While the great majority will be completed, there are a few recommendations that are at risk of not meeting the BRAC deadline. We're doing all we can to complete them within the current BRAC law, but it's going to be tight for some of these. They are certainly at risk.

A second issue concerns Guam and the planned relocation of personnel. We asked for \$452 million last year in the fiscal year 2011 budget. That request raised a lot of questions that were posed earlier. More recently, the tragic earthquake and tsunami have raised new questions. So far, we have not seen a change in Japanese policy toward the relocation issue, but we are also looking forward to

the two-plus-two meeting in late April for further discussion of that issue.

We have asked for, what we view as, a fairly modest amount of funding—\$181 million for fiscal year 2012—for Guam-related, Marine Corps-related, moves to Guam—for two utility infrastructure projects. We know that we need to supply more information to the Congress about the relocation, including some final estimates of costs, and hope we get more clarity after the two-plus-two meetings. At the same time, and especially in view of the major contributions the Japanese have already made—we have \$837 million of Government of Japan money in our budget or in our bank right now—we do ask that the Congress support what we view as a fairly modest request for funding for the Marine Corps-related moves—the \$181 million I mentioned.

[The information follows:]

Given the current fiscal environment, the Department continues to conduct analyses and assessments of the necessary infrastructure and associated costs required for the relocation of marines to Guam. We understand the significant investment necessary to accomplish this initiative and are committed to ensuring fiscal discipline throughout the process. I look forward to providing an update when our assessment is complete and opportunities to minimize costs are identified.

Mr. HALE. A third issue involves United States troops in Europe. We've been in consultation with European allies concerning a number of brigades stationed there, but as of this hearing we have not reached a final decision. I do expect that decision, and the announcement of that decision, to be imminent. Until we have a final decision, we are not requesting in this 5-year plan any MILCON funds to return any brigade combat teams from Europe to re-station them in the United States.

Finally, I need to mention what is the most serious financial problem facing DOD today, and that's the lack of an appropriation for the DOD for fiscal year 2011. We're on our sixth continuing resolution, which is causing serious problems. We've had to delay awards of ship and vehicle contracts, which has caused problems for our vendors and postponed delivery of needed weapons; readiness has been harmed; the Army and the Marine Corps have—temporary civilian hiring freezes. For example, we can't replace a tank mechanic when that job becomes open. Our people have been greatly affected. The Navy has sought to preserve funding flexibility by cutting back on the time between issuing travel orders and the move itself—which puts a strain on military families.

MILCON has not been spared the effects of these continuing resolutions. As of March 23, we had 140 approved major MILCON projects, totaling \$3.1 billion, that have been placed on hold. We're ready to make the awards to contractors, but we can't do that under a continuing resolution. We're delaying everything from maintenance hangars to barracks—22 of those projects are quality-of-life initiatives. And it will be difficult for an already understaffed contracting workforce to catch up once the Congress acts on an appropriation. I fear the continuing resolutions have already led to substantial inefficiencies—I know they have. And this problem will grow rapidly if we remain on continuing resolutions. And I might add, it will be much worse if we go through a Government shutdown of any substantial length.

Secretary Gates has called the continuing resolution a crisis at our doorstep. I couldn't agree more. To put it simply, DOD and the other Government agencies need an appropriation for fiscal year 2011, and we ask your help in achieving that goal.

In conclusion, Mr. Chairman, I believe the fiscal year 2012 budget request is prudent, given the needs of the armed forces and the economic situation in which we find ourselves. The budget requests a reasonable and responsible MILCON and family housing program in our view, and I urge your support.

PREPARED STATEMENT

Let me end by thanking you and the members of the subcommittee for the strong support of the men and women of the U.S. military.

That concludes my statement. And after Dr. Robyn finishes, I'll be glad to join in answering questions. Thank you.

[The statement follows:]

PREPARED STATEMENT OF HON. ROBERT F. HALE

Mr. Chairman, members of the subcommittee, thank you for the opportunity to discuss the military construction (MILCON) and facilities portions of the fiscal year 2012 budget for the Department of Defense (DOD).

Your continued support is essential if America's All-Volunteer Force is to have the infrastructure and facilities it needs to ensure the national security of the United States and to carry out required missions around the world.

To put the MILCON and family housing requests into context, I would like to provide a brief overview of the President's budget for the entire Department. Then I will highlight a few key financial issues related to facilities. My colleague, Dr. Dorothy Robyn, Deputy Under Secretary for Installations and Environment, will follow with the details on the MILCON program.

BASE BUDGET REQUEST

Mr. Chairman, the Department's budget for fiscal year 2012 requests \$553.1 billion in discretionary budget authority. This represents a real increase of 3.6 percent over the levels of the present continuing resolution, and about 1.5-percent real growth over the omnibus defense bill that was marked up by the Congress last December.

The budget reflects the administration's commitment to the defense budget that is needed to equip and sustain a military at war. Before making this proposal, the President carefully balanced our national security needs with our economic security, taking into account the Federal deficit.

The budget for fiscal year 2012 also continues the reform agenda that Secretary Gates launched in fiscal year 2010. This year's budget places greater focus on reforms of DOD's organization and business processes.

More specifically, the fiscal year 2012 budget continues and reinforces key priorities laid down by Secretary Gates for the Department:

- One, it reaffirms our commitment to take care of the All-Volunteer Force, which we consider our greatest strategic asset. We propose a 1.6-percent military pay raise, \$8.3 billion for family support programs, and \$52.5 billion for military healthcare;
- Two, the fiscal year 2012 base budget continues the rebalancing of the Department's capabilities in order to improve our ability to prevail in current conflicts, such as the unconventional war in Afghanistan. To that end we plan to invest \$4.8 billion to purchase unmanned aerial vehicles and \$2.3 billion for cyber activities;
- Finally, our budget maintains and enhances our capabilities for the conflicts we may face in the future. Included are a restructured but substantial Joint Strike Fighter program, a new tanker program, an aggressive shipbuilding program, and a new ground combat vehicle.

This budget also seeks to make the most of taxpayer resources by introducing efficiencies across the Department. Specifically, we are proposing savings of \$178 billion for the Future Years Defense Program, which encompasses the period from fis-

cal year 2012 through fiscal year 2016. The armed services have identified savings of \$100 billion, most of which they will retain and reinvest in higher priorities to support the warfighter. The Department as a whole has identified \$78 billion in savings to accommodate a topline reduction over the same 5-year period. This topline reduction supports the President's program to hold down the Federal deficit.

MILITARY CONSTRUCTION AND FAMILY HOUSING

The MILCON and family housing portion of this budget supports these objectives. We are asking for \$14.8 billion for MILCON and family housing. The fiscal year 2012 MILCON request is significantly less than it was in the previous 4 years due to declining investments in base realignment and closure (BRAC), as well as reductions in Global Defense Posture and Grow-the-Force initiatives.

Of the \$14.8 billion requested, \$12.5 billion is for MILCON, including \$1.9 billion for 41 new barracks, six new physical fitness centers, four new child development centers, and four chapels. The request also includes funding to begin recapitalizing the Landstuhl hospital, which is the first stop for evacuated wounded servicemembers, and \$550 million to replace or modernize 15 DOD Education Activity (DODEA) schools to serve military dependents. Our plan is to replace or recapitalize more than one-half of the 194 DODEA schools over the next few years.

In addition, the fiscal year 2012 budget includes \$0.6 billion for BRAC-related environmental clean-up and caretaker costs and \$1.7 billion to fund construction, operation, and maintenance of Government-owned family housing worldwide. This investment will help to provide quality, affordable housing to U.S. military personnel and their families.

REQUEST FOR OVERSEAS CONTINGENCY OPERATIONS

Besides the base-budget request for DOD, the President has requested \$117.8 billion to fund overseas contingency operations, mainly in Afghanistan and Iraq. This amount is \$41.5 billion less than was requested in fiscal year 2011, primarily because of declines in overseas contingency operations funding as we transition to a civilian operation in Iraq.

No new funds are requested for MILCON in the fiscal year 2012 budget. The MILCON request last year was \$1.2 billion and included funding for troop housing in Afghanistan, as well as operational and support facilities.

I would point out that the fiscal year 2012 overseas contingency operations budget does include \$524 million for the Office of Security Cooperation-Iraq (OSC-I). The OSC-I, which will be funded jointly by the Departments of State and Defense, will execute our Foreign Military Sales program in Iraq. OSC-I will help to ensure the continuation of military-to-military relationships that advise, train, and assist Iraq's security forces. In order to provide timely assistance and enable the transition to a civilian-led mission in Iraq, we need to begin funding OSC-I initiatives in fiscal year 2011 and continue to support the OSC-I requested funds in fiscal year 2012. DOD needs legislative authority (which includes authority to construct and renovate facilities) to provide this assistance. We ask the Congress to include that in the DOD appropriation bill for fiscal year 2011 and to sustain the authority in fiscal year 2012.

TRENDS AND SPECIFIC ISSUES

Last, I would like to say a few words from the Comptroller's standpoint about several specific MILCON programs that Dr. Robyn will describe shortly.

Budgets for the MILCON appropriation have grown rapidly in recent years, rising from \$5.1 billion in fiscal year 2000 to \$13.1 billion in the fiscal year 2012 budget. Growth has averaged 8.1 percent a year over this period, making MILCON the fastest growing of all defense appropriations over this stretch of years. Rapid growth does not by itself suggest that we should slow the growth or reduce MILCON funding. But, as overall growth in the defense budget slows, MILCON will need to be examined carefully. Indeed, the Congress has already begun reducing MILCON requests in markups of the fiscal year 2011 budget.

As defense budgets tighten, we need to be sure that we are investing every MILCON dollar wisely and that we have sought efficiencies and streamlining wherever possible. As we formulated the fiscal year 2012 budget, we considered several issues that bear on these goals.

One is BRAC. As I mentioned already, most of the 222 BRAC projects have been completed or will be finished by the statutory deadline of September 15, 2011. As a result, our MILCON request for fiscal year 2012 includes only \$0.6 billion to fund BRAC-related caretaker and environmental restoration expenses. The great majority

of projects will be completed on time. We are experiencing delays on a handful of projects, but we will do all that we can to comply with the current law.

A second issue concerns Guam and the planned relocation of personnel and dependents of the Third Marine Expeditionary Force now in Okinawa. The fiscal year 2011 MILCON request included \$452 million for related costs. That request has raised various congressional concerns about the viability of the move and our agreements with the Japanese Government. More recently, the earthquake and tsunami in Japan have raised a number of new questions. At present, the relocation plan remains in effect. We are requesting modest funding for the move-related MILCON budget for fiscal year 2012—specifically, \$181 million to fund two utility infrastructure projects that will support future construction on Guam. We understand that we need to provide the Congress with more information about the relocation. At the same time, and especially in view of substantial Japanese contributions to the Guam relocation, we ask for congressional support of the relatively modest fiscal year 2012 funding request for this initiative.

A third issue that has yet to be resolved involves United States troops in Europe. In view of the NATO strategic review and overall United States capabilities in Europe, we have been in ongoing consultations with our European allies and partners concerning the number of Army brigades stationed there. But we have not reached a final decision. Pending a final decision, our fiscal year 2012 budget does not request any MILCON funds to return brigade combat teams from Europe.

I should add that facilities funding and all costs for business operations were examined closely as we sought efficiencies during formulation of this year's budget. The Army chose to make some modest reductions in MILCON funding by sustaining existing facilities. The Navy and Air Force generally sustained their MILCON funding but elected to pursue a new approach to prioritization that they believe will permit modest reductions in spending for facilities sustainment.

FISCAL YEAR 2011 CONTINUING RESOLUTION—A CRISIS AT OUR DOORSTEP

Finally, I cannot fail to mention the most serious financial issue we face today: the lack of an appropriation for the DOD for fiscal year 2011. The continuing resolutions under which we have been operating are causing serious problems and generating substantial inefficiencies. We have had to delay awards of ship and vehicle contracts, causing problems for vendors and postponing delivery of weapons needed by our troops. Readiness has been harmed because of maintenance delays and hiring freezes that prevent DOD from replacing needed personnel. Our people have been hurt as, for example, the Navy has sought to preserve funding flexibility by cutting back on the time between issuing travel orders and the move itself.

MILCON has not been spared during these continuing resolutions. As of March 23, 2011, 140 needed projects totaling \$3.1 billion have been placed on hold. We are delaying everything from maintenance hangars to barracks, and it will be difficult for an already understaffed contracting workforce to catch up once the Congress acts on an appropriation. I fear that the continuing resolutions will engender substantial inefficiencies.

Secretary Gates has called the continuing resolution a crisis at our doorstep, and as the Department's comptroller I couldn't agree more. To put it simply, DOD and the other Government agencies need an appropriation, and we ask your help in achieving that goal.

CONCLUSION

In conclusion, I believe that the fiscal year 2012 budget is prudent, given the needs of the armed forces and the economic situation in which we find ourselves. The budget supports a reasonable and responsible MILCON and family housing program. I urge your support for this request.

Again, Mr. Chairman, I want to thank you and the members of the subcommittee for your strong support of the men and women of the DOD. That concludes my statement. After Dr. Robyn completes her statement, we will both be glad to answer your questions.

Senator JOHNSON. Thank you, Secretary Hale.
Dr. Robyn.

SUMMARY STATEMENT OF DR. DOROTHY ROBYN

Dr. ROBYN. Thank you, Chairman Johnson, Ranking Member Kirk, members of the subcommittee. Thank you for the opportunity to testify on the President's budget request for MILCON.

MILITARY CONSTRUCTION

I want to talk briefly about three areas—MILCON, BRAC, and then installation energy.

Bob has really covered very well most of the points that I was going to make in my opening statement. I have a much longer written statement on MILCON. We're targeting three key areas that he's highlighted—operational requirements, recapitalization of our DODEA schools, both here and overseas. This is a 6-year, \$4 billion effort to rebuild or recapitalize 134 schools and, in the process, make them models of energy efficiency and the kind of technology that really stimulates student learning. And then, the third target area is medical infrastructure—\$1.1 billion to upgrade our medical infrastructure.

Let me just briefly mention two other points under MILCON. I want to note that we're requesting only \$1.7 billion for family housing, and that's largely for family housing on our bases overseas. A decade ago if I had been testifying on our budget, the amount requested for family housing would have been much closer to the amount requested for MILCON.

The reason the number is so low for family housing is the tremendous success of privatized housing. We now provide very, very high quality housing for our families on U.S. bases using private developers. They have an incentive to build it right, to maintain it. They have to compete in order to attract and retain tenants, because service members can go elsewhere. It is the most successful effort to improve quality of life that I am certain that my office has been associated with. And we were a major champion of it in the face of a lot of resistance. So, I take every opportunity to plug that.

And finally, let me underscore Bob's comments on Guam. We are very aware of the information that you want and that, we are re-looking at costs and timelines. But we're limiting our requests this year to two infrastructure projects totaling \$181 million, one of which we would be doing in any event. It involves Anderson Air Force Base. Given the substantial contribution that the Japanese Government has already made to the Guam relocation, we are asking for your support of the relatively modest fiscal year 2012 funding that we're requesting.

BASE REALIGNMENT AND CLOSURE

Second, with respect to BRAC, as Bob said, we're in the final year of implementing BRAC 2005, with all 222 recommendations required to be completed by September 15. We are facing challenges in about five or six actions. We're working diligently to ensure that we satisfy our legal obligations. Once implementation is completed, we will realize an estimated \$4 billion a year in savings. So, this will be the biggest, BRAC, both in terms of what, cost up front, but also in terms of the savings.

One particular concern—and I know it's one this subcommittee has monitored closely—is the impact of BRAC on communities that are gaining as opposed to losing troops and facilities. And a key issue here is the impact on local congestion—local transportation networks. Last year your bill directed the National Academies of Science to study the effect of BRAC on local transportation net-

works, and we worked with the Academy to do that study. It's a very good study. It focuses on the Defense Access Roads (DAR) program, and the need to revise the criteria for funding under the DAR program. We are doing that. It will take us some time, but I guarantee you, it will represent a change in policy under the DAR program, and it will make it easier for us to mitigate adverse traffic impacts caused by the Department's actions, particularly in highly congested urban areas.

The final BRAC point I would like to make has to do with joint basing—the consolidation of 26 installations into 12 joint bases—something that could not have been done without the forcing mechanism of BRAC. This process, which my office has overseen, has been very, very difficult. It is hard to get an Air Force base and an Army base to, in effect, merge. It's like a corporate merger, and as with a corporate merger, the cultural differences are the hardest to overcome. But we're succeeding. We are getting the predictable consolidation benefits—economies of scale. But we're seeing something unexpected, and that is that these joint base commanders, faced with these parallel and often conflicting service requirements, are out of necessity, coming up with cross-cutting, very innovative business processes—approaches that we can leverage throughout the entire Department. So, joint bases are becoming incubators for innovation. And, I don't think anybody anticipated that. It makes sense when you think about it. It's a happy result of joint basing.

INSTALLATION ENERGY

Finally, let me speak briefly about what we're doing about installation energy. The energy we use on our installations is important for two reasons. One is mission assurance. Our installations support combat operations more directly than ever before. We pilot unmanned aerial vehicles (UAVs), perform intelligence analysis, and even deploy long-range bombers from our domestic permanent installations. These bases, in turn, rely on an electricity grid that experts tell us is vulnerable to major disruption due to natural or manmade causes. That's a concern.

The second reason energy is important to the Department is cost. We have more than 300,000 buildings—\$2.2 billion square feet of space. That's 12 times as much as GSA, 3 times as much as Walmart. Our energy bill just for installations is correspondingly large—\$4 billion a year. With an eye toward lowering that energy bill and improving the energy security of our installations, we're pursuing a multifaceted strategy—we're using our MILCON and our sustainment budgets, supplemented by third-party financing, to drive the effort to make our buildings more energy efficient. We're taking steps to make our installations more secure in the event of a major disruption to the grid—renewable energy is critical here, as is investment in microgrid technology.

And finally, we are using our installations as a virtual test bed to demonstrate next generation energy technology—technology that can dramatically reduce our energy performance, but that faces major hurdles to commercialization because of the nature of the building and energy industry. For those technologies that prove effective in these test bed demonstrations, we can use the substantial demand by our installations to help create a market, much as the

Defense Department has done historically with computers, GPS, the Internet and many other things.

These efforts to green military installations are good for the environment, to be sure. But that's not the main reason we're pursuing them. The main reason is cost-savings and mission assurance. These are smart investments for the Department, and they will pay for themselves many times over.

PREPARED STATEMENT

Thank you again for the opportunity. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF DR. DOROTHY ROBYN

Chairman Johnson, Senator Kirk, and distinguished members of the subcommittee: Thank you for the opportunity to present the President's fiscal year 2012 budget request for the Department of Defense (DOD) programs to support installations, installations energy, and the environment.

Installations are the military's infrastructure backbone—the platform from which our soldiers, sailors, airmen, and marines accomplish their missions. Installations have long supported the maintenance and deployment of weapons systems and the training and mobilization of combat forces. Increasingly, they have an even more direct link to the warfighter, by providing “reachback” support for combat operations. Our installations are also becoming more important as a staging platform for homeland defense missions.

Installations affect not just our mission effectiveness but the very quality of life that our servicemembers and their families enjoy. Families' satisfaction with the most critical services they receive—housing, healthcare, childcare, on-base education—is linked to the quality and condition of our buildings and facilities.

My testimony addresses four key topics:

- First, international and domestic basing decisions, including the buildup of marines in Guam and the 2005 base realignment and closure (BRAC) process;
- Second, the Department's management of the built environment, including the programs that support MILCON, family housing, and sustainment and recapitalization;
- Third, our strategy for improving the energy efficiency and energy security of our installations; and
- Fourth, our programs for protecting the natural environment.

THE GLOBAL PICTURE: INTERNATIONAL AND DOMESTIC BASING

Global Basing

To project power globally, the Department must have the right mix of military forces and facility infrastructure at strategic locations. My office supports the Department's strategic security objectives by ensuring that decisions about international basing of troops and facilities are the product of joint planning and rigorous analysis. We also seek to leverage existing infrastructure wherever possible. As examples, we are assisting the services with planning for the U.S. Forces Korea transformation initiatives, the recapitalization and consolidation of the Landstuhl Regional Medical Center in Germany, and the relocation of thousands of marines and their families from Okinawa to Guam.

Rebasing Marines From Okinawa to Guam

The realignment of marines from Okinawa to Guam represents a major change in our force posture in Asia. It is designed to further several strategic goals. First, it will strengthen our alliance with Japan by relieving longstanding pressures associated with our presence in Okinawa. Second, it will ensure the long-term presence of United States forces in Japan and the Western Pacific. Third, by making better use of Guam's strategic advantages, it will more effectively array United States forces to deal with the complex and evolving security environment in Asia.

The United States is unlikely to get another opportunity to craft a strategic realignment that both enhances our regional force posture and incorporates substantial funding from a key ally—in this case, the Government of Japan, which has pledged more than \$6 billion. As a testament to its commitment to the realignment

plan, Japan has already provided \$834 million in direct funding for construction and has another \$582 million in its current budget, \$415 million of which will go to improve Guam's utilities infrastructure.

The President's fiscal year 2012 budget request includes \$181 million for construction projects to support the marines relocation to Guam. Our request includes another \$33 million for projects to address the socioeconomic impact of the buildup, including a repository for the preservation of artifacts unearthed during MILCON as required by the National Historic Preservation Act. Recognizing that the strategic value of the buildup warrants a "whole-of-government" approach, the fiscal year 2012 budget request also includes \$34 million in commitments from other Federal agencies. These projects will yield long-term benefits for U.S. military forces as well as help mitigate the impact of the marked increase in Guam's population that a major MILCON program and the subsequent realignment will produce. They will also demonstrate our commitment to working with the Government of Guam, whose support for the relocation is key. As one indication, Guam last month signed the "Programmatic Agreement" required under the National Historic Preservation Act, which paves the way for MILCON by establishing protocols for the preservation of artifacts that we uncover.

The movement of marines from Okinawa to Guam gives us a rare opportunity to build an installation from the ground up. We intend to take full advantage of this opportunity, using contemporary urban planning techniques to avoid sprawl and minimize land use. We will also integrate modern energy technology and sustainability practices to create an enduring base that meets our current and future requirements while minimizing impact on the local community and the island's natural resources.

Domestic Basing: Base Realignment and Closure

Turning to domestic basing, we are in the final year of implementation of BRAC 2005, with all 222 recommendations required to be completed by September 15. While the Department is facing challenges to meeting that schedule in a few cases, we are working diligently to ensure that we satisfy our legal obligations. Once implementation is completed, we expect to realize an estimated \$4 billion in annual savings.

While our investments are creating economic opportunities for communities experiencing growth as a result of BRAC, some of those communities feel that the Department has ignored potential adverse effects. One particular concern is the impact of growth on local transportation networks. Although we have the authority to mitigate transportation impacts of BRAC through the Defense Access Road (DAR) program, we have been criticized for defining those impacts too narrowly. In response to congressional direction, the National Academy of Sciences studied the effects of BRAC on local transportation, and we plan to revise the DAR funding criteria based on the findings of this recently completed study. This revision will make it easier for us to mitigate adverse traffic impacts caused by the Department's actions, particularly in congested urban areas.

A significant action under BRAC 2005 that my office has championed is the consolidation of 26 installations into 12 joint bases. Joint bases represent a fundamental change in our approach to installation management. Predictably, we are beginning to realize efficiencies from this initiative, many of them the result of economies of scale. For example, consolidating all recycling operations at Joint Base McGuire-Dix-Lakehurst saved \$1 million in facility and equipment requirements and reduced overall contract costs by \$200,000 annually. Far more important, however, is that our joint base commanders—faced with parallel and often-conflicting service rules and requirements—are successfully implementing new, cross-cutting business processes. This ability to transcend traditional practices and develop innovative solutions to longstanding inefficiencies is key to positioning ourselves for future, Department-wide reforms.

I had the opportunity to meet personally with most of the joint base commanders in February at our program management review. I am excited about the prospects for using joint bases as "incubators for innovation," as one joint base commander put it. I also continue to be encouraged by their can-do attitude and dedication to providing the highest quality service, not only in support of the military missions on their sites, but to servicemembers and their families as well.

Finally, one of the key tools for disposing of property under BRAC is the economic development conveyance (EDC), which was created in 1994 to promote the rapid transfer of BRAC property for job-creating economic development. In recent years, EDC conveyances have been delayed by complicated negotiations over the value of one-of-a-kind parcels of property. As negotiations dragged on, the Department paid for property maintenance and the community was unable to redevelop the property

and create jobs. Last year, the Congress amended the statutory authority underlying EDCs to remove the requirement that the Department seek to obtain fair market value for an EDC. The amended law also provides explicit authority for the Department to use flexible tools for determination of “consideration” (payment), such as so-called “backend” financing. We are finalizing a regulation that will implement these much-needed amendments to the EDC law, and we hope to issue it soon. Our goal is to simplify and accelerate the EDC process by allowing both communities and the Department to share in the success of redevelopment efforts.

MANAGING OUR BUILT ENVIRONMENT

The President’s fiscal year 2012 budget requests \$14.8 billion for military construction (MILCON) and family housing—a decrease of approximately \$4 billion from the fiscal year 2011 requested level. This decrease primarily reflects the decline in investment needed as we approach the end of BRAC 2005.

MILCON AND FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2012 VS. FISCAL YEAR 2011

[Dollars in millions]

| | Fiscal year 2011 request | Fiscal year 2012 request | Change from fiscal year 2011 | |
|--|-----------------------------|-----------------------------|------------------------------|-------------|
| | | | Funding | Percentage |
| Military Construction | \$13,705.7 | \$12,006.4 | – \$1,699.3 | – 12 |
| Base Realignment and Closure IV | 360.5 | 323.5 | – 37.0 | – 10 |
| Base Realignment and Closure 2005 | 2,354.3 | 258.8 | – 2,095.5 | – 89 |
| Family Housing Construction/Improvements | 356.8 | 373.7 | + 16.9 | + 5 |
| Family Housing Operations & Maintenance | 1,448.7 | 1,318.2 | – 130.5 | – 9 |
| Family Housing Improvement Fund | 1.1 | 2.2 | + 1.1 | + 100 |
| Homeowners Assistance Program | 16.5 | 1.3 | – 15.2 | – 92 |
| Chemical Demilitarization | 125.0 | 75.3 | – 49.7 | – 40 |
| Energy Conservation Investment Program | 120.0 | 135.0 | + 15.0 | + 13 |
| NATO Security Investment Program | 258.9 | 272.6 | + 13.7 | + 5 |
| Total | 18,747.5 | 14,767.0 | – 3,980.5 | – 21 |

Military Construction

We are requesting \$12.5 billion for “pure” MILCON—i.e., exclusive of BRAC and family housing. This request addresses routine needs for construction at enduring U.S. and overseas installations and for specific programs such as the NATO Security Investment Program and the Energy Conservation Investment Program. In addition, we are targeting MILCON funds in three key areas.

First, and most important, we are supporting operational mission requirements. MILCON is key to initiatives such as Grow the Force and the Global Defense Posture Realignment, as well as to the fielding of modernized and transformational weapon systems such as the F–22, the F–35, and the MQ–9. Our budget request also includes a range of mission support facilities—for Special Operations Forces, Guard, and Reserve units, and the Army’s transformation into a brigade-centric, modular force.

Second, the President’s budget request supports the continued recapitalization of our DOD-dependent schools here in the United States and overseas. We are now in the second year of a 6-year plan to repair or replace all 134 schools that were in poor or failing physical condition. The fiscal year 2012 budget request includes \$550 million to recapitalize 15 of these schools.

Third, the fiscal year 2012 budget request includes more than \$1.1 billion to upgrade our medical infrastructure. By modernizing our hospitals and related facilities, we can improve healthcare delivery for our servicemembers and their families, and enhance our efforts to recruit and retain personnel. Our budget addresses projects that directly affect patient care by improving and expanding existing facilities, and providing additional capacity to support Grow the Army. It also allows us to continue improving the medical research facilities that support vital chemical-biological defense efforts.

Facilities Sustainment and Recapitalization

In addition to investing in new construction, we must maintain, repair, and recapitalize our existing facilities. The Department’s sustainment and recapitalization programs strive to keep our inventory of facilities mission capable and in good working order. The fiscal year 2012 budget request includes \$8.8 billion for sustainment and \$9 billion for recapitalization (restoration and modernization) of our facilities.

Sustainment represents the Department's single most important investment in the health of its facilities. It includes regularly scheduled maintenance and repair or replacement of facility components—the periodic, predictable investments an owner should make across the service life of a facility to slow its deterioration and optimize the owner's investment.

SUSTAINMENT AND RECAPITALIZATION BUDGET REQUEST, FISCAL YEAR 2012 VS. FISCAL YEAR 2011

[Dollars in millions]

| | Fiscal year 2011 request | Fiscal year 2012 request | Change from fiscal year 2011 | |
|---|-----------------------------|-----------------------------|------------------------------|------------|
| | | | Funding | Percentage |
| Sustainment (O&M & MILPERS) | \$9,042 | \$8,835 | -\$207 | -2 |
| Recapitalization (O&M, MILCON, MILPERS, RDT&E) | 4,583 | 9,031 | + 4,448 | +97 |
| Total | 13,625 | 17,866 | + 4,241 | +31 |

We use a facilities sustainment model (FSM) based on industry benchmarks to estimate the annual cost of regularly scheduled maintenance and repair for different types of facilities. Our policy calls for the services to fund sustainment at no less than 90 percent of the FSM-generated estimate. For fiscal year 2012, however, the Navy and Air Force have opted to take risk, funding sustainment at only the 80 percent level.¹ As a result, our fiscal year 2012 budget request funds sustainment DOD-wide at only 86 percent of the FSM-generated estimate.

Recapitalization (restoration and modernization) serves to keep the inventory of facilities modern and relevant, extend the service life of individual facilities, and restore capability lost due to man-made or natural causes. Compared with sustainment, recapitalization needs are harder to forecast because they are a function of change—in functional standards (e.g., a new requirement for the configuration of enlisted housing rooms), in available technology (e.g., new lighting fixtures and next-generation boilers) and even in the mission that the facility supports. The fiscal year 2012 budget requests \$9 billion for recapitalization—\$4.4 billion more than the fiscal year 2011 request. This reflects an increased emphasis by the Army and Air Force on upgrading their existing facilities.

Finally, demolition (including deconstruction to recycle and reuse building parts) is an important tool in any recapitalization effort. Our fiscal year 2012 budget requests \$409 million to eliminate more than 17 million square feet of facilities—a demonstration of our commitment to demolish what we no longer need or cannot economically repair.

Family and Unaccompanied Housing

Housing is key to quality of life—in the military no less than in the civilian world. The fiscal year 2012 budget requests \$1.7 billion for family housing, which supports our goal of having 90 percent of family housing in good or fair condition starting in fiscal year 2012.

The services have relied largely on privatization to address a dual problem: traditionally, much of the military-owned family housing was in poor condition, and military families often could not find affordable rental housing in the local economy. In my view, privatization of family housing—where the services partner with the private sector to generate housing built to market standards—is the single most effective reform my office has carried out. First, it is extremely cost-effective; with an investment of only \$2.7 billion, the services have generated \$27 billion in privatized housing—a 10:1 leverage ratio. Moreover, the private owners are responsible for maintenance and operation, including necessary recapitalization, for the full 50 years of the project. Second, the housing is of high quality; most of it is more appealing to young families than what the MILCON process would produce. Finally, the private owners have a strong incentive to maintain the housing because they need to be able to attract and retain military tenants.

¹The Navy and Air Force believe they can manage this risk by prioritizing their sustainment needs. However, the recent flooding of the U.S. Strategic Command headquarters demonstrates how difficult it is to do this: the flooding was due in part to a history of insufficient preventive maintenance at what is a mission-critical facility.

FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2012 VS. FISCAL YEAR 2011

(Dollars in millions)

| | Fiscal year 2011 request | Fiscal year 2012 request | Change from fiscal year 2011 | |
|--|-----------------------------|-----------------------------|------------------------------|------------|
| | | | Funding | Percentage |
| Family Housing Construction/Improvements | \$356.8 | \$373.7 | \$16.9 | + 5 |
| Family Housing Operations & Maintenance | 1,448.7 | 1,318.2 | - 130.5 | - 9 |
| Family Housing Improvement Fund | 1.1 | 2.2 | + 1.1 | + 100 |
| Homeowners Assistance Program | 16.5 | 1.3 | - 15.2 | - 92 |
| Total | 1,823.1 | 1,695.4 | - 127.7 | - 7 |

For Government-owned family housing, the fiscal year 2012 budget requests \$374 million to replace or improve 2,412 units at U.S. bases and enduring locations overseas. We are requesting an additional \$1.3 billion to operate and maintain 42,000 units worldwide.

The Department is committed to improving housing for its unaccompanied servicemembers as well. In past years, we have made sizable investments in this area to support initiatives such as BRAC, global restationing, force structure modernization, and Homeport Ashore, a Navy program to move sailors from their ships to shore-based housing. The fiscal year 2012 budget request includes about \$1.7 billion for construction of new and replacement projects for nearly 15,000 unaccompanied servicemembers.

As the Department nears the goal it set for new construction of unaccompanied housing, we are shifting the focus to long-term sustainment of the modernized inventory. My office has worked closely with the Comptroller to establish quality standards and performance goals for sustainment of unaccompanied housing. In this year's budget process, we instituted a key performance goal: 90 percent of unaccompanied housing should be in good or fair condition by the end of fiscal year 2017.

MANAGING OUR ENERGY USE

The performance of an installation is increasingly linked to its management and use of energy. Installation, or facilities, energy is important for two reasons. First, it represents a significant cost. In 2010, DOD spent \$4 billion, or 26 percent of the Department's energy bill, on facilities energy. Second, facilities energy is key to mission assurance. According to the Defense Science Board, DOD's reliance on a fragile grid to deliver electricity to its bases places critical missions at risk.² Most installations cannot manage their demand for and supply of power and are thus vulnerable to intermittent and/or prolonged power disruption due to natural and manmade disasters.

The Department has three interrelated goals with respect to facilities energy:

- Reduce energy usage and intensity;
- Increase renewable and onsite (distributed) energy generation; and
- Improve energy security.

Our strategy directly reflects those goals. First, and most important, we are reducing the demand for traditional energy through conservation and energy efficiency. The Department spends almost \$18 billion a year to sustain, restore, and modernize our existing facilities. As part of this process, we are retrofitting our buildings with energy efficient components and systems, such as improved lighting, high-efficiency HVAC systems, double-pane windows, energy management control systems and new roofs. As well as relying on their own budgets, the services are using third-party financing, such as energy savings performance contracts, to pursue facility sustainment and recapitalization projects.

In addition to retrofitting existing buildings, we are taking advantage of new construction to incorporate more energy-efficient designs, material, and equipment into our inventory. All new construction must meet the Leadership in Energy and Environmental Design (LEED) Silver standard and/or the five principles of high-performance sustainable buildings. In either case, new construction must exceed the energy efficiency standard set by the American Society of Heating, Refrigerating and Air-Conditioning Engineers by at least 30 percent.

Second, the Department is increasing the supply of renewable and alternative energy on our installations. Our installations are well situated to support solar, wind,

²“More Fight—Less Fuel,” Report of the Defense Science Board Task Force on DOD Energy Strategy, February 2008.

geothermal, and other forms of renewable energy. The geothermal plant at Naval Weapons Center China Lake in California provides 270 MWs of power to the State's electrical grid—enough to supply a small city; and Nellis Air Force Base in Nevada has the second largest solar array in North America. Although opportunities for utility-scale solar may be limited (one impediment is the lack of water), the roofs of our buildings represent a major resource. For example, in Hawaii, the 5,900 units of privatized Army family housing feature rooftop photovoltaic (PV) solar panels, making this the world's largest residential PV project. As a matter of policy, the Navy and the Marine Corps now require that all new roofs and roof replacements incorporate solar panels or some other green feature. Although the services are using their own budgets for smaller renewable projects, most large projects are privately financed.

Third, we are striving to improve the energy security of our installations, with an emphasis on the risk from potential disruptions to the commercial grid. The Department is participating in interagency discussions on the magnitude of the threat to the grid and how best to mitigate it. Closer to home, we are looking at how to ensure that we have the energy needed to maintain critical operations in the face of a major disruption. As required by the National Defense Authorization Act (NDAA), the Department recently gave the Congress a preliminary plan for identifying and addressing areas in which electricity needed to carry out critical military missions on DOD installations is vulnerable to disruption. The development of renewable and alternative energy sources on base will be one element of this effort: in combination with other investments such as smart microgrid technology, renewable and onsite energy sources can help installations carry out mission-critical activities and support restoration of the grid in the event of disruption.

As DOD strives to improve its energy efficiency and security, accurate, real-time information about energy use is essential. To borrow the oft-used phrase, you can't manage what you can't measure. My office is developing policy guidance that will require the services to meter a larger share of their energy consumption. We are also leading the effort to develop a DOD-wide energy information management system. Leading firms such as Wal-Mart have such a system, and so should DOD. Toward that end, we have defined a standard set of energy information management requirements and are assessing which information management technologies (future and current) will best support them.

Although the Department is steadily improving its installation energy performance, we have failed to meet key statutory and regulatory goals for the last 2 years. We fell well short of the 2010 goal for energy intensity (15-percent reduction relative to 2003) largely because of the Army's performance. On another key metric, use of renewable energy, while we are on track to meet the NDAA target (produce/procure 25 percent of electricity from renewable sources by 2025), we missed the Energy Policy Act target (7.5-percent renewable use by 2013). (The key reason for that disparity is that the NDAA criteria allow for inclusion of China Lake, DOD's largest source of renewable energy, whereas the EPACT criteria do not.) See the appendix for more detail.

Fiscal Year 2012 Budget Request

Let me highlight two programs in our fiscal year 2012 budget request that are particularly important to the Department's energy strategy—the Installation Energy Test Bed and the Energy Conservation Investment Program (ECIP).

Installation Energy Test Bed

We are requesting \$30 million in fiscal year 2012 for energy technology demonstrations by the Environmental Security Technology Certification Program (ESTCP).³ ESTCP began these demonstrations—known as our Installation Energy Test Bed—as a \$20 million pilot effort in 2009. Seeing the value of these demonstrations, in 2010, the Department directed \$30 million from ECIP, a flexible MILCON line, to ESTCP to continue the test bed. This year, we are seeking to fund the test bed as the research, development, test and evaluation activity it is. It is a high leverage program that we believe will produce major savings.

The purpose of the test bed is to demonstrate new energy technologies in a real-world, integrated building environment so as to reduce risk, overcome barriers to deployment, and facilitate wide-scale commercialization. The rationale is straightforward. Emerging technologies offer a way to cost effectively reduce DOD's facility energy demand by a dramatic amount (50 percent in existing buildings and 70 per-

³As discussed in section IV below, we are also requesting \$33.6 million for ESTCP for environmental technology demonstrations. These two demonstration programs appear as separate lines under ESTCP in the President's fiscal year 2012 budget request.

cent in new construction) and provide distributed generation to improve energy security. Absent outside validation, however, these new technologies will not be widely deployed in time for us to meet our energy requirements. There is an extensive literature on the impediments to commercialization of emerging technologies for the building energy market. Among other problems, the first user bears significant costs but gets the same return as followers. These barriers are particularly problematic for new technologies intended to improve energy efficiency in the retrofit market, which is where DOD has the greatest interest.

It is in DOD's direct self-interest to help firms overcome the barriers to deployment and commercialization of their technology. We have a vast inventory of buildings—nearly 300,000 structures and 2.2 billion square feet of space—3 times the footprint of Wal-Mart and 10 times that of the General Services Administration. Given what we spend to power our facilities (\$4 billion a year), the potential cost-savings are significant.

One indication of the value of this approach is that Wal-Mart, the largest private-sector energy consumer in the United States, has its own test bed. Wal-Mart systematically tests innovative energy technologies at designated stores to assess their performance and cost effectiveness. For technologies that prove to be cost effective (not all of them do, which is itself a valuable finding), Wal-Mart deploys them in all of its stores. This approach has helped Wal-Mart dramatically reduce its energy consumption. But whereas Wal-Mart's focus is narrow because all of its stores are identical (big-box design), the military needs solutions for a diverse mix of building types and sizes—everything from barracks and office buildings to aircraft repair depots and data centers.

ESTCP has successfully piloted the test bed over the last 2 years.⁴ Each year, ESTCP has issued a solicitation inviting private firms, universities, and Government labs to identify emerging technologies that would meet DOD installation needs. The response has been huge—in 2010, ESTCP received more than 300 proposals from leading corporations in the building energy sector, small startups with venture capital funding and the major Department of Energy (DOE) labs. Teams made up of technical experts from inside and outside of DOD and service representatives familiar with the installations' needs review the proposals, and winning proposals (ESTCP has selected about 15 percent of the ones submitted) are matched up with a service and an installation at which to demonstrate the technology. ESTCP expects some of the projects to begin to show results this year.

The test bed has five focus areas:

- Advanced components to improve building energy efficiency;
- Advanced building energy management and control;
- Smart microgrid and energy storage to improve energy security;
- Tools and processes for design, assessment, and decisionmaking for energy use and management; and
- Renewable energy generation on DOD installations.

The test bed requires no new physical infrastructure; rather, it operates as a distributed activity whose key element is the systematic evaluation of new technologies, both to determine their performance, readiness and lifecycle costs, and to provide guidance and design information for future deployment across installations.

The timing for an energy test bed is ideal—one reason the response from industry has been so strong. The Federal Government is investing significant resources in building energy research and development (R&D), largely through the DOE, and the private sector is making even larger investments as evidenced by the growth of venture capital backing for "cleantech." As a structured demonstration program linked to the large DOD market, the ESTCP test bed can leverage these resources for the military's benefit.

Energy Conservation Investment Program

The second key program to highlight is the Energy Conservation Investment Program (ECIP). The fiscal year 2012 budget requests \$135 million for ECIP, a \$15 million increase compared to our fiscal year 2011 request. ECIP has a long history of producing savings for the services, and we are reorienting the program to give it even greater leverage.

ECIP traditionally has funded small projects that promise a significant payback in reduced energy costs, and the services have relied heavily on it to achieve their energy goals. Although ECIP has enjoyed strong support in the Congress and else-

⁴The approach is similar to one that ESTCP has used since 1995 to demonstrate innovative environmental technologies on DOD sites and in doing so help them transition to the commercial market. As discussed in section IV below, ESTCP has a strong track record of reducing DOD's environmental costs.

where, it is and will remain a relatively small program. Thus, it can achieve only a fraction of the Department's energy goals. Moreover, the services are establishing and funding their own, much larger programs aimed at improving their energy performance.

In keeping with the Department's growing focus on energy, I recently issued policy guidance designed to change the role that ECIP will play—from one of funding the services' routine energy projects to one of leveraging their now-larger investments in ways that will produce "game-changing" improvements in energy consumption, costs and/or security. To illustrate, ECIP projects should have the following types of goals:

- Dramatically change energy consumption at an individual installation, e.g., by fundamentally improving the performance of the power or steam plant;
- Implement across multiple installations a technology validated in a demonstration program sponsored by DOD (e.g., the installation energy test bed) or DOE;
- Integrate technologies designed to achieve different goals (e.g., energy efficiency and energy security) to realize synergistic benefits;
- Integrate distributed generation and storage technologies to improve supply resiliency for critical loads; and
- Implement energy security or net-zero energy installation plans, especially at those installations where such investments leverage partnerships with DOE.

In terms of implementation, this new vision for ECIP means that my office will no longer use financial payback as the sole criterion for judging the merits of potential projects. In evaluating a candidate project, we will now give as much weight to its energy impact (reduction in BTUs) as to its financial payback, and we will give secondary consideration to the impact of the project on the nominating installation's energy security.

As this change reflects, ECIP is now part of a portfolio approach in which the services can pursue the most financially attractive energy projects via third-party financing, such as an energy savings performance contract, or through their own budgets. ECIP will support projects that will have a big impact on the services' energy efficiency and energy security but that cannot be justified under their internal funding strategies.

PROTECTING THE NATURAL ENVIRONMENT

The Department has long made it a priority to protect our natural and cultural resources: as the Marine Corps puts it, "A country worth fighting for is a country worth preserving." The Department protects the environment on our installations, not only to preserve irreplaceable resources for future generations, but to ensure that we have the land, water, and airspace we need for military readiness. Over the last 10 years, the Department has invested \$42 billion in its environmental programs, and our steady level of expenditure has produced quality results. In fiscal year 2012, we are requesting \$4.3 billion to continue this legacy of leadership.

ENVIRONMENTAL PROGRAM BUDGET REQUEST, FISCAL YEAR 2012 VS. FISCAL YEAR 2011

[Dollars in millions]

| | Fiscal year 2011 request | Fiscal year 2012 request | Change from fiscal year 2011 | |
|----------------------------------|-----------------------------|-----------------------------|------------------------------|--------------|
| | | | Funding | Percentage |
| Environmental Restoration | \$1,539 | \$1,467 | − \$72 | − 4.7 |
| Environmental Compliance | 1,570 | 1,551 | − 19 | − 1.2 |
| Environmental Conservation | 320 | 380 | + 60 | + 18.8 |
| Pollution Prevention | 117 | 104 | − 13 | − 11.1 |
| Environmental Technology | 216 | 227 | + 11 | + 5.1 |
| BRAC Environmental | 445 | 521 | + 76 | + 17.1 |
| Total | 4,207 | 4,250 | + 43 | + 1.0 |

Environmental Conservation

Our installations are home to some of the finest examples of rare native vegetative communities, such as old-growth forests, tall grass prairies, and vernal pool wetlands. DOD has a greater density of endangered and threatened species than any other Federal agency. Of the 1,372 species considered threatened or endangered by the Fish and Wildlife Service (FWS), more than 420 inhabit DOD land. Nearly 40 threatened and endangered species are found exclusively on DOD installations. The Department develops plans to protect the natural environment while maintain-

ing support for mission requirements in coordination with the FWS and its State counterparts. These plans have helped us maintain flexibility for mission activities, avoiding critical habitat designations while providing equal or greater protection for endangered species.

In addition to natural resources, the Department is responsible for thousands of archaeological sites, historic buildings, and other cultural resources. DOD owns or manages the Nation's largest inventory of Federal historic properties and continues to use many of these historic properties to meet mission requirements. Using these properties reduces DOD's environmental footprint and retains significant cultural resources for future generations. In addition, many older buildings have features that we consider to be "green" today, such as high ceilings to encourage air circulation, large windows to provide maximum natural light and operational shutters to reduce heat gain.

The Department is requesting \$380 million in fiscal year 2012 for environmental conservation, which includes \$226 million in recurring funds for ongoing activities and \$154 million in nonrecurring funds for one-time projects directed at threatened and endangered species, wetland protection, or other natural, cultural, and historical resources. This represents an increase of 18.8 percent over the fiscal year 2011 request. Specifically, the Navy has increased its request to meet legal requirements of conservation laws and regulations, primarily in support of offshore range environmental impact statements and consultations under the Marine Mammal Protection Act and the Endangered Species Act. The Army has increased its request as well to more accurately reflect program requirements.

Environmental Restoration

The Defense Environmental Restoration Program provides funds for two types of environmental cleanup. The Installation Restoration Program (IRP) manages the cleanup of hazardous substances, pollutants, and contaminants—things that cause human health concerns. The Military Munitions Response Program (MMRP) manages the cleanup of unexploded ordnance and discarded military munitions—things that may explode. The cleanup occurs at three types of locations:

- Active military bases;
- Bases closed through the BRAC process; and
- Other formerly used defense sites.

By the end of 2010, the Department, in cooperation with State agencies and the Environmental Protection Agency, had completed cleanup activities on 79 percent of IRP sites, and it is now monitoring the results. For MMRP sites, the comparable figure is 40 percent. The Department determines the order of cleanup for both IRP and MMRP sites on the basis of risk. By cleaning up the "worst first," we reduce our long-term liability and expedite the return of properties to productive reuse.

We are requesting \$2 billion for fiscal year 2012 to clean up IRP and MMRP sites. (This includes both \$1.5 billion for environmental restoration and \$521 million for BRAC environmental.) The budget request for environmental restoration is \$72 million less than it was in fiscal year 2011, primarily because of a reduction in the Army's MMRP requirement. At the same time, we are asking for \$76 million more than in fiscal year 2011 for BRAC environmental to support requirements at Army and Navy BRAC installations.

Pollution Prevention

The Department employs a number of strategies to reduce pollution of our air, water, and land. They include eliminating the use of certain hazardous materials in our operations and weapon systems, promoting the use of alternative fuels and green products, and implementing innovative technologies. These and other strategies lower our lifecycle costs, improve mission capabilities, and protect our assets.

Investments in pollution prevention pay dividends. In 2010, the Department diverted 3.9 million tons or 62 percent of our solid waste from landfills, avoiding approximately \$176 million in landfill disposal costs. We reduced hazardous waste disposal by 8 percent from 2008 to 2009. Our installations also effectively manage air quality; they reduced hazardous air pollutant emissions by 420 tons, or 25 percent, from 2008–2009.

The President's budget requests \$104 million for pollution prevention in fiscal year 2012, a reduction of \$13 million from our fiscal year 2011 request. This decrease reflects the growing maturity of the pollution prevention program—having completed activities that require significant investment to reduce pollution after the fact, the Department is now focusing on the more cost-effective strategy of preventing pollution in the first place, for example, by influencing the planning and design of weapons systems.

Environmental Compliance

Clean water and air are essential to the health and well-being of our communities and ecosystems. The Department maintains a high level of compliance with environmental laws and regulations—although environmental regulators performed more than 3,000 inspections in fiscal year 2010—a 30-plus-percent increase from 10 years ago—DOD was subject to enforcement actions for only 9 percent of these inspections, which is an all-time low.

Our fiscal year 2012 budget requests \$1.6 billion for environmental compliance—a negligible (\$19 million) decrease from last year's request. This steady level of investment will enable the Department to continue to protect the environment while maintaining operational readiness.

Environmental Technology

A key part of DOD's approach to meeting its environmental obligations and improving its performance is its pursuit of advances in science and technology. The Department has a long record of success when it comes to developing innovative environmental technologies and getting them transferred out of the laboratory and into actual use—on our installations, in our depots and in the very weapon systems we acquire.

To accomplish this, the Department relies on two closely linked programs—the Strategic Environmental Research and Development Program (SERDP) and the Environmental Security Technology Certification Program (ESTCP). SERDP is the Department's environmental science and technology program; its mission is to address high-priority cross-service environmental requirements and develop solutions to the Department's most critical environmental challenges. Through a competitive process, it invests in applied research and advanced technology development guided by DOD users needs but executed by the leading research establishments in both the private and public sectors. It has a balanced portfolio of projects ranging from high risk leap-ahead technologies to fundamental engineering needed to solve critical near term problems. SERDP has a superb track record; as one of the only R&D programs aimed at reducing DOD operating costs, it has saved the Department billions of dollars in environmental cleanup costs, avoided liability costs, and reduced weapons system maintenance and lifecycle costs.

One reason SERDP has been so successful is the complementary role played by ESTCP, the Department's environmental test and evaluation program. SERDP and ESTCP are managed out of a single program office. ESTCP's mission is to transition technology out of the laboratory. It does this by demonstrating the technology in a real-world setting, such as a clean-up site on a military installation or at an aircraft maintenance depot. This "direct technology insertion" has proven key to getting regulators and end users to embrace new technology.

One area where SERDP and ESTCP have excelled is the development of technologies to detect unexploded ordnance (UXO). Current clean-up methods cannot discriminate between scrap metal and hazardous UXO; as a result, contractors must dig up hundreds of thousands of metal objects in order to identify and remove just a few pieces of UXO. Because this process is so labor-intensive, it is very expensive; the estimated cost to clean up UXO on known DOD sites is an eye-popping \$17 billion. However, 10 years of investment by SERDP and ESTCP have yielded technologies that can discriminate between UXO and harmless metal objects with almost perfect reliability. This is a remarkable achievement and one that many clean-up experts thought was impossible. Based on estimates from the 2003 Defense Science Board Task Force on Unexploded Ordnance, implementation of reliable discrimination technologies can reduce DOD's projected cost for UXO cleanup by 75 percent—or up to \$12 billion.

ESTCP has recently funded live-site demonstrations to acquire the data needed to validate, gain regulatory approval for and fully transition these technologies into the field. We are proposing to accelerate these demonstrations so that the technology is ready by 2015, when the services undertake major UXO clean-up efforts. Recognizing that the challenges go beyond technology, we are addressing other potential impediments to the deployment of new technology. We are talking with environmental regulators to gain their endorsement, working with contracting offices so that contracts allow for early adoption, and cooperating with industry to encourage embrace of the new technology.

The fiscal year 2012 budget request includes \$66.4 million for SERDP and \$33.6 million for ESTCP for environmental technology demonstrations. (The budget request for ESTCP includes an additional \$30 million for energy technology demonstrations, as discussed in section III above.) Of the \$33.6 million requested for ESTCP, \$7.5 million will go to support the accelerated program of UXO live-site demonstrations.

The overall budget request for environmental technology for fiscal year 2012 is \$227 million. In addition to SERDP and ESTCP, this request includes funding for the services' environmental R&D activities. The services' investments focus on service-unique environmental technology requirements and complement the larger SERDP and ESTCP investments, which address those issues that are common across the services. SERDP and ESTCP work closely with the services in order to coordinate and leverage these investments.

Compatible Development

Encroachment is a growing challenge to the military mission, particularly our test and training activities. I want to highlight two efforts which I spearhead that are designed to deal with this challenge.

Readiness and Environmental Protection Initiative

DOD's ability to conduct realistic live-fire training and weapons system testing is vital to preparing troops and the equipment they use for real-world combat. Sprawl, incompatible land use and other forms of encroachment put the Department's training and testing missions at risk and reduce military readiness. For example, lights from developments near installations reduce the effectiveness of night vision training, and land development that destroys endangered species habitat pushes those species onto less developed military lands, resulting in restrictions on testing and training.

A key tool for combating encroachment is the Readiness and Environmental Protection Initiative (REPI). Under REPI, the Department partners with conservation organizations and State and local governments to preserve buffer land around our installations and ranges. Through its unique cost-sharing partnerships, REPI has directly leveraged the Department's investments by two-to-one. The indirect benefits are even greater; by helping to preserve buffer land, the Department avoids much more costly alternatives, such as training workarounds and investments to replace existing testing capability. In the current real estate market, where property is more affordable and there are a great many willing sellers, REPI is a particularly good investment.

The President's fiscal year 2012 budget requests \$54.2 million for REPI, an increase of \$15 million over our fiscal year 2011 request.

Renewable Energy Siting

Although most renewable energy projects are perfectly compatible with the military mission, in some cases, they can create a conflict. Until recently, the process through which DOD reviewed proposed projects and handled disputes was opaque, time-consuming, and ad hoc, and the resulting delays were costly for industry and for our partners elsewhere in governments. Spurred in part by section 358 of the fiscal year 2011 NDAA, we have moved aggressively to develop a timely, transparent review process and to pursue technological fixes that allow for compatible energy siting.

We have made rapid progress. Even before the President signed the NDAA into law, we had created the DOD Energy Siting Clearinghouse to provide a "one-stop shop" within the Department for developers and other Government agencies. The Clearinghouse has conducted aggressive outreach to industry, other Federal agencies, environmental advocacy groups, and State and local governments. Among other things, the Clearinghouse hosted a conference with key interagency stakeholders to analyze the backlog of renewable energy projects filed with the Federal Aviation Administration and the Department of the Interior's Bureau of Land Management, focusing on protecting critical military mission requirements as we promote energy independence. We are also engaged in Department of the Interior's efforts to open public lands and the Outer Continental Shelf to renewable energy generation—ensuring that we do this in a way that preserves military testing, training, and homeland defense capabilities.

At the same time, the Clearinghouse has worked with interagency partners on R&D to promote mission compatible renewable energy, with an emphasis on technology to mitigate the impacts of wind turbines on radars. DOE has been an enthusiastic collaborator, and we are planning to host an interagency field evaluation of existing mitigation technologies in the near future. Through the Interagency Policy Committee on the Air Domain, we are looking at options to accelerate the process for upgrading older surveillance radars and set the stage for long-term solutions.

Renewable energy is vital to America's future security and economic vitality and it need not be incompatible with the preservation of the Department's irreplaceable test and training ranges and its radar-based surveillance network. We are making great strides in learning how to minimize the impacts of renewable energy projects

on vital military missions. This effort will help give our Nation a clean, reliable, and secure energy future.

CONCLUSION

My office takes seriously our mission to strengthen DOD's infrastructure backbone—the installations that serve to train, deploy, and support our warfighters. Thank you for your strong support for the Department's installation and environment programs and for its military mission more broadly. I look forward to working with you on the challenges and opportunities ahead.

APPENDIX

KEY FACILITIES ENERGY AND WATER GOALS

There are four key statutory and regulatory goals related to installation's consumption of energy and water:

- Reduce energy intensity (BTUs per square foot) by 3 percent per year, or 30 percent overall, by 2015 from the 2003 baseline (Energy Independence and Security of 2007). Under DOD's high-priority performance goals, the interim target is a 21-percent reduction by the end of 2012.
- Increase use of renewable energy to 7.5 percent in 2013 and beyond (Energy Policy Act of 2005 (EPACT)); and produce or procure 25 percent of electricity consumed from all renewable sources by the end of 2025 (National Defense Authorization Act of 2007 (NDAA)). Under DOD's high-priority performance goals, the interim NDAA target is 12 percent by 2012.
- Reduce consumption of petroleum (gasoline and diesel) by nontactical vehicles by 30 percent by 2020 (Executive Order 13514, October 2009).
- Reduce potable water consumption intensity by 2 percent per year, or 16 percent overall, by 2015 from the 2007 baseline (Executive Order 13514, October 2009).

DOD reduced its energy intensity by only 11.2 percent from 2005–2010, compared to the goal of 15 percent. A key factor has been the demands on the Army related both to the movement of troops and equipment to and from Afghanistan and Iraq and to the completion of the BRAC process (as Army closes some facilities and moves to others, the lights are on in two locations).

DOD increased its consumption of renewable energy by 4.1 percent, compared to the 2010 EPACT target of 5 percent. By contrast, we met the fiscal year 2007 NDAA goal (produce or procure 25 percent of electricity consumed from all renewable sources) by achieving 10.4 percent compared to the target of 10 percent.

With respect to consumption of petroleum by nontactical vehicles, the Department fell short of the target—DOD achieved a 6.6-percent reduction in its petroleum use from the 2005 baseline, compared to the target of 10 percent. The Department continues to pursue replacement of nontactical fleet vehicles with more efficient models, alternative fuel vehicles, and hybrid electric vehicles to decrease petroleum fuel demand.

Finally, the Department far exceeded the 2010 goal for reducing the intensity of our potable water consumption. DOD reduced its potable water consumption intensity by 13 percent from 2007–2010, compared to the goal of 6 percent. From 2007–2009, we reduced the water consumption intensity of our facilities by 4.6 percent. This dramatic improvement is due to the combination of an aggressive program to detect leaks followed up by a program to repair them.

Senator JOHNSON. Thank you for your opening statements.

We will limit the first round of questions to 6 minutes per member. We can have additional rounds should we need them.

Senators will be recognized in their order of their arrival.

Secretary Hale, before we turn to the fiscal year 2012 budget request, I would like to talk to you about the fiscal year 2011. We're facing a Government shutdown in less than 36 hours if an agreement cannot be reached on a long-term continuing resolution.

I have several questions, including: What impact would a shutdown have on military personnel, on operations and military bases, both here and overseas? Will our troops be paid? What impact would a shutdown have on the Guard and Reserve?

GOVERNMENT SHUTDOWN

Mr. HALE. Well, Mr. Chairman, the answers to all of your questions are negative, unfortunately. I managed through the shutdown in 1995 as the Air Force Financial Manager. I see no good that came of it. I think the same would be true here. I very much hope this does not happen.

But, let me try to be more specific. If appropriations lapse on midnight on April 8, we go into a situation where we're governed not by the priorities of the Congress or the administration—by a very specific set of laws and exceptions to the Antideficiency Act. Essentially, we can maintain services that maintain the safety of life, and protection of property. That will allow us to carry on most of the military operations—Afghanistan, transition in Iraq, Libya, and the Japanese operation all could continue. So, we could continue the key areas related to national security.

But many support operations would have to be terminated. We would direct all of our military personnel to continue working. A substantial proportion of our civilian personnel, though, would have to be put on no-notice nonpay furlough status. We don't have any authority, once appropriations lapse, to disperse funds—or, very limited authority. So, we couldn't pay any of our people—military or civilian—for any work, after the shutdown occurred. So, to give you an example—a specific one: For the April 15 payday, which is the next one coming up, the pay period for the military is the 1st through the 15th, so we could only pay through the 8th. It'll be roughly one-half a payday for military personnel if we shut down on the 8th and it continues through the 15th. These people have kids to feed and mortgages, just like we all do. I think it will be a serious problem. But we have no alternative. These are prescribed by the law.

The civilians—actually, the pay period is through April 9. So, that first payday will be pretty much complete for most civilians, just because of the nature of the pay period. So, it is disruptive. It's harsh and unfair to our people. I hope this does not happen. I've devoted most of my week to shutdown planning, and I've never had a stronger feeling that I'm likely to have wasted a week of my life, than in this case. I very much hope this doesn't happen.

Senator JOHNSON. Would a shutdown affect work on any MILCON projects or essential services such as DOD schools, clinics, or daycare or youth centers?

Mr. HALE. Yes. We will keep some of them open. Much of the MILCON projects are done by contractors, and if that contract is funded, and if there are Federal civilians who are in what's called "excepted activities" that can supervise it, that work could go on. We would maintain the childcare centers as a readiness issue. We would maintain emergency medical services—that's a safety of life issue. But we would have to defer any elective surgery for dental or medical, so it's going to be disruptive in that sense.

The routine activities at the bases would stop. The military personnel would be there, but many of the civilians are going to be furloughed, and so a lot of the routine activities at our bases would come to a halt.

Senator JOHNSON. Secretary Hale, in the past, DOD has maintained that the Guam rebasing effort is contingent on Japan making tangible progress to relocate some marines within Okinawa. The Department has defined tangible progress as the signing of a landfill agreement by the Governor of Okinawa to build a new airfield for the marines.

Has this definition changed? Is a landfill agreement still the benchmark? Or is the configuration of the airfield the new standard?

GUAM

Mr. HALE. Well, I think we need an overall plan and a cost estimate. And I understand—I'm going to ask Dr. Robyn, Dorothy, if she would add more detail here—but I think some of those benchmarks continue. And I think we all recognize and hope that, coming out of the two-plus-two talks and other efforts, that we will get a clear view of where we're heading on Guam.

Do you want to say more on that?

Dr. ROBYN. Well, I think one of my colleagues from policy testified last week on this, and I would prefer to let the policy part of DOD answer this.

I think you're exactly right—signing the landfill agreement has traditionally been seen as the thing that we would look for before we would move troops to Guam. I think—my colleague stressed that there is a continuum of actions on the part of the Japanese Government, including investment, that can constitute tangible progress. We are not backing away, and I think my colleague made that clear. But we can't move troops off of Okinawa to Guam unless we're absolutely sure that we will get the Futenma replacement facility. That issue brought down the former Prime Minister of Japan. It's a controversial issue. And so, we have to have a clear commitment.

Senator JOHNSON. When do we think the Governor of Okinawa will sign the landfill agreement?

Dr. ROBYN. I think we will know more later. Senator Kirk referred to the two-plus-two meeting with Secretary Gates, Secretary Clinton and their Japanese counterparts, later this month.

Senator JOHNSON. Senator Kirk.

Senator KIRK. Thank you.

I want to pick up where the chairman left off with regard to Guam. I'm worried that you guys would be pushed into trying to sell us an agreement that was tangential progress instead of, you know—the question in these budget times is, are we going to build the base or not?

Mr. HALE. Right.

Senator KIRK. It increasingly looks like we're not. And with the cash flow problems of the Japanese Government, I would have a pretty dim view of how this thing is going to go, because they have an astronomical money requirement, because 19 miles around a key part of their territory is now useless for quite some time.

I'm wondering, Bob, you know, I worked very much with your predecessors, Dov and Tina, and so I know you know the answer—what's Libya costing us per day, per week?

LIBYA

Mr. HALE. Well, let's see. If I remember the numbers we sent to the Congress yesterday, it was, the total cost is \$608 million. The weekly costs are confusing over this period, because there was such a high cost at the beginning. We have estimated that if the operations continue at roughly the planned level, it will be about \$40 million a month, so I guess it'd be about \$10 million a week.

Senator KIRK. About \$10 million a week?

Mr. HALE. I would underscore the uncertainty in that estimate, given that we're not sure exactly—

Senator KIRK. Well, you've got a little lower operating tempo, because you took U.S. combat aircraft off the mix in it.

Mr. HALE. Right. And the \$40 million assumes the planned reduction which is going on right now in our operating tempo.

Senator KIRK. Right. I notice that you just sent up a notification to the subcommittee to cancel \$123 million for Kandahar Airfield, which is the center of gravity of the largest military effort for the United States. Is that what we're going to see further as Libya kind of eats our budget?

Mr. HALE. I don't think they're related, but I think I need to take that for the record. I'm not sure of the details.

Have we got any on that?

Okay. I think I need to get back to you with that one.

[The information follows:]

The cancellation of the Kandahar Airfield construction projects is not related to Operation Unified Response. As stated in the Department of the Air Force notification letters dated April 4, 2011, the cancellation was due to a comprehensive and rigorous evaluation of all planned, but unawarded, major construction projects in Afghanistan. The evaluation, necessitated by changing strategic requirements on the ground, concluded that the limited operational benefit does not warrant this substantial investment. Thus, these projects are being removed from the list of fiscal years 2010–2012 overseas contingency operations construction requirements.

Generally, Libya costs are incurred in the operation and maintenance (O&M) appropriation. The Department has no authority to reprogram from the military construction appropriation to the O&M appropriation.

Senator KIRK. Yes. On Guam, can you guys update this after the 29th? This would be—

Dr. ROBYN. Yes. We are.

Senator KIRK. My guess is, we roll to markup around July. And so—

Dr. ROBYN. Yes.

Senator KIRK [continuing]. This would be enormously helpful.

Mr. HALE. We understand we owe you better information.

Dr. ROBYN. Yes.

Mr. HALE. We owe ourselves better information, too, I mean.

Senator KIRK. Yes. And we have a policy maker set of meetings on the 29th, and then—

Dr. ROBYN. Yes.

Senator KIRK [continuing]. Some visibility on that.

Dr. ROBYN. Senator Kirk, could I just, in, make one point in response to your—very, very legitimate, too—question, whether the Japanese Government is going to be able to continue to focus on this issue as they did before. But, it's worth noting that over the weekend the Japanese Diet passed by a majority—both parties—the Special Measures Agreement, which is what specifies how

much they will contribute toward the stationing costs for U.S. forces. That Special Measures Agreement, along with the facilities improvement program, represent Japan's host government, host nation support to United States forces. It's a substantial amount. It's \$1.8 billion a year.

Senator KIRK. Right.

Dr. ROBYN. So, at least in that respect, they are trying hard to send a message that "We're not backing off. We are full speed ahead on the United States-Japan alliance."

Senator KIRK. I just—just make sure that it's not tangential progress. We're either going to build a runway across a bay, or we're not.

Dr. ROBYN. Right.

KOREA TOUR NORM

Senator KIRK. And that obviously affects the bill that the chairman has to put together, and the rest of the Senate.

For Korea, full norm, phase 1, phase 2, phase 3 costs how much?

Mr. HALE. We only have an estimate for phase 1. It was nominal. We do not yet have estimates for phases 2 and 3. We are working on that actively as part of the President's budget 2013 review.

You raised some questions that need to be answered as well about the risks involved there. There are some benefits, too. As you know, they, I think you met with General Sharp.

Senator KIRK. Right.

Mr. HALE. He feels strongly on this issue. But we don't have a cost estimate yet.

Senator KIRK. The worry is, phase 1 is the camel's nose under the tent, and then you sock it to us on phase 2 and 3, which, this, you know, this bill is going down so fast in, money-wise. How the, you know, and I notice, and the Secretary, when he signed off on this, he signed the memo and it said that, "I am signing off on this, but I'm not telling you when or how much we're going to do any of this," which is about as weak as you can get. Yeah. Here it is. So, it was to the question, September 23, 2010, "SECDEF directed USFK and service to proceed with a full TN for Korea, as affordable, but not according to any specific timeline." That's about as weak as you can get. And we might be able to say, yeah, we'd like to do this, but not according to any appropriations timeline either.

Mr. HALE. As I say, we are looking at this. We haven't made a request in the fiscal year 2012 request. I'm not going to be able to answer your question, because we haven't decided what to do—

Senator KIRK. Right.

Mr. HALE [continuing]. About tour normalization. We understand it's potentially expensive. There are potential benefits. We've got to weigh the two—

Senator KIRK. Yes.

Mr. HALE [continuing]. In the context of our fiscal realities.

Senator KIRK. Here's my worry. We defended Korea for 50 years—

Mr. HALE. Right.

Senator KIRK [continuing]. Unaccompanied tours. And while everybody would like to be accompanied, as the United States borrows 40 cents of every \$1 and we have sovereign debt crises in Por-

tugal, Argentina, Ireland, and potentially Illinois, the question is—

Last question—plan B for Bahrain? You know, because these countries are flipping on a moment's notice. How are we rolling on thinking about where else we could put MILCON to support the Fifth Fleet if Bahrain goes—

Mr. HALE. Well, I don't have a clear plan B. I mean, it's a pretty fluid situation over there. We are obviously looking at our investments, and we'll have to consider them. I'm not in a position to tell you exactly what we're going to do.

Senator KIRK. I've run out of time, Mr. Chairman.

Senator JOHNSON. Senator Landrieu.

Senator LANDRIEU. Thank you, Mr. Chairman. And I so appreciate your support of many of the priorities that I've had serving with you on this subcommittee.

I look forward, Mr. Ranking Member, to serving with you, the new senator from Illinois.

Dr. Robyn, I was very pleased with your comments, as a very strong supporter of privatizing housing for families. I've served on this subcommittee now for about 8 years, and it's been a high priority of several of us on this subcommittee. So, could you just give another minute or so about the benefits of privatized family housing? And are we going to be able to use, maybe, some of the same strategies for individual soldier barracks? And I understand the revenue streams are different. But—

Dr. ROBYN. Yes.

Senator LANDRIEU [continuing]. Is there any thought that you've given to some potential privatization for single soldiers?

Dr. ROBYN. Yes. Thank you. That's a—thank you for that question.

I worked on this issue when I was in the Clinton White House. And it was a Clinton administration initiative to push housing privatization. We faced opposition internally from the services, from a lot of members on the hill, and most of all, from the Office of Management and Budget (OMB). Frank Raines, when he was the OMB—

Senator LANDRIEU. I remember these battles. And—

Dr. ROBYN. He saw—

Senator LANDRIEU [continuing]. I'm glad to see we have won.

Dr. ROBYN [continuing]. The light. He recognized that the private sector was actually bearing risk. But, we had 200,000 inadequate units at the time. Family housing in many, many places was an embarrassment, and it was a real detriment to the quality of life for families. And that turned around. We fixed the incentive problem the day that we allowed for privatization. The private developers have an incentive to do it right initially, to maintain it. It just, it has worked very, very well.

We are experimenting with it, with barracks. There are a couple of experiments underway. My sense is that the reluctance there is more of a cultural thing—that, for example, the Marine Corps really wants to have the young marines together in a building, and they don't want the prospect of someone from the outside being part of that, which has to be part of housing privatization. You

have to tell developers, “If we can’t fill it with military people, you can bring in—”

Senator LANDRIEU. Well, I’d like you just to pursue that. And you seem a very open and innovative kind of leader. And that’s exciting.

Because, Mr. Chairman, I’ve walked through some of the barracks at Fort Polk in Louisiana, and I’m quoted in our newspaper—and I’ll say it again—In some of the barracks where we’re asking our soldiers, I would literally not want—

Dr. ROBYN. Yes.

Senator LANDRIEU [continuing]. To see pets or animals kept in some of these facilities. That’s how bad some of these single barracks are. And it’s not fair, when we’re asking these, you know, young men—some of them are all stationed—and, men and women—stationed temporarily at Fort Polk. But a lot of our soldiers, because we’re a joint training base, come in and out. So, it’s sort of the last room they stay in before they go to Afghanistan or Iraq. I know things aren’t great in Afghanistan and Iraq. But I’ve also traveled and seen some of the opportunities that our soldiers have. And it’s actually much better over there than their home base here.

Dr. ROBYN. Yes.

Senator LANDRIEU. And it’s just not fair. I’m proud that we’re making efforts on the family housing.

Now, this is a more local question. We have some reserve space. We were part of BRAC, like a lot of other communities were. We actually had the BRAC commission change their initial view relative to the, one of the facilities in New Orleans. The bottom line is we have some extra capacity at the Marine Reserve Center. So, as you’re looking for efficiencies, greening of buildings, you know, are you being mindful of places that don’t have encroachment problems, that have capacity problems, that, you know, have buildings already constructed that could absorb some, you know, additional troops or missions or operations? And would you look into the one—

Dr. ROBYN. Yes. I think that’s—

Senator LANDRIEU [continuing]. On the west bank of New Orleans?

Dr. ROBYN. That’s a great question. I know we do it sometime—and Barksdale is a an example—

Senator LANDRIEU. Yes.

Dr. ROBYN [continuing]. Of putting—but I, I’m frankly not sure we do it as exhaustively as we should.

Senator LANDRIEU. Well, I’m going to send you some, a write-up on that.

And then, finally, I’m going to send you a question, because again, it’s very—it’s parochial, but it’s important to our State. We run, I think, according to my information, one of the most scrambled alert units in the country out of Belle Chasse, Louisiana, for the southern part of the United States. Our Louisiana National Guard operates, they’ve been operating out of mold trailers, mold-infested trailers now for some time. So, I just wanted to bring that to your attention. Please put it on the list.

Dr. ROBYN. Okay.

Senator LANDRIEU. It's very important. Whether it's for homeland security or drug interdictions, or hurricanes, for that gulf coast region to have that kind of protection and reach. So, I'll follow up with a written comment.

Dr. ROBYN. Good. Thank you.

[The information was not available at press time.]

Senator LANDRIEU. And thank you, Mr. Chairman.

Senator JOHNSON. Senator Reed.

Senator REED. Mr. Chairman, Senator Hoeven just—thank you, sir.

GOVERNMENT SHUTDOWN

Thank you for your service. I just want to follow up on some of the questions that the chairman opened up with, with respect to a potential shutdown. You indicated that DOD childcare centers would be open. Would the DOD school system remain open also?

Mr. HALE. Yes. That's our plan.

Senator REED. The other aspect here, obviously, is, the civilian workforce, except for very few individuals for safety purposes, would be furloughed. They would not be entitled to any type of unemployment benefits because they still are at work? Or would they—

Mr. HALE. I've seen questions about that from OMB, and there were suggestions we need to look further into it. So I'm not sure that's true. I think it might depend on how long the furlough, or, the shutdown went on.

Senator REED. So, there is a possibility of, if they're furloughed that they would actually be entitled—

Mr. HALE. I think there's a possibility. But I don't want to speak definitely to that, because I'm not certain.

Senator REED. It's an important policy question and, it'll rapidly become an important personal question for—

Mr. HALE. I hope not. But it may.

Senator REED. I understand.

Mr. HALE. Incidentally, just to follow up, there will be a substantial number of our civilians who will be directed to work.

Senator REED. Right.

Mr. HALE. All of those who are in direct support of these so-called excepted activities. It may close to half of our civilian workforce.

Senator REED. Okay. I would suspect that's not geographically, sort of, distributed. Well, let me ask it another way. You know, there is the impact, which you're looking very closely at, within the confines of military organizations. But it's the surrounding communities, like Newport, Rhode Island; Fayetteville, North Carolina; Lawton, Oklahoma; and many, many, many others that this could be a huge impact in terms of—

Mr. HALE. Yes. I mean, it won't be, it won't depend on geography. It will depend on which of these missions are deemed excepted. And in the case of civilians, whether they are in direct support of those missions.

Senator REED. All right.

Mr. HALE. So, it'll be a limited number of financial managers, for example, that we'll keep in order to handle the funding associated with so-called excepted activities.

Senator REED. Okay.

Mr. HALE. The same with legal, acquisition. But many maintenance personnel will be laid off, or, furloughed, I should say—

Senator REED. Right.

Mr. HALE [continuing]. On unpaid status.

Senator REED. And, typically, my experience has been, those individuals would be more in local air bases, Navy bases, than in Washington, DC, or in a headquarters where the nature of the responsibilities, but—

Mr. HALE. You know, Senator Reed, it's going to vary. I'll give you an example. I oversee an audit agency. The great majority of them will end up being furloughed because that's not something we can say is safety of life. On the other hand, you know—we'll have a lot of people furloughed in the Pentagon.

Senator REED. I understand. Let me ask now, you talked about the interruption in pay. And just to be very clear, individual military personnel serving in Afghanistan will stop receiving pay as of April 8. Their pay period April 15 will be one-half a pay period. And they will not receive pay again until the Government once again—

Mr. HALE. That's correct. At the time we get an appropriation, because we're directing all them to work, we will pay them retroactively.

Senator REED. Fine.

Mr. HALE. But, they've got to pay their mortgage. And—

Senator REED. I understand.

Mr. HALE [continuing]. I will say, in 1995 credit companies were helpful here again. I don't want to make this sound good. I don't want to have it happen. But, they were willing to work with military personnel in 1995 when we went through this. If we have to do it, and please—

Senator REED. Right.

Mr. HALE [continuing]. Try not to make this happen. If we have to do it, I would hope maybe they would be forgiving this time, too. And I hope it's short if it has to happen.

Senator REED. Let me ask, in terms of overseas operations, contracting in the field for life support, mess support, et cetera, can that continue, or—

Mr. HALE. Yes. In general, if a contract is funded—and, again, what we're dealing here is a set of rather arbitrary laws. Not mission priorities.

Senator REED. Right.

Mr. HALE. But if a contract is funded, then it can continue so long as the managers deems there's a level of supervision that's available. And in the case of overseas support, say, the lawcap contracts, they would be in support of so-called excepted activities—

Senator REED. Okay.

Mr. HALE [continuing]. So even if they ran out of funds, we could reissue that contract under the Exceptions to the Antideficiency Act. So, we'll be able to continue a number of the contracts, including those that support the war in Afghanistan. It is certainly Sec-

retary Gates' desire that we not interfere with that operation, or the transition in Iraq, nor Libya, nor Japan. And we'll do everything we can to avoid it.

Senator REED. Let me ask—and this is slightly outside your line, but it impacts so dramatically on the operations of military forces—about the ability of your counterparts in Afghanistan and Iraq—the Department of State, USAID, et cetera. Do they operate, to your knowledge, under the same general rules, or—

Mr. HALE. Well, they'll operate under the same general rules—safety of life, protection of property. What I can't speak to, and I don't want to try, is—

Senator REED. Right.

Mr. HALE [continuing]. Exactly how all that will affect them. It's arcane enough in the DOD and—

Senator REED. Right.

Mr. HALE [continuing]. I call it “dancing on the head of a fiscal law pin.” I mean, I've never been as intimate with our fiscal lawyers as I have been over the last couple of weeks. So, I can't answer exactly how USAID would be affected.

Senator REED. All right. I understand. Thank you very much, Mr. Comptroller, and Doctor. Thank you for your service.

Senator JOHNSON. Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman. I appreciate it.

And I want to thank both Secretary Hale and Secretary Robyn for being here today, and for your work on behalf of our military.

It's amazing to think we've been at war for over a decade—more than one war. And the work they've done is, and continue to do is absolutely incredible. And the work you do to support them is incredibly appreciated, and, of course, tremendously important, not just for our country, but for freedom-loving people around the world.

I think this subject's probably been brought up, and I apologize if I'm covering some ground that you may have already covered. But, specifically, I'd like to ask you to address the “no new starts” language that's currently in the continuing resolution for fiscal year 2011, both in terms of what that means for important projects that you have, some cases ongoing, but specifically, projects where the funding is there but have not been started yet—there may even have been design work done, but those projects have not been started. So, please address it, both in terms of fiscal year 2011, but then also fiscal year 2012. Because obviously, 1 year has an impact on the next.

In my own State, you know, we have Air Force bases that building for new missions, be that bombers or remotely piloted aircraft, Global Hawk, so on and so forth, and they're facilities that you've indicated you need—and rightly so—to continue those missions. So, please, if you would, take 1 minute—

NEW STARTS

Mr. HALE. Sure.

Senator HOEVEN [continuing]. To address, both in terms of the continuing resolution fiscal year 2011, and then also fiscal year 2012.

Mr. HALE. Well, in terms of the continuing resolution, we have no authority for new starts. It's a technical definition. But in simple terms, if we haven't told the Congress about it and you haven't taken some action, it's a new start, and we can't do it. As I said in my opening statement, we have as of March 23, 140 major MILCON projects that are ready to award are in the process of awarding, that we cannot award—maintenance bays, hangers, everything; a lot of quality-of-life initiatives involved as well; \$3.1 billion worth of projects.

What worries me is we've got a contracting workforce that to some extent right now is treading water. It's understaffed to start with, and somewhat under-experienced. I don't know if they can catch up. They'll try. They're dedicated people. But I fear that we have engendered some inefficiencies from which we won't be able to recover. But we'll try. And when we get an appropriation we'll certainly move forward.

In terms of effects on fiscal year 2012, you know, it won't be good. There'll be a backlog they're trying to catch up with. They've got to do that before they get on to fiscal year 2012. But please don't take that as a reason not to give us a timely budget in fiscal year 2012, please. We need, I hope, to move back to more normal order with regard to the budget. I've dealt with budgets for more than 30 years. I've never seen a year like this, and I never want to see another one.

So, we're essentially dead in the water in MILCON and many other things. We weren't, for example, able to award the contract on January 31 for the second Virginia-class submarine. We had to cancel a Stryker Mobile Gun System contract. There are dozens of examples, whether for money reasons or new starts, that we have had to make unfortunate changes because of the continuing resolution. We need an appropriation.

Senator HOEVEN. So, what happens if that language remains in there relative to your fiscal year 2011 MILCON projects?

Mr. HALE. We can't start even the whole year. It would be a disaster. But we couldn't, I mean, we've got no—

Senator HOEVEN. So, it needs to be addressed?

Mr. HALE. Yes. Please. Right now.

Senator HOEVEN. I agree with you.

Dr. Robyn, any comments you might have in that regard?

One of those submarines is going to be the USS *North Dakota*, too, so, that's really important but—right, secretary, or, Senator Kirk? Do you agree with that?

Senator KIRK. Absolutely.

Senator HOEVEN. But you make a good point. Not only do you need the authority to move forward with these projects because of, mission-critical, but cost-savings, right? I mean, we want to enable you to realize these cost-savings. And that's a, you know, from getting this work going, and doing it in a way where you do it as cost-effectively as possible. And so we need to give you the ability to do that.

If you would address for maybe just a few minutes two things: One is housing. We see this move to go to privatization of housing. What's your sense of how that's working, not just in terms of cost—and that's very important because we need to do everything we

can, you know, to manage this debt and deficit situation and maximize our dollars, and support our incredible military—but, how's the privatization working? What's the sense from the troops? If you would, address that for just a minute.

And then, take 1 minute also to talk a little bit about the Guard. We've put a tremendous amount of wear on the Guard, so address their—not just MILCON, but, you know, their equipment and those needs as well. So, the housing privatization issue, and the Guard, if you would.

Dr. ROBYN. Housing privatization. Let me give you two numbers: \$2.7 billion and \$27 billion. The first is how much the Defense Department has put into privatized housing, and the second is how much private developers have put in. So, we have leveraged our \$2.7 billion by a factor of 10. And we have gotten beautiful housing in exchange for that, because the private developers have an incentive to build stuff that will be attractive to young families who have a choice. They have their choice to go live in town, and they want to retain those tenants, as well. So, it fixes the incentive problem. Also, it is better quality housing to start with. The problem was, the services chronically under-invested in it. They simply didn't invest in it. And so, housing privatization was a kind of a stop us before we kill again. Don't let us do this. Take this away from us, and let it be done by somebody that has the right incentives.

So, I think it's been very positive. Senator Landrieu asked whether we could do more of it with barracks, and I think we're doing that on an experimental basis. I think there are a number of other areas, the kinds of things that are done on installations lend themselves to commercial provision. In the United Kingdom all their installation services are provided by an outside contractor. I'm not necessarily pushing that. But I think the concept can be expanded beyond private housing, you know, family housing, and utilities, which is the other area.

Senator HOEVEN. Great. That's good to hear.

Dr. ROBYN. Good. I'm not, Guard—

Do you have an answer on the Guard?

Senator HOEVEN. Guard resources, they—

Dr. ROBYN. Resources.

Senator HOEVEN. You know, with all they've been doing over the last 10 years, do you have a sense that they're keeping up in terms of their needs?

GUARD AND RESERVE

Mr. HALE. I think we've learned that the Guard has always been very helpful, and continues to be—probably even more so over these last 10 years—in the ground forces than has ever been the case. I think they are clearly part of the team. There are sometimes differences between the Congress and the executive branch, frankly, on how much resources we ought to devote. But they get a careful look within our budget considerations, or deliberations. So, I think that they are reasonably resourced within the dollars that we have available.

Senator HOEVEN. Excuse me, Chairman, for going over my time here. I apologize.

Ten years, and the tempo for them has been incredible as well, so, again, very important with their mission here at home that we provide them with the support that they need, as well. So, I appreciate that.

Senator JOHNSON. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

And I want to thank both our witnesses for being with us today.

Dr. Robyn, am I pronouncing that right?

Dr. ROBYN. Yes.

Senator PRYOR. Okay. I thought I was. But I wanted to make sure. Dr. Robyn, you may not remember, but last year we talked a little bit about the Pine Bluff Arsenal. And if I recall, we talked about DOD's Office of Economic Adjustment, because that arsenal used to have about 17 percent of the U.S. stockpile of chemical weapons. And all that now has gone away—all of the chemical weapons have been destroyed—and they're now dismantling the facility, described in the terms of the treaty with, it used to be the Soviet Union, now with Russia. So, they've been on budget, ahead of schedule, and they've done really well there.

And I just talked to the folks in Pine Bluff, and they've actually told me that there's been a very good working relationship with the OEA, that, I think there's a \$600,000 adjustment grant. And they're working through all the appropriate channels to try to secure an extension of that grant, because they felt like, that that facility has a lot of positive assets. So, I'm going to try to help in that process as best I can. And I'd like to ask your agency to take a look at the extension request and help if you can, and hopefully continue to build on that positive relationship there.

I don't know if it's appropriate for you or someone on your team to come down and look at the facility. I think that arsenal—maybe like some other installations around the country—but, I think that arsenal in particular is a real asset for the DOD and for our Nation. They do so many different things there—of course, they used to store the chemical weapons. But the fact that they make white phosphorus there, and they have a very diverse set of things that they do already, and a lot of potential capabilities. And I think it helps if folks from the DOD see it and realize what we could be doing there. So, at some point I'd like to work with your office or your team, and see if you all could come down.

Now, on arsenals, generally—not just on Pine Bluff—as I understand it—and I'm not sure who this should go to. This maybe more for you, Mr. Hale. On arsenals generally—and, of course, including Pine Bluff, but not exclusively Pine Bluff—acquisition officials have a responsibility for identifying requirements that can be manufactured within existing Government-owned arsenals for conducting make-or-buy analyses, and for having these requirements manufactured within Government-owned facilities when the make-or-buy analysis demonstrates that this is possible. And, as I understand it, that's based on a number of laws. And, I guess my question is general: How's the DOD doing on that? Because I look at the arsenal, and I know that DOD is very busy and is acquiring things, has a lot of needs. And I feel like we have capacity there that we're not really tapping into. Now, I don't know if that's true at the other arsenals, but what's your sense of how we're doing with that?

Dr. ROBYN. I don't. I'd like to take the question for the record. I am part of Acquisition, Technology and Logistics. And I'm always interested in how we go about procuring things. So, I don't know—

Senator PRYOR. All right.

Dr. ROBYN [continuing]. The answer.

Senator PRYOR. I think—

Mr. HALE. I mean, I can add that we do “analyses of alternatives,” they're called, for all major projects—whether they're weapons or arsenals. And they are typically done partly by our functional managers, but also participation of analysts—for example, our Cost Analysis and Program Evaluation Group, and some in my shop. And they attempt to be analytic and lay out a range of reasonable alternatives—prices and assessments of capability—and provide our managers with information to make a decision.

I think it's a good process—not always perfect, but a good one. And I'm sure it's done for the ones you're talking about. I don't know the specifics, so I'll have to defer to Dorothy and take that question for the record.

Senator PRYOR. Okay. Good. I'll look forward to hearing from both of you on that, then.

[The information follows:]

Subsection “a” of the Army Arsenal Act (10 U.S.C. 4532(a)) states that “the Secretary of the Army shall have supplies needed for the Department of the Army made in factories or arsenals owned by the United States, so far as those factories or arsenals can make those supplies on an economical basis.”

Army policy to execute this requirement is contained in Army regulation 700-90, “Army Industrial Base Process”. As provided for in that regulation, Army program executive officers (PEOs) are required to conduct Arsenal-Act make-buy price analyses for items they manage. The U.S. Army Materiel Command (USAMC) participates in PEO price analyses and USAMC also prepares these analyses for USAMC-executed items. Thus, both the managing PEO and USAMC participate in all price analyses; if there is a disagreement over the results or disagreement that an Arsenal Act analysis should be conducted for an item not previously produced at an arsenal, the matter is referred to the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(AL&T)) because that office has oversight of industrial base policy.

While the Arsenal Act calls for making all needed supplies in the arsenals, it is clear that the arsenals cannot literally make all of the widely varying types of supplies the Army needs. The scope of supplies subjected to the Arsenal Act analysis is limited to those to which they are capable. Differences of opinion between PEOs and USAMC on what supplies are within arsenal capability may be similarly elevated for review by the ASA(AL&T) for resolution.

Senator PRYOR. And the other thing is, I know that you all have both, either in this setting or other settings, have talked about C-130s and the Little Rock Air Force Base, and how they do the training there, and how important the C-130s are. So, I appreciate you all recognizing that because, again, we don't make them there, but we do the training there. And the C-130J models are coming online, and during the last BRAC, the BRAC folks were actually fairly generous to Little Rock Air Force Base, to try to help them concentrate even more on that.

So, I really didn't have any other questions, Mr. Chairman. I may have a few for the record, but I want to thank our witnesses for being here today.

Dr. ROBYN. Thank you.

Senator JOHNSON. Thank you, Senator Pryor.

And thank you, Secretary Hale and Secretary Robyn, for your testimony and your service to our country. You may be excused.

DEPARTMENT OF THE NAVY

STATEMENT OF HON. JACKALYNE PFANNENSTIEL, ASSISTANT SECRETARY OF THE NAVY (ENERGY, INSTALLATIONS AND ENVIRONMENT)

ACCOMPANIED BY:

REAR ADMIRAL DAVID M. BOONE, DIRECTOR, SHORE READINESS DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS, AND VICE COMMANDER (NAVY INSTALLATIONS COMMAND)
MAJOR GENERAL ROBERT R. RUARK, ASSISTANT DEPUTY COMMANDANT (INSTALLATIONS AND LOGISTICS, FACILITIES)

Senator JOHNSON. I am pleased to welcome our second panel of witnesses.

Secretary Jackalyn Pfannenstiel is Assistant Secretary of the Navy for Energy, Installation and Environment; Major General Robert R. Ruark, Assistant Deputy Commandant for Installations and Logistics; and Rear Admiral David M. Boone is Director of the Shore Readiness Division.

This year's MILCON budget for the Navy and the Marine Corps is \$2.5 billion—down \$1.4 billion from the fiscal year 2011 request. The Navy Reserve account is also down from the fiscal year 2011 request by \$35 million—a 57-percent decrease.

As I said earlier, I understand that we all must make hard choices in these difficult economic times. But I hope we are not starving our Reserve forces at a time when they are being asked to do so much for our national security.

Additionally, I'm concerned about the progress and pace of funding for the move of marines from Okinawa to Guam. It would seem that our partners in this venture, the Japanese, may have some fiscal challenges ahead relating to the earthquake and tsunami recovery. I hope to hear the Navy's opinion on the status of the Guam buildup.

Again, thank you all for coming. We look forward to your testimony.

Madam Secretary, I understand that you will give the only opening statement. Your full statement will be entered into the record, so I encourage you to summarize in order to leave more time for questions. Please proceed.

Ms. PFANNENSTIEL. Thank you, Chairman Johnson, Senator Kirk.

I'm pleased to be here with you today to provide an overview of the Department of the Navy's investment ashore infrastructure. As you noted, with me here today are Major General Ruark and Rear Admiral Boone.

The Department's fiscal year 2012 budget request includes a \$13.3 billion investment in our installations, to include MILCON, facility sustainment restoration and modernization, BRAC, family housing, environmental, and base-operating support.

The MILCON request of \$2.5 billion is, as you noted, significantly less than our fiscal year 2011 request of \$3.9 billion, primarily due to the completion of the Marine Corps barracks initiative and a more deliberate pace for the Guam buildup.

The MILCON request does provide further investment to relocate marines from Okinawa to Guam. The Marine Corps relocation, along with other DOD efforts to realign forces and capabilities to Guam, represents a unique opportunity to strategically realign the U.S. force posture in the Pacific for the next 50 years.

This is a major effort, and one that we must get right for both our military families and the people of Guam. I'm pleased to share with you that we recently achieved an important milestone in the realignment—the finalization of the Programmatic Agreement. After 3 years of consultations, we may now move forward with executing MILCON associated with the realignment and with preparing a record of decision for the training ranges.

Fostering a long-term positive relationship with the people of Guam is essential to the success of the Marine Corps' mission in the Pacific. The finalization of the Programmatic Agreement is evidence that the Government of Guam, the Guam Legislature, and the DOD can work together on solutions to meet common goals.

This is an important year in the realignment program. The start of construction is imminent, and additional contracts will be awarded over the next few weeks and months at a pace that is sustainable within Guam. Building on the fiscal year 2010 and fiscal year 2011 projects, the projects we're requesting for fiscal year 2012 will enable future vertical construction, support the introduction of off-island workers, and support future operations. Further, the Government of Japan's fiscal year 2011 request includes financing for critical utility projects which will support relocating marines in the long run and the ramp-up of construction in the near term.

The Department is on track to implement BRAC 2005 realignments and closures by the statutory deadline of September 15, 2011. Going forward, our fiscal year 2012 budget request of \$26 million enables ongoing environmental restoration, care taking, and property disposal efforts at BRAC 2005 installations.

The Department has made significant progress during this past year, and to date has completed 328 of the 485 realignment enclosure actions as specified in our established business plans. Additionally, the Department has increased its investment to support President Obama's Energy Challenge and Secretary Mabus's aggressive energy goals to increase energy security, reduce dependence on fossil fuels, and promote good stewardship of the environment.

We have requested \$1.2 billion for fiscal year 2012 and \$4.4 billion across the Future Years Defense Program for shore and operational energy efficiencies.

Members of the subcommittee, your support of the Department's fiscal year 2012 budget request will ensure that we build and maintain the facilities our sailors and marines need to succeed in their military and humanitarian missions, even as the challenges we face multiply.

PREPARED STATEMENT

Thank you for the opportunity to appear before you today. I look forward to answering any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF JACKALYNE PFANNENSTIEL

Chairman Johnson, Senator Kirk, and members of the subcommittee, I am pleased to appear before you today to provide an overview of the Department of the Navy's (DON's) investment in its shore infrastructure.

THE NAVY'S INVESTMENT IN FACILITIES

Our Nation's Navy-Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. Our shore infrastructure provides the backbone of support for our maritime forces, enabling their forward presence. The Department's fiscal year 2012 budget request includes a \$13.3 billion investment in our installations, a decrease of more than \$1.6 billion from last year.

The fiscal year 2012 military construction (MILCON) (Active and Reserve) request is \$2.5 billion. Although significantly less than the fiscal year 2011 request, it represents continued investment in quality-of-life and mission requirements, a continued emphasis on energy conservation, and implementation of the Defense Policy Review Initiative to relocate marines from Okinawa to Guam.

The fiscal year 2012 family housing request of \$469 million represents a 15-percent decrease from the fiscal year 2011 request. The Navy and Marine Corps continued to invest in housing, particularly the recapitalization of our overseas housing. Having virtually privatized all family housing located in the United States, we are investing in a "steady state" recapitalization effort to replace or renovate housing at overseas and foreign locations where we continue to own housing.

Our base realignment and closure (BRAC) program consists of environmental cleanup and caretaker, and property disposal costs at prior round BRAC and BRAC 2005 locations.

We do not foresee much potential for large revenue from land sales, which were used to fund the Legacy BRAC program from fiscal year 2005 through fiscal year 2008. Thus, we again seek appropriated funds in fiscal year 2012 in the amount of \$129 million. Should land sale revenue accrue from the disposal of any BRAC property sales, we will reinvest them to accelerate cleanup at the remaining BRAC locations.

The fiscal year 2012 BRAC 2005 budget request of \$26 million supports ongoing environmental restoration, caretaker, and property disposal efforts. The Department has made significant progress in implementing the BRAC 2005 recommendations during the past year, and to date has completed 328 of 485 realignment and closure actions as specified in our established business plans and we are on track for full compliance with statutory requirements by the September 15, 2011 deadline.

Our fiscal year 2012 request for base-operating support (BOS) is in excess of \$7 billion. The BOS program finances shore activities that support ship, aviation, combat operations, public safety, and family quality-of-life programs for both Active and Reserve components.

Finally, the Department's budget request is increased to \$1.2 billion fiscal year 2012, and \$4.4 billion across the Future Years Defense Plan, to support Secretary Mabus' aggressive energy goals to increase energy security, reduce dependency on fossil fuels, and promote good stewardship of the environment. The fiscal year 2012 program funds three MILCON projects to decentralize steam plants, continues research and development in operational energy efficiencies for the tactical fleet, and will enable the services to increase the energy efficiency of its infrastructure.

Here are some of the highlights of these programs.

MILITARY CONSTRUCTION

The DON's fiscal year 2012 MILCON program requests appropriations of \$2.5 billion, including \$87 million for planning and design and \$23 million for unspecified minor construction.

The Active Navy program totals \$1.1 billion and includes:

- \$190 million to fund five Combatant Commander projects:
 - a bachelor quarters;
 - a taxiway enhancement;
 - an aircraft logistics apron at Camp Lemonnier, Djibouti;

- a bachelor quarters; and
 - the fourth phase of the waterfront development in Bahrain.
 - \$195 million to fund four energy savings and security projects:
 - a steam system decentralization at Naval Support Activity, Norfolk, Virginia;
 - a steam system decentralization at Naval Support Activity, South Potomac (Indian Head, Maryland);
 - a steam system decentralization at Naval Station Great Lakes, Illinois; and
 - an electrical distribution system replacement at Pacific Missile Range Facility, Hawaii.
 - \$128 million to fund a bachelor quarters at Naval Station Norfolk, Virginia in support of the Chief of Naval Operations' Homeport Ashore Initiative; and
 - a fitness center at Naval Base Coronado, California.
 - \$208 million to fund five nuclear weapons security projects:
 - the first increment of a second explosives-handling wharf;
 - explosives handling;
 - wharf security force facility; and
 - waterfront restricted-area security enclave at Naval Base Kitsap, Washington; and
 - waterfront restricted-area land/water interface and security enclave at Submarine Base Kings Bay.
 - \$114 million to fund five projects to achieve initial/final operational capability requirements for new systems:
 - a P-8A trainer facility;
 - a P-8A hangar upgrade, and a broad area maritime surveillance operator training facility at Naval Air Station Jacksonville, Florida;
 - a MH-60 R/S rotary maintenance hangar at Naval Base Coronado, California; and
 - an E-2D aircrew training facility at Naval Base Ventura County, California.
 - \$15 million to fund Massey Avenue corridor improvements at Naval Station Mayport, Florida in support of homeporting a nuclear capable aircraft carrier by 2019.
 - \$198 million to fund additional critical Navy priorities:
 - a controlled industrial facility at Norfolk Navy Shipyard, Virginia;
 - an applied instruction facility at Eglin Air Force Base;
 - an aircraft prototype facility at Naval Air Station Patuxent River;
 - an integrated dry dock water treatment facility at Naval Base Kitsap, Washington;
 - a Navy information operations command FES facility at Naval Station Pearl Harbor, Hawaii; and
 - a potable water plant modernization at Naval Support Facility Diego Garcia.
 - \$42 million for planning and design efforts.
- The Active Marine Corps program totals \$1.4 billion and includes:
- \$59 million for the construction of unaccompanied housing at Camp Lejeune and Quantico in a continuation of the Commandant of the Marine Corps' initiative to improve the quality of life for single marines;
 - \$48 million to provide quality-of-life facilities such as a child development center, a dining facility, and a physical fitness center at 29 Palms and Quantico;
 - \$28 million to construct student billeting for the Basic School in Quantico, Virginia;
 - \$301 million to build infrastructure to support new construction. These projects include road improvements and drinking and wastewater systems. These projects will have a direct effect on the quality of life of our marines. Without these projects, basic services generally taken for granted in our day-to-day lives, will fail as our marines work and live on our bases;
 - \$514 million to fund operational and maintenance projects such as those needed for the MV-22 aircraft at Camp Pendleton and Joint Strike Fighter at Beaufort and Yuma; and operational units in Camp Lejeune, New River, Cherry Point, 29 Palms, Barstow, and Hawaii;
 - \$127 million to provide training facilities and ranges at Camp Pendleton, Camp Lejeune, 29 Palms, and Quantico;
 - \$75 million to support professional military education by providing facilities at Marine Corps University in Quantico;
 - \$9 million for land expansion for Marine Air Ground Task Force large-scale training exercises at 29 Palms;
 - \$156 million for facilities necessary to support the relocation of marines to Guam; and
 - \$42 million for planning and design efforts.

With these new facilities, marines will be ready to deploy and their quality of life will be enhanced. Without them, quality of work, quality of life, and readiness for many marines will have the potential to be seriously degraded.

The Navy and Marine Corps Reserve MILCON appropriation request is \$26 million to construct an Armed Forces Reserve Center at Pittsburgh, Pennsylvania, and a Marine Corps Reserve Training Center at Memphis, Tennessee. Additionally, \$18 million has been realigned to the Department of the Army to construct a joint Navy, Marine Corps, and Army Reserve complex at Indianapolis, Indiana.

Fully Funded and Incrementally Funded Military Construction Projects

Our fiscal year 2012 budget request complies with Office of Management and Budget Policy and the Department of Defense (DOD) Financial Management Regulation that establishes criteria for the use of incremental funding. The fiscal year 2012 request includes \$78 million to support the first increment of a second explosives-handling wharf at Naval Base Kitsap, Washington. Follow-on increments will be submitted in future budget requests. Otherwise, all new projects are fully funded or are complete and usable phases.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization

DOD uses a sustainment model to calculate lifecycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of buildings and geographic areas and are updated annually. Sustainment funds in the operation and maintenance accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency responses for minor repairs, and major repairs or replacement of facility components (e.g., roofs, heating, and cooling systems). The fiscal year 2012 budget request funds sustainment at 80 percent and 90 percent for the Navy and Marine Corps, respectively. To maximize support for warfighting readiness and capabilities, the Navy reduced its facilities sustainment posture to 81 percent of the DOD facilities sustainment model; joint bases are funded to 90 percent of this model. The Naval Academy, Naval War College, and Naval Postgraduate School are funded to 100 percent of this model. Additionally, the Navy has targeted the allocation of sustainment funds to increase the sustainment and maintenance of unaccompanied housing. As a result, the Navy has minimized operational impacts and ensured the safety of our sailors and civilians by prioritizing maintenance and repair efforts for facilities that directly affect mission operations such as piers, hangars, and communications facilities as well as unaccompanied housing and family support centers.

Restoration and modernization (R&M) provides major upgrades of our facilities using MILCON, operation and maintenance, Navy Working Capital Fund, and BRAC, as applicable. In fiscal year 2012, the DON is investing nearly \$1.5 billion in R&M funding.

Naval Safety

Protecting DON's sailors, marines, and civilian employees and preserving the weapon systems and equipment entrusted to us by the American people remains one of our highest priorities. I consider continual improvement of our safety performance to be an integral component to maintaining the highest state of operational readiness for our Navy-Marine Corps team. During fiscal year 2010, the DON once again achieved record-setting mishap rate reductions in numerous key mishap categories. The Department is successfully tracking toward becoming a world-class safety organization, where, in step with civilian industry leaders, no avoidable mishap or injury is considered the cost of doing our business.

The Secretary of Defense established a goal to achieve a 75-percent reduction in baseline fiscal year 2002 mishap rates across DOD by the end of fiscal year 2012. By the end of fiscal year 2010, the DON exceeded the DOD-wide mishap rate reduction in three of the four mishap categories being tracked by the Office of the Secretary of Defense.

During fiscal year 2010, we continued our Department-wide assault to reduce the loss of sailors and marines to fatal accidents on our Nation's highways. Over the past 5 years, we lost on average 53 sailors and marines to automobile and motorcycle accidents. In fiscal year 2010, we brought those losses down to just 34, our lowest number ever recorded. While we achieved unprecedented reductions in highway fatalities during fiscal year 2010, we still find these losses untenable—we can and must do better.

In fiscal year 2010 DON achieved our best year ever recorded for total class A operational mishaps.¹ While this represents a significant achievement, fiscal year 2010 was the fourth consecutive fiscal year we achieved, “best year ever recorded” in this category. Additionally, fiscal year 2010 marked DON’s best year ever recorded for the number of off-duty/recreational fatalities² and for the rate of class A aviation flight mishaps.

Our efforts also focus on achieving continual improvement in the reduction of workplace injuries. By the end of fiscal year 2010, the Department had achieved Voluntary Protection Program “Star” status, the Occupational Safety and Health Administration’s highest level of achievement, at 14 sites. These activities include all four naval shipyards, our largest industrial facilities. Additionally, over the past 8 years, we have reduced the Navy and Marine Corps civilian lost day rates (due to injury) by 45 percent and 51 percent respectively.

Encroachment Partnering

DON has an aggressive program to manage and control encroachment, with a particular focus on preventing incompatible land use and protecting important natural habitats around installations and ranges. A key element of the program is encroachment partnering, which involves cost-sharing partnerships with States, local governments, and conservation organizations to acquire interests in real property adjacent and proximate to our installations and ranges. Encroachment partnering agreements help prevent development that would adversely impact existing or future missions. These agreements also preserve important habitat near our installations in order to relieve training or testing restrictions on our bases. The program has proven to be successful in leveraging DOD and DON resources to prevent encroachment.

DOD provides funds through the Readiness and Environmental Protection Initiative (REPI) that are used in conjunction with Navy and Marine Corps operations and maintenance funds to leverage acquisitions in partnership with States, local governments, and nongovernmental organizations. For fiscal year 2010, the Marine Corps acquired restrictive easements over 8,191 acres. REPI and Marine Corps funds totaled and \$8.7 million while the encroachment partners provided \$11 million. The Navy acquired 1,908 acres of restrictive easements with combined REPI and Navy funds of \$9.36 million and \$6.4 million provided by partners.

To date, the marines have acquired restrictive easements for 32,408 acres of land with \$49 million of REPI and Marine Corps funding. Encroachment partners have contributed \$54 million. The Navy has acquired 9,851 acres of restrictive easements to date with \$28.4 million of REPI and Navy funding, and \$35.5 million contribution from encroachment partners.

Compatible Development

Vital to the readiness of our fleet is unencumbered access to critical water and air space adjacent to our facilities and ranges. An example is the outer continental shelf (OCS) where the vast majority of our training evolutions occur. The Department realizes that energy exploration and off-shore wind development play a crucial role in our Nation’s security and are not necessarily mutually exclusive endeavors. Therefore, we are engaging with the other services, the Office of the Secretary of Defense, and the Department of the Interior to advance the administration’s energy strategy. We are poised to coordinate with commercial entities, where feasible, in their exploration and development adjacent to installations and our operating areas along the OCS that are compatible with military operations. However, we must ensure that obstructions to freedom of maneuver or restrictions to tactical action in critical range space do not measurably degrade the ability of Naval forces to achieve the highest value from training and testing.

ENERGY

DON is committed to implementing a balanced energy program that exceeds the goals established by the Energy Independence and Security Act of 2007, Energy Policy Act of 2005, National Defense Authorization Act of 2007 and 2010, Executive Orders 13423 and 13514. We place a strong emphasis on reducing our dependence on fossil fuels, reducing overall energy consumption, increasing energy reliability, and

¹A fiscal year 2010 class A mishap is one where the total cost of damages to Government and other property is \$2 million or more, or a DOD aircraft is destroyed, or an injury and/or occupational illness results in a fatality or permanent total disability. An operational mishap excludes private motor vehicle and off-duty recreational mishaps. Mishaps exclude losses from direct enemy action.

²Off-duty/recreational fatalities do not include off-duty deaths resulting from automobile, motorcycle, or pedestrian/bicycle mishaps.

environmental stewardship. The Department is a recognized leader and innovator in the energy industry by the Federal Government and private sector as well. Over the past decade, DON has received almost one-quarter of all of the Presidential awards and nearly one-third of all of the Federal energy awards. Additionally, DON has received the Alliance to Save Energy “Star of Energy Efficiency” Award and two Platts “Global Energy Awards” for Leadership and Green Initiatives.

Organization

The Secretary established a Deputy Assistant Secretary of the Navy for Energy (DASN-Energy) to consolidate the Department’s operational and installation energy missions in the Office of the Assistant Secretary of the Navy for Energy, Installations and Environment ASN. The consolidation of both operational and installation energy portfolios under the DASN-Energy has led to a more concentrated focus on the Secretary of the Navy’s priority of Energy Security and Energy Independence. At the service level, energy efficiency is being institutionalized by the Chief of Naval Operations (CNO) and the Commandant of the Marine Corps (CMC). The Navy Energy Coordination Office and Marine Corps Expeditionary Energy Office drive energy efforts and initiatives within the services.

From the Secretary down to the deck plate sailor and the marine in the field, the Department is committed to meeting our aggressive energy goals. We all view energy as an invaluable resource that provides us with a strategic and operational advantage.

Naval Energy Vision, Priorities, and Goals

As part of the Secretary of the Navy’s priority on energy, DON is committed to a Naval energy vision that states “The Navy and Marine Corps will lead the DOD and the Nation in bringing about improved energy security, energy independence, and a new energy economy.”

With this vision, the Secretary of the Navy has set two priorities for Naval energy reform: energy security and energy independence. Energy security will be achieved by utilizing sustainable sources that meet tactical, expeditionary, and shore operational requirements and force sustainment functions, and having the ability to protect and deliver sufficient energy to meet operational needs. Energy independence will be achieved when Naval forces rely only on resources that are not subject to intentional or accidental supply distributions. As a priority, DON’s energy independence will increase operational effectiveness by making Naval forces more energy self-sufficient and less dependent on vulnerable energy production and supply lines.

With his vision and priorities, the Secretary of the Navy set forth five energy goals to reduce DON’s overall consumption of energy, decrease its reliance on petroleum, and significantly increase its use of alternative energy. Meeting these goals requires that the Navy and Marine Corps value energy as a critical resource across maritime, aviation, expeditionary, and shore missions. DON will lead the Navy and Marine Corps efforts to improve operational effectiveness while increasing energy security and advancing energy independence. DON will achieve the Secretary of the Navy’s goals by adopting energy efficient acquisition practices, technologies, and operations.

The five goals are:

- By 2020, 50 percent of total DON energy will come from alternative energy resources;
- By 2020, DON will produce at least 50 percent of shore-based energy requirements from alternative resources;
- DON will demonstrate a Green Strike Group in local operations by 2012 and sail the Great Green Fleet by 2016;
- By 2015, DON will reduce petroleum use in commercial vehicles by 50 percent; and
- Evaluation of energy factors will be used when awarding contracts for systems and buildings.

As part of these ambitious energy goals, the Secretary of the Navy released The Department of the Navy’s Energy Program for Security and Independence. This strategic roadmap provides guidance and direction to the Navy and Marine Corps. In addition, the CNO and CMC are developing strategic plans, baselines, and metrics to outline energy requirements, funding, profiles, and milestones for achieving energy efficiency and security. The strategy requires action across the DON and is the responsibility of every individual member.

Energy Funding

DON has budgeted \$1.2 billion in fiscal year 2012 and approximately \$4.4 billion across the Future Years’ Defense Plan for energy initiatives. Our strategy focused on reducing our dependence on petroleum, lowering our energy cost, and complying

with Federal legislation and energy mandates. This focus on energy investment will result in cost-savings that will allow DON to continue to aggressively pursue the Secretary of the Navy's priorities and goals.

Operation and Maintenance, Navy.—Projects funded would include testing/certification of Great Green Fleet fuel, propeller coatings, hull coatings, advanced metering infrastructure, simulator upgrades, aviation and maritime i-ENCON and facility energy audits, and facility energy efficiency upgrades.

Operation and Maintenance, Marine Corps.—Projects funded would include completion of mandated energy audits, mobile electric power equipment units, advanced power systems, renovate HVAC system to increase efficiency, and complete SMART metering projects.

National Defense Sealift Fund/Other Procurement, Navy.—Projects funded would include large medium-speed roll-on/roll-off light upgrades, shore power management/monitoring systems, and ship engine automation upgrades.

Military Construction, Navy.—Funds would go toward solar array construction projects, energy efficiency upgrades, critical asset energy security enhancements, advanced metering, ground-source heat pumps, small-scale wind projects, and steam line distribution upgrades.

Research, Development, Test and Evaluation.—Projects funded would include testing of hybrid electric drive, Fleet Readiness R&D Program, the shipboard energy dashboard, landing craft air cushion efficiency initiatives, water purification technologies, man-portable electric power units, and energy storage and distribution.

Achieving these priorities and goals will present challenges for the Navy and the Marine Corps. Final success will depend on advancements on technology maturity, resource availability, alternative fuel availability, and business process transformation. However, with the investments budgeted for energy, DON is taking the leadership role within DOD for this success.

Success

We are on track to meet all our goals, and throughout 2010, we demonstrated progress through an assortment of energy programs, partnerships, and initiatives. Our F/A18, dubbed "The Green Hornet" reached Mach 1.7 as part of the test and certification process using a 50–50 blend of Camelina-based JP–5. We also successfully conducted tests on the MH–60 Seahawk helicopter, and ran a Riverine command boat on renewable biofuel. These tests represent milestones for the Secretary of the Navy's goal of sailing the Great Green Fleet in 2016. The USS *Makin Island*, using a hybrid-electric drive to dramatically lower its fuel usage at slow speeds, will generate lifecycle savings of millions of dollars at today's fuel prices. And we are not stopping there. We will continue to move forward with installation of a similar system on new construction DDGs and look at the feasibility of retrofitting the fleet with these systems in the course of routine shipyard availabilities.

Additional energy initiatives that will reduce the energy consumption of our ships and make them more efficient are propeller and hull coatings. Stern flaps will also assist in reducing energy consumption. And when we look to our future Navy, advanced materials used on our propellers, energy storage and power management systems, and advanced propulsion technology will make our warships more efficient while still allowing them to meet their combat capability.

And the Navy is not alone in implementing change. Last year, the Marine Corps tested equipment that could be deployed on battlefields at their experimental forward operating bases (ExFOB) at Quantico and Twenty-Nine Palms. Technologies tested at the ExFOB are now deployed with marines in Afghanistan. Solar power generators and hybrid power systems are reducing the amount of fossil fuel needed to operate in a combat zone. By deploying these technologies, the Marine Corps has proven that energy efficiency means combat effectiveness.

In addition to these tactical and platform applications, we have implemented a number of energy projects at our facilities ashore. We are actively exploring for new geothermal resources to augment our existing 270 MW geothermal power plant at China Lake. Solar multiple award contracts in Hawaii and the Southwest will allow for large-scale solar projects to be built on our installations. And we are looking at developing our wind resources, exploring Waste-to-Energy projects and developing ocean power technology.

We are also aggressively conducting facility energy audits while completing installation of "smart" electric metering to implement a wide range of facility energy efficiency measures. By the end of this year, more than 27,000 meters will be installed in our existing facilities and provide the means to better measure the amount of energy we are consuming. This will allow for our energy managers to provide "real-time" feedback to our leaders on our installations. At the same time, we continue to ensure that new construction is at a minimum LEED Silver. By exceeding build-

ing efficiency standards, we will be able to meet mandated efficiency goals and drive down our need for conventional energy sources.

The Secretary of the Navy is committing DON to transform its requirements-setting, acquisition, and contracting processes to incorporate energy efficiency into decisions for new systems and buildings. Our Preferred Supplier Program (PSP) was developed as a tool to reward contractors with favorable contract conditions that have demonstrated superior performance in the area of cost, schedule adherence, quality of product/services and business relations. Evaluation factors for energy efficiency performance include energy benchmarking, goal setting, and measurement and verification. PSP has been renamed Superior Supplier Program and transferred over to the Office of the Director, Defense Research and Engineering in early 2011. And in October of last year, the Secretary of the Navy Green Biz Opps site was launched in partnership with the Small Business Administration (SBA) as a way to partner with small businesses and highlight the opportunities within DON.

Communication and awareness are critical to achieving the Secretary of the Navy energy goals. DON is exploring how to implement and maintain culture change initiatives, beginning with education and training, to ensure that energy management is understood by all personnel to be a priority in tactical, expeditionary, and shore missions. Energy awareness campaigns will be used to encourage personal actions that show commitment to energy program goals.

DON will continue to cultivate strategic partnerships with existing and new organizations to leverage our energy goals. By partnering with Federal agencies, such as the Department of Energy, the Department of Agriculture, the National Aeronautics and Space Administration (NASA), and SBA, we are raising the awareness at all governmental levels of the strategic importance of energy within DON. In addition, we are working with academic institutions and private industry to bring innovative ideas and approaches to the forefront.

Our budget request asks for continued support of these and similar projects in order to enhance our efficiency and maximize our move to greater independence and more resilient infrastructure.

HOUSING

The following tenets continue to guide the Department's approach to housing for sailors, marines, and their families:

- All servicemembers, married or single, are entitled to quality housing; and
- The housing that we provide to our personnel must be fully sustained over its life.

A detailed discussion of the Department's family and unaccompanied housing programs, and identification of those challenges, follows:

Family Housing

As in past years, our family housing strategy consists of a prioritized triad:

Reliance on the Private Sector.—In accordance with longstanding DOD and DON policy, we rely first on the local community to provide housing for our sailors, marines, and their families. Approximately three out of four Navy and Marine Corps families receive a basic allowance for housing (BAH) and own or rent homes in the community. We determine the ability of the private sector to meet our needs through the conduct of housing market analyses that evaluate supply and demand conditions in the areas surrounding our military installations.

Public/Private Ventures.—With the strong support from this subcommittee and others, we have successfully used public/private venture (PPV) authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private-sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families. Maintaining the purchasing power of BAH is critical to the success of both privatized and private-sector housing.

Military Construction.—MILCON will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not feasible.

Our fiscal year 2012 budget includes \$101 million in funding for family housing improvements (including planning and design). This request provides for the revitalization of more than 400 Navy and Marine Corps housing units in Japan, Spain, and Cuba. The budget request also includes \$368 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory. As of the end of fiscal year 2010, we have awarded 38 privatization projects involving more than 63,000 homes. These include more than 43,000 homes that will be constructed or renovated. (The remaining homes were privatized in good condition and did not require any work.) Through the use of these authorities we have secured

approximately \$9 billion in private-sector investment from approximately \$1.6 billion of our funds, which represents a ratio of more than \$7 in private-sector dollars for each taxpayer \$1.

Unaccompanied Housing

Our budget request includes more than \$267 million in funding for the construction of unaccompanied housing to support more than 2,300 single sailors and marines. This includes \$59 million to support requirements to continue implementation of the Commandant of the Marine Corps program to construct sufficient housing so that no more than two single marines are required to share a sleeping room. The budget request also includes an \$81 million unaccompanied housing project in Norfolk, Virginia to support the Chief of Naval Operations commitment to achieve the Navy's "Homeport Ashore" objective by 2016.

The following are areas of emphasis within the Department regarding housing for single sailors and marines:

Provide Homes Ashore for Our Shipboard Sailors.—The Homeport Ashore Initiative seeks to provide a barracks room ashore whenever a single sea-duty sailor is in his or her homeport, so they need not live on the ship. The Navy has made considerable progress toward achieving this goal through MILCON, privatization, and intensified use of existing barracks capacity. The Chief of Naval Operations is committed to providing housing ashore for all junior sea-duty sailors by 2016.

Commandant's Bachelor Enlisted Quarters Initiative.—It is the Commandant of the Marine Corps' priority to ensure single marines are adequately housed. Thanks to your previous support of this initiative, the Marine Corps will make significant progress toward fulfilling this priority. MILCON funding since fiscal year 2008 for the Marine Corps barracks initiative will result in the construction of approximately 25,500 new permanent party spaces at multiple Marine Corps installations. Your continued support of this initiative in our fiscal year 2012 proposal will allow us to construct an additional 800 new permanent party barracks spaces. With this funding we will stay on track to meet our 2014 goal. The fiscal year 2012 request for bachelor housing will provide two barracks projects at Camp Lejeune, North Carolina; and Quantico, Virginia. We are also committed to funding the replacement of barracks' furnishings on a 7-year cycle as well as the repair and maintenance of existing barracks to improve the quality of life of our marines. These barracks will be built to the 2+0 room configuration, as have all Marine Corps barracks since 1998. This is consistent with the core Marine Corps tenets for unit cohesion and teambuilding.

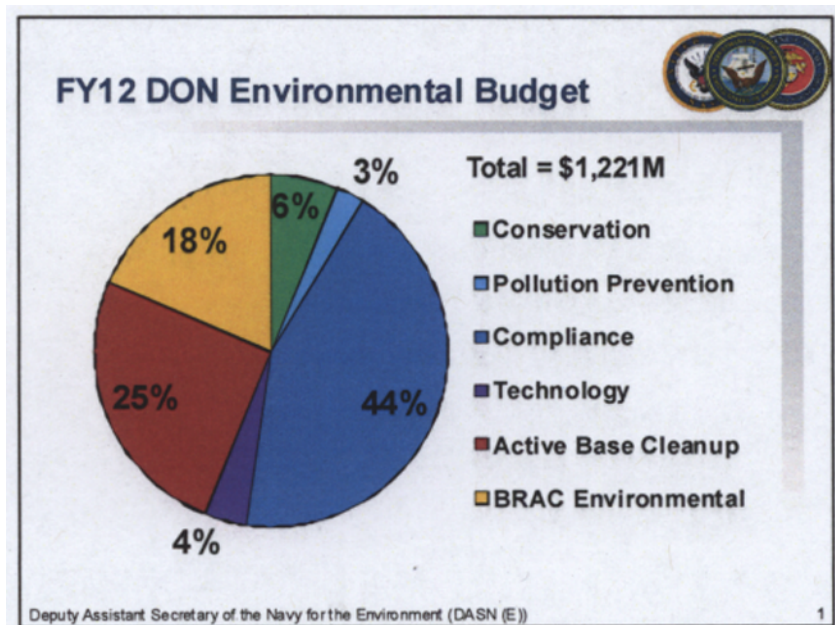
Condition of Unaccompanied Housing.—The Department continues to address the challenge of improving the condition of existing Navy and Marine Corps unaccompanied housing. The Navy has increased its level of restoration and modernization funding targeted to unaccompanied housing across the Future Years' Defense Plan to ensure that 90 percent of the Navy's unaccompanied housing inventory is adequate by fiscal year 2022. With the construction of a large amount of new housing under the aforementioned Commandant's Bachelor Enlisted Quarters Initiative, almost 90 percent of the Marine Corps' unaccompanied housing is now considered adequate.

ENVIRONMENT

In fiscal year 2012, the DON is investing more than \$1 billion in its environmental programs across all appropriations. This level of investment has remained relatively consistent over the past few years:

- Fiscal year 2010—\$1,117 million;
- Fiscal year 2011—\$1,094 million; and
- Fiscal year 2012—\$1,221 million.

Additionally, the relative distribution of environmental funding across the environmental programs, as displayed within the following chart, has also remained stable.



Within this mature, stable environment, DON continues to seek to be a Federal leader in environmental management by focusing our resources on achieving specific goals and proactively managing emerging environmental issues. Many of these emerging environmental issues for fiscal year 2012 present unique challenges as well as provide environmental leadership opportunities for DON.

Compliance—Sustainability

The Department's environmental budget invests significantly in complying with existing regulations. Going beyond just simply maintaining compliance, the Department's compliance budget in fiscal year 2012 incorporates a vision of sustainability into our ability to operate into the future without decline—either in the mission or in the natural and manufactured systems that support our mission. Sustainability is seen by DON as a means of improving mission accomplishment and reducing lifecycle costs that apply to all DOD mission and program areas. DON has instituted many policies and practices implementing sustainability tenets including retrofitting/constructing buildings and expeditionary base camps to optimize energy and water use, adopting goals for renewable energy use on facilities, and conducting integrated solid waste management.

The Department recognizes that many key issues facing DOD can be addressed through smart investments that improve sustainability, such as energy efficiency, energy management, renewable energy, water use efficiency, the reduced use of toxic and hazardous chemicals, and solid waste management.

As an example of solid waste management, Naval Facilities Engineering Command Southwest recently completed a large demolition and environmental remediation project at Naval Security Group Activity Skaggs Island (Skaggs Island). Skaggs Island is located 40 miles northeast of San Francisco near the north shore of San Pablo Bay in Sonoma County. It is bounded on all sides by estuarine sloughs and surrounded by salt marsh wetlands beyond the island's levees. Naval Security Group Activity Skaggs Island was commissioned at this site on May 1, 1942, during World War II and was an active communications base for 51 years. The project was able to recycle 6,437 tons of material from demolition of approximately 140 buildings in preparation for the property to be transferred to the Fish and Wildlife Service to become a part of the San Pablo Bay National Wildlife Refuge. Concrete and asphalt were processed for use in a local highway project. All metals were diverted to salvage yards, and the wood was processed with other materials and used as cover material in a landfill.

National Ocean Council

The National Ocean Council (NOC) is a Cabinet-level body established by Executive order in June 2010. There are 27 Federal agencies tasked to engage in developing a comprehensive national ocean policy which uses ecosystem-based management and coastal and marine spatial planning as foundational building blocks. The Executive order mandates spatial planning for maximized compatible use. The DON equity in this Executive order is extensive: for the first time, comprehensive spatial planning is being conducted in our exclusive economic zones including the Western Pacific, Alaska and the Arctic, the Gulf of Mexico, and the Caribbean. The DON ability to train and test in our current operating areas must be protected. DON is supporting the NOC in a variety of activities, including collecting and developing information about military activities in the coastal and marine zone, writing strategic plans, providing staff and administrative support, and participating in plans to produce regional coastal and marine spatial plans.

The Department participates in numerous interagency ocean-policy working groups formed under the NOC. These include but are not limited to the U.S. Extended Continental Shelf Task Force, the Arctic Policy Group, the Ocean Science Technology ad hoc biodiversity Interagency Working Group (IWG), Ocean Social Science IWG, Ocean Education IWG, Ocean Acidification IWG, the Facilities and Infrastructure IWG, the Ocean and Coastal Mapping IWG, the Interagency Ocean Observing Committee, and the Climate Change Adaptation Task Force. DON and the Joint Chiefs Staff are leading a new IWG tasked with writing the "Ocean, Coastal, and Great Lakes Observations and Infrastructure" Strategic Action Plan (SAP), and are co-chairs for the "Changing Conditions in the Arctic" and "Coastal and Marine Spatial Planning" SAPs. In addition, the Navy provides a full-time NOC staff member who serves as the primary liaison to the National Security Staff, and provides administrative oversight for the Federal Advisory Ocean Research and Resources Advisory Panel.

Chesapeake Bay

After issuing the Chesapeake Bay Strategy in May 2010, the Department has and continues to demonstrate environmental leadership working with the other Federal agencies to achieve Chesapeake Bay restoration goals. DON represents DOD as the executive agent for the Chesapeake Bay program. As such, DON has participated with the Federal Leadership Council to ensure that the Strategy sets forth aggressive, measurable, and attainable goals to restore the health of the Chesapeake Bay, a national treasure. DON is working with the States as they develop their watershed implementation plans. Our goal is to identify our nutrient and sediment sources, prioritize areas for nutrient and sediment reduction projects, and implement these projects to meet or exceed our reduction targets. DON recently sponsored a meeting with the Maryland Governor and Environmental Protection Agency Administrator to partner on means to meet the DOD, DON, and State goals to restore the health of the Chesapeake Bay. We are planning a similar event with Virginia later this year. Through these and other conservation efforts, DON is truly leading by example.

Natural Resources Conservation

DON Natural Resources Program managers continue to provide installation Commanders with special subject matter expertise, products and services necessary to ensure they can test, train, and execute construction projects with as little environmental constraint as possible, while also protecting the natural resources under our stewardship. The basis of our conservation program centers on the preparation and implementation of integrated natural resources management plans (INRMPs). These plans, currently in place at 89 DON installations with significant natural resources, integrate all facets of natural resources management with the installation's operational and training requirements. DON works closely with our Federal and State partners as well as other stakeholders to ensure our INRMPs remain current and effective. One of our primary objectives is to implement conservation measures to protect threatened and endangered species and their habitat which can help to reduce protected species related regulatory constraints. The Department has been very successful in protecting and conserving natural resources on our installations and near-shore areas while ensuring our installation Commanders have the land, sea, and airspace necessary to test and train in a realistic manner.

DON has also developed and implemented a Web-based tool for measuring the effectiveness of Navy and Marine Corps Natural Resources Programs and overall ecosystem health as it relates to mission sustainability. The tool provides leadership with the information necessary to focus scarce funds in the right place to protect

and conserve valuable natural areas and habitats while also protecting mission integrity.

Cultural Resources Program

Cultural resources under the DON's stewardship include infrastructure, ships, and objects of our Navy and Marine Corps heritage; vestiges of our colonial past; and Native American/Alaskan Natives/Native Hawaiian/Native Pacific Islander resources. We take great pride in our heritage, and the many cultural resources on our installations serve as reminders of the long and distinguished course we have charted and of those who lived on the lands before they were incorporated into our bases. The clear objective of the Department's cultural resources program is to balance our current and future mission needs with our stewardship responsibility to the American taxpayer and our desires to preserve our cultural heritage for future generations. The primary mechanism to achieve these goals is an integrated cultural resources management plan, which remains the key mechanism for gathering information about an installation's history and resource inventory, assessing potential use/reuse candidates with our built environment and ensuring that our installation planners and cultural resources managers are working closely together to protect cultural resources while supporting the DON mission.

Our installations have many success stories in which proactive management of cultural resources supported and reinforced the mission. We take very seriously our statutory obligations regarding historic properties. We work with the other services, and other agencies such as the Advisory Council on Historic Preservation and State historic preservation officers, tribal governments, Native Hawaiian Organizations, Native Alaskans, and interested members of the public, to develop effective and efficient ways to balance our stewardship and fiscal responsibilities. We are also developing a new Web-based tool for measuring the effectiveness and efficiency of DON cultural resources stewardship and mission support.

Historic buildings, which are a significant element of our cultural resources, are a valuable part of our portfolio and the Department has been able to rehabilitate historic buildings in ways that support mission requirements as effectively as new construction, with the added benefit of preserving historic property. Of particular concern is energy efficiency and how to retrofit systems to be more efficient while preserving character-defining features. In 2011, the Commandant's House at the Marine Barracks Washington (a national historic landmark) will have photovoltaic panels installed on small portions of the roof to help send the message out to the Marine Corps that alternative energy and historic preservation goals are not mutually exclusive.

Installation Restoration Program

The DON continues to make significant progress remediating past contaminants. As of the end of fiscal year 2010, the Department has completed cleanup or has remedies in place at 86 percent of the 3,834 contaminated sites on active installations. The DOD goal to have remedies in place or responses completed by the year 2014 was established in 1996 when the department had 3,256 known contaminated sites. Over the past 15 years the Department has identified 578 additional sites requiring cleanup. We have been working aggressively to achieve remedy in place or response complete for all sites by 2014. As of the end of fiscal year 2010, we are projecting 46 sites will not meet this DOD goal. We consider this a huge success that we have accomplished site cleanup at both our original inventory of sites as well as 532 additional sites in this time period. Also, DOD expanded the universe of Defense Environmental Restoration Program-eligible sites in 2008. Since that time, we have identified an additional 107 sites. These sites do not have established metrics, but we are working with DOD to establish appropriate metrics to also bring these sites to successful completion in the coming years.

Munitions Response Program

DON is proceeding with investigations and cleanup of Munitions and Explosives of Concern and Munitions Constituents at all Navy and Marine Corps munitions response sites. Our major focus through fiscal year 2010 was completing site inspections at all 330 Munitions Response Program (MRP) sites. We successfully completed 97 percent of these inspections. The 3 percent not inspected were because several newly discovered sites were added into the program late in the process. These site inspections will be completed in fiscal year 2011. Additional funding has also been obligated to address high-priority sites at Vieques and Jackson Park Housing. DON has used the results of the completed site inspections to prioritize the next phases of work for all sites starting in fiscal year 2011. DON plans to achieve cleanup or remedies in place at all MRP sites (except Vieques) by fiscal year 2020.

Camp Lejeune

The Department remains committed to finding answers to the many questions surrounding the historic water quality issue at Camp Lejeune. Scientific/medical studies on this issue continue to investigate whether diseases and disorders experienced by former residents and workers are associated with their exposure to contaminated water at Camp Lejeune. We continue to fund research initiatives, including several ongoing Agency for Toxic Substances and Disease Registry (ATSDR) health studies. Additionally, the Marine Corps funded a congressionally mandated National Academies National Research Council (NRC) review, which was released June 13, 2009. In total, the Department has provided approximately \$28 million in funding for research initiatives, including nearly \$27 million to ATSDR and more than \$900,000 to the National Academy of Sciences. This total includes \$3.9 million to fund ATSDR for fiscal year 2011. In order to ensure total transparency and advance efforts to find answers for our marines, sailors, their families, and civilian workers, DON continues to provide full and timely access to all pertinent information that we possess on this subject.

Marine Mammals

DON is continuing its focused research and monitoring programs addressing marine mammals and anthropogenic sound. The Navy is investing more than \$25 million per year to continue research into the effects of sound on marine mammals, develop products and tools that enable compliance with marine mammal protection laws for Navy training and operations, provide a scientific basis for informed decisionmaking in regulatory guidance and national/international policy, continue research to define biological criteria and thresholds, and to predict location, abundance, and movement of high-risk species in high-priority areas.

RELOCATING THE MARINES TO GUAM

The fiscal year 2012 budget request includes \$181 million for facilities in support of the relocation. The projects provide the horizontal infrastructure (utilities, site improvements, etc.) necessary to enable subsequent vertical construction and/or support Marine Corps operations. The Government of Japan, in its Japanese fiscal year 2011 budget (which runs April 1, 2011 through March 31, 2012) has requested a comparable amount of \$167 million for facilities and design. The Japanese fiscal year 2011 budget request also includes \$415 million in funding for utilities financing, pursuant to the Realignment Roadmap, for water and wastewater projects. This financing will be applied to make improvements to wastewater treatment plants off-base, and to the DON's water system on-base that will interconnect with Guam's water system.

The Marine Corps relocation, along with other DOD efforts to realign forces and capabilities to Guam, represents a unique opportunity to strategically realign the U.S. force posture in the Pacific for the next 50 years. This is a major effort and one we must get right. The DOD recognizes the Congress' concerns regarding execution of the Guam military realignment and is taking steps necessary to resolve critical issues that will allow the construction program to move forward.

The Guam community has been a gracious host to military personnel and families for decades. As we ask the people of Guam to now host a new Marine Corps base, the Department recognizes that close partnership with the Government and people of Guam is essential so that a long-term, positive relationship is fostered. The effort to relocate thousands of marines and their family members is complex and though there remain issues which separate the Department and the Government of Guam, we are committed to working together to address issues such as cultural preservation, land use, and lessening the impacts on the community.

As such, the Department has outlined four pillars that will guide the approach to the coordinated effort to execute the military realignment. By committing to these four pillars, the Department is demonstrating its willingness to listen and respond to the concerns of the people of Guam.

First, the Department recognizes the added strain that the relocating marines and their family members will place on Guam's infrastructure and is committed to the pursuit of "One Guam." Improvements to quality of life on Guam will result from direct investments in projects to improve and upgrade civilian infrastructure. These projects include those which are directly related to the military realignment, such as upgrades to the commercial port, roads, and utilities systems; and those identified by the Government of Guam as necessary to support the community's socio-economic needs. The Department has committed to work with other Federal agencies to advocate for support for Guam's needs so that the One Guam vision can become a reality.

Second, the Department understands and supports the great emphasis the people of Guam place on protecting the island's precious natural resources. We will do our part to protect resources and achieve a "Green Guam" by developing the most energy efficient facilities possible and supporting Guam's efforts to develop sustainable and renewable energy projects. We have projects underway with the Guam Power Authority, Guam Waterworks Authority, University of Guam, Department of Energy, and other Federal agencies to bring public and private funds to Guam for sustainable projects. We will work with the University of Guam's Center for Island Sustainability to develop and secure funding for green programs.

Third, as discussed in further detail below, the preferred alternative site for the live-fire training range complex on Guam that was identified in the final environmental impact statement (EIS) would require restricted access for safety reasons to the culturally significant sites of Pagat village and cave when the ranges are in use. Over the past year, the people of Guam made it clear that our plan to provide access to the area only during times when the ranges were not active was unacceptable and had to be changed. In response, we have developed options that will ensure that access to Pagat village and cave will be available 24 hours per day, 7 days per week.

Fourth, we recognize that land is a valued and limited resource in Guam. In response to concerns regarding the expansion of our footprint on Guam, we have committed to a "net negative" growth in the amount of property controlled by DOD. This strategy means that at the completion of the military realignment, the Department's footprint will be smaller than it is today, which directly responds to long-standing concerns regarding land use on Guam.

On Guam, the military realignment is viewed as a Federal Government action, not just a DOD effort. In addition to the concerns noted above that are directly related to the military realignment, Guam's leaders and members of the community are seeking support from across the Federal Government to resolve several long-standing issues. In our role as a partner to the Government of Guam we have committed to advocate for Guam's needs in Washington, as demonstrated by the Department's support for the Guam Loyalty Recognition Act. A whole-of-Government approach, including the participation of Federal agencies and the Congress, is necessary to demonstrate that the Federal Government at large is sensitive to the concerns of the people of Guam as we prepare to ask them to host an increased military presence.

The Government of Japan remains committed to both the realignment of Marine Corps forces to Guam and the Futenma replacement facility. Of the \$6.09 billion Japanese share, \$834 million in direct cash contributions have been received to date. The Government of Japan has also committed to making concrete progress on the Futenma replacement facility, with a formal decision on the configuration of the runway expected in the spring of 2011. The Department is confident in the progress made to date and is satisfied with Japan's commitment to these realignments.

A record of decision (ROD) for the Guam military realignment was signed in September 2010. The ROD included decisions on the locations of the Marine Corps main cantonment, family housing, aviation and waterfront operations, training on the island of Tinian in the Commonwealth of the Northern Mariana Islands, and selection of utilities and road improvement solutions to support the military realignment effort. Action was deferred on a transient CVN pier, pending additional coral surveys and studies under the National Environmental Policy Act; and on the site specific location of a live-fire training range complex on Guam, pending resolution of the National Historic Preservation Act section 106 consultation process. The first two U.S.-funded MILCON projects were awarded following the ROD; however, intrusive design, construction, and award of additional projects were delayed pending resolution of the section 106 consultation process. In March 2011, we completed the section 106 process with the finalization of a programmatic agreement. Now that this significant milestone has been achieved, we will begin construction and award additional contracts. The Department will also consider recent input to issue a ROD for the live-fire training range complex on Guam.

Partnership with the Government of Guam and the Guam community is central to the success of the marine relocation. Over the past year, senior Department leadership has engaged the Government of Guam to better understand the community's concerns, identify potential solutions, and develop a way forward in implementing the program. From these discussions we now better understand concerns regarding issues such as access to cultural sites and the expansion of DOD's footprint. However, as training is essential for Marine Corps forces, the Department also shares the Congress' concern with ensuring Marine Corps training requirements can be delivered on Guam. With respect to the preferred alternative site for location of a live-fire training range complex in the Route 15 area—property which is not currently within DOD's inventory—the Department has committed to conduct training activi-

ties in a manner which will allow unfettered access to the Pagat Village and Pagat Cave historical sites should the Route 15 site be selected in the ROD for training. Additionally, the Department has communicated to the Governor of Guam and the Guam Legislature that, following the completion of the realignment, DOD will have a smaller footprint than it has today. This commitment will directly address concerns regarding an expanding DOD footprint on Guam. This concept is currently in the early stage of development. Studies will be conducted to determine if missions can be relocated and assess any potentially underutilized properties. As a result of these discussions, the Governor of Guam has stated publicly his willingness to discuss land use issues with the Department. The goal is to have an agreement in principle with the Governor by the fall of 2011, allowing formal land negotiations to commence once appropriate congressional approval for land acquisition has been received. The Department will continue to update the Congress on land use matters and the status of informal discussions with the Government of Guam.

The Department recognizes concerns from both the public and other Federal agencies regarding Guam's existing and future infrastructure and socioeconomic needs. DOD has worked closely with both the Government of Japan and with Guam's utilities providers to identify utility system improvement projects for Japanese financing which both support the relocating marines and improve Guam's systems. As discussed earlier, in its Japanese fiscal year 2011 budget the Government of Japan has requested \$415 million of its required \$740 million contribution in utilities financing. The projects which will be financed by this funding will provide utility system upgrades that are critical enablers to the construction program. Specifically, they will provide for upgrades and improvements to wastewater treatment plants which will support the off-island workforce and future population growth associated with the Marine Corps realignment, as well as treatment, production and storage for potable water on-base. As noted in the Navy's National Environmental Policy Act documents, these projects are critical mitigations to alleviate the impact of the population increase from the military realignment program.

The Department is committed to improving the quality of life for both the people of Guam and the military personnel who make the island their home. The final EIS acknowledges that the military realignment will affect Guam's social services, such as education and medical facilities, due to the added demand on services to Guam as a result of potential population growth that may result from the military realignment. If the issues surrounding existing infrastructure and other major socioeconomic issues impacting Guam are left unaddressed, we risk creating disparity between conditions on- and off-base and losing the support of the people of Guam, which will adversely affect our ability to achieve our mission. The DOD is committed to ensuring this does not happen, and is leading the effort to coordinate an interagency approach to "One Guam". The DOD-led, interagency Economic Adjustment Committee (EAC) is working with the Government of Guam to review socioeconomic needs both directly and indirectly related to the military realignment. The fiscal year 2012 budget includes a request for \$33 million in Defense-wide operations and maintenance funds to address projects assessed by the EAC. In addition, other Federal agencies' fiscal year 2012 budget requests include approximately \$30 million in funding for Guam to assist with the implementation of the projects requested by DOD or support other Guam infrastructure and financial management requirements identified by the EAC. The Department will continue to work with other Federal agencies to identify additional opportunities for Federal Government support to address Guam's socioeconomic needs.

In the coming weeks and months, construction will begin, contracts for additional projects will be awarded, and progress will be made with the Government of Guam toward addressing its concerns related to land acquisition. Concurrently, the Department will continue to evaluate the total cost of the realignment based upon the refining of requirements and evolution of planning efforts conducted to date.

BASE REALIGNMENT AND CLOSURE 2005 IMPLEMENTATION

The Department has made significant progress during the past year, and to date has completed 328 of 485 realignment and closure actions as specified in our established business plans. The Department is on track to implement BRAC 2005 realignments and closures by the statutory deadline of September 15, 2011. Going forward, our fiscal year 2012 budget request of \$26 million enables ongoing environmental restoration, caretaker, and property disposal efforts at BRAC 2005 installations.

Accomplishments

In total, the Department has awarded all 118 planned BRAC construction projects with a combined value of \$2.1 billion. The final five projects awarded within the last

6 months total approximately \$81 million and are on schedule for completion prior to the statutory deadline. Some noteworthy achievements include:

- During the past year, DON closed Naval Station Ingleside, Texas, 5 months earlier than planned and reverted the property to the Port of Corpus Christi. We also closed the Navy Supply Corps School in Athens, Georgia and relocated the personnel and assets to Naval Station Newport, Rhode Island. By September 15, two more installations, Naval Air Station Willow Grove, Pennsylvania and Naval Air Station Brunswick, Maine will be closed.
- Construction was completed in December 2010 on the Consolidated Investigative Agencies facility at Marine Corps Base Quantico, Virginia. This \$350 million project has set the standard for interagency BRAC coordination and it will bring together the service investigative agencies, the Defense Security Service and the Defense Intelligence Agency to create a premier law enforcement, security and intelligence center that will increase collaboration across DOD and leverage the efficiencies and synergies created by collocating the agencies and services.
- The Department has invested more than \$400 million on construction and outfitting of 11 facilities to establish a state-of-the-art Research, Development, Acquisition, Test and Evaluation Center for Integrated Weapon System and Armaments and Fixed Wing Air Platforms at Naval Air Warfare Center China Lake, California. Nine of the 11 construction projects at China Lake are complete with the remaining two projects scheduled to complete this summer.

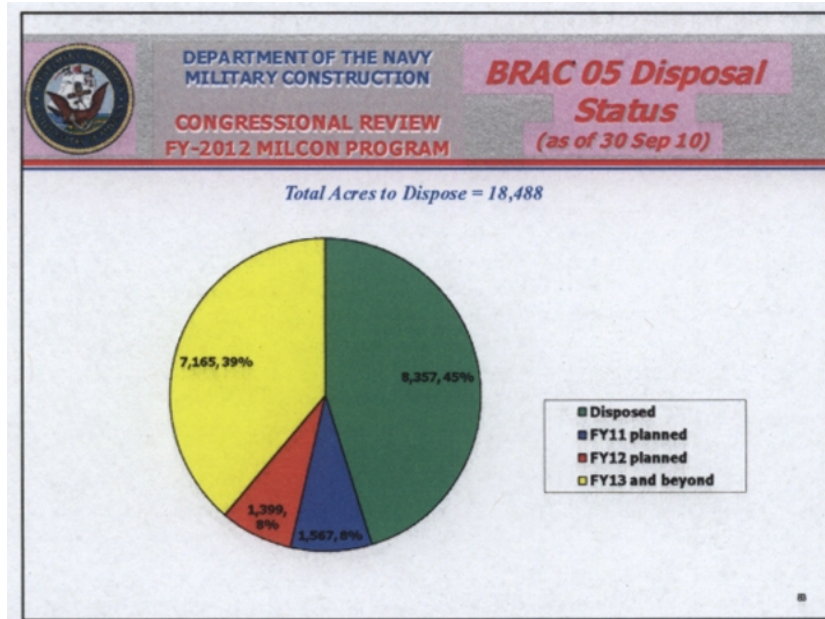
Community Reuse Planning Efforts

Seventeen impacted communities established a local redevelopment authority to guide local planning and redevelopment efforts, and have been receiving financial support through grants and technical assistance from the DOD Office of Economic Adjustment. Two communities are still preparing their plans with submissions planned for later this year and the Department of Housing and Urban Development is reviewing submissions at six installations. At the installations where the reuse plans have been completed, the Department has initiated the National Environmental Policy Act (NEPA) documentation for disposal of those properties. We have completed the NEPA process at eight of those installations.

Land Conveyances and Lease Terminations

By the end of fiscal year 2010, the Department disposed of 45 percent of the property that was slated for closure in BRAC 2005. These disposal actions were completed via a combination of lease transfers and terminations, reversions, public benefit conveyances (PBCs), and Federal and DOD agency transfers. Of interest for fiscal year 2010 is the reversion of the 577-acre main base at Naval Station Ingleside to the Port of Corpus Christi. Last year we also transferred a lease interest of 34 acres at the Marine Corps Support Activity in Kansas City, Missouri for use by the Department of the Army.

The most significant action we have planned for 2011 is the disposal of Naval Support Activity, Athens, Georgia this spring when the base will operationally close. This property will be conveyed to the University of Georgia via an education PBC. The 2011 plan also includes transfer of remaining real property at Marine Corps Support Activity Kansas City, Missouri and Naval Support Activity New Orleans, Louisiana. Other significant disposals include about 1,200 acres at Naval Air Station Brunswick, Maine to support aviation and education uses.



Naval Support Activity New Orleans, Louisiana

Construction for the new building that will house headquarters, Marine Forces Reserve and Marine Corps mobilization command is almost complete in the future Federal City. The four floors and approximately 411,000 square-feet of administrative space are currently having furniture and computer equipment installed. When finished, the building will be home to about 2,000 marines. A ribbon cutting ceremony is planned for the end of June 2011.

To support the closure of Naval Support Activity New Orleans and the relocation of base-operating support and tenant activities to Naval Air Station Joint Reserve Base New Orleans, 13 construction projects have been completed and the final project is targeted for completion by the end of March 2011.

Naval Air Station Brunswick, Maine

The Department's largest BRAC 2005 operational action will close Naval Air Station Brunswick and consolidate the east coast maritime patrol operations in Jacksonville, Florida. Runway operations in Brunswick ceased in February 2010. The closure ceremony will occur in May 2011. The runways and adjacent aviation land and facilities totaling more than 900 acres were approved in February 2011 for a no-cost Federal Aviation Administration PBC to the local redevelopment authority. These facilities will become an executive airport.

Naval Air Station Joint Reserve Base Willow Grove, Pennsylvania

In 2007, legislation was enacted directing the Department to transfer Naval Air Station Joint Reserve Base Willow Grove to the Air Force, who would then convey property to the Commonwealth of Pennsylvania for the operation of a Joint Interagency Installation. In November 2009, Governor Rendell of the Commonwealth of Pennsylvania informed the Secretary of Defense that the Commonwealth would no longer pursue the Joint Interagency Installation because of fiscal constraints. The closure of Naval Air Station Joint Reserve Base Willow Grove will again follow the BRAC disposal processes. Federal Screening among other DOD and Federal agencies has been completed and the local redevelopment authority initiated its reuse planning efforts in February 2011.

Navy Leased Locations, National Capital Region

Navy awarded the remaining construction projects for the relocation of more than 2,200 DON personnel from leased locations into DOD-owned facilities in the National Capital Region. These remaining projects while on track to complete in time

to meet the statutory deadline continue to present significant challenges due to the short construction duration, and complex move actions that require close coordination with other services and agencies.

Joint Basing

All 12 joint bases established by BRAC law have achieved full operational capability as of October 1, 2010. The Department is the supporting component for the following four bases:

- Joint Expeditionary Base Little Creek-Fort Story;
- Joint Region Marianas;
- Joint Base Pearl Harbor-Hickam; and
- Joint Base Anacostia-Bolling.

Environmental Cost To Complete and Financial Execution

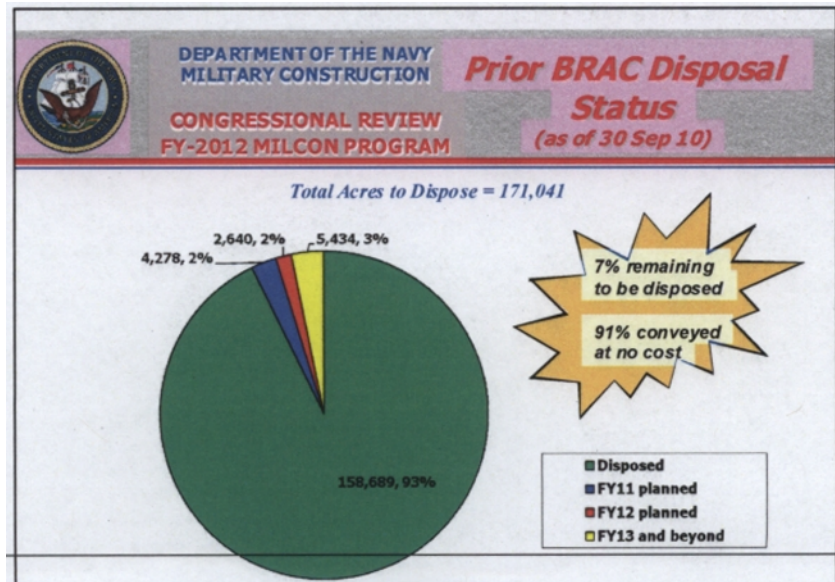
Over the last year, we spent \$16 million in cleanup at BRAC 2005 locations. The majority of this funded environmental activities at Naval Air Station Brunswick, Maine, Naval Weapons Station Seal Beach Detachment Concord, California, and Naval Air Station Joint Reserve Base Willow Grove, Pennsylvania. Our remaining environmental cost to complete for fiscal year 2011 and beyond is \$117 million.

Challenges

Completion of large construction and renovation projects and relocations are planned for the last 3 to 6 months of BRAC 2005 implementation. Projects associated with the movement of DON organizations from leased space in the National Capital Region to DOD-owned space are scheduled to finish September 2011. Additionally, lack of full funding at the beginning of fiscal year 2011 resulted in rearrangement of implementation plans, leaving little margin for error in meeting the statutory deadline across multiple recommendations.

PRIOR BASE REALIGNMENT AND CLOSURE CLEANUP AND PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic installation footprint and generating savings. All that remains is to complete the environmental cleanup and property disposal on portions of 15 of the original 91 bases and to complete environmental cleanup, including long-term monitoring at 23 installations that have been disposed.



Property Disposal

We disposed of 289 acres of real property in fiscal year 2010, for a total of 93 percent of real property disposed in the first four rounds of BRAC. In fiscal year 2010, we completed the disposal of the Defense Fuel Depot Point Molate to the city of

Richmond, California, using the authority to transfer property prior to completion of environmental remediation activities. This conveyance will enable city redevelopment of the property years sooner by incorporating the environmental remediation effort with the construction. We continue to use the variety of the conveyance mechanisms available for Federal property disposal, including the economic development conveyance (EDC) that was created for BRAC properties. Ninety-one percent of the property conveyed has been at no consideration to the Federal Government. Our fiscal year 2012 budget request of \$129 million will enable us to continue disposal actions and meet the legal requirements for environmental cleanup.

With 74 percent of our remaining property requiring supplemental NEPA analysis and completion of environmental remediation activities, disposal actions will continue after fiscal year 2011. Due to changing redevelopment plans, we are currently undertaking supplemental NEPA analyses at Naval Shipyard Hunters Point, California and Naval Station Roosevelt Roads, Puerto Rico. Although supplemental NEPA analysis is not needed at Naval Station Treasure Island, California, the city of San Francisco is currently completing a State-required environmental review of its revised reuse plan. In addition, we may need to undertake supplemental NEPA analysis at Naval Air Station Alameda, California depending on future reuse planning decisions by the city of Alameda.

In fiscal year 2011, we plan to convey 627 acres at Naval Air Station South Weymouth, Massachusetts under an EDC. Other significant actions include issuing deeds for 530 acres at Marine Corps Air Stations El Toro and Tustin in California that are currently under leases in furtherance of conveyance and the initiation of a public sale at Naval Station Roosevelt Roads, Puerto Rico, for about 2,033 acres. With the completion of these actions, we will have disposed of 95 percent of our Prior BRAC real properties.

Prior Base Realignment and Closure Environmental Cleanup

The Department has now spent about \$4.5 billion on environmental cleanup, environmental compliance, and program management costs at Prior BRAC locations through fiscal year 2010. Our remaining environmental cost to complete for fiscal year 2011 and beyond is approximately \$1.3 billion. This includes about \$180 million cost growth which is due in part to additional munitions cleanup at Naval Air Facility Adak, Alaska and Naval Shipyard Mare Island, California, cleanup at Naval Air Station Moffett Field, California, and additional long-term monitoring program-wide. The increase is also associated with additional radiological contamination at Naval Station Treasure Island, California, and Naval Air Station Alameda, California.

Naval Station Roosevelt Roads, Puerto Rico

The Commonwealth submitted an EDC application in December 2010 requesting approximately 1,000 acres of the remaining property. We are currently reviewing the application and will soon begin formal negotiations. The remaining property will be sold through public auction.

Naval Shipyard Hunters Point, California

DOD listed the shipyard for closure as part of BRAC 1991. The Department has spent more than \$650 million to investigate and clean up contamination at Hunters Point, including 78 installation restoration sites and 93 radiological sites. The Congress has added a total of \$160 million to the entire Prior BRAC Program over the past 3 years, and we have used more than \$100 million to accelerate the cleanup program at Hunters Point.

The additional funding has increased contaminated soil disposal to more than 520,000 cubic yards, nearly 31,000 truckloads, through removal and remedial actions. For radiological contamination, we have received free-release for 17 impacted buildings and removed more than 12 miles of radiological contaminated sewer and storm lines. We continue to utilize emerging technologies to expedite cleanup of groundwater plumes and have streamlined the groundwater monitoring program.

The Department continues to work closely with the city of San Francisco for the potential early transfer of key development parcels within the next year. This transfer of parcel B (59 acres) and parcel G (40 acres), followed by additional transfers totaling 60 acres in 2014, make up close to 40 percent of the remaining land for development. With final RODs signed for parcel C (74 acres) and the anticipated utility corridors, we have made significant strides in readying parcels to support city redevelopment efforts.

Naval Station Treasure Island, California

With adoption of new EDC language in the fiscal year 2010 National Defense Authorization Act, DON was able to complete negotiation of a profit participation

model for the transfer of Treasure Island. In August of 2010, then-Speaker Pelosi, Secretary Mabus and then-Mayor Newsom signed the term sheet and intent to complete an EDC memorandum of understanding (MOU). The formal EDC MOU is expected to be approved and signed by June of this year. 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 would receive 35 percent of all proceeds.

The environmental cleanup of Treasure Island is nearing completion. The city has finalized its California Environmental Quality Act (CEQA) documentation and will submit the CEQA Environmental Impact Report and EDC MOU for approval by the Board of Supervisors in the summer of this year. At that point, we will be in position for the transfer of more than 80 percent of the base. The remaining cleanup includes the continued treatment of two small groundwater plumes and removal of low level radiological contamination. These projects and the remaining transfer are expected to be complete well before the land is needed for subsequent phases of the redevelopment project.

Naval Air Station South Weymouth, Massachusetts

Naval Air Station South Weymouth was closed by a 1995 BRAC action. In 2008, Navy and the local redevelopment authority executed an EDC term sheet, but the local redevelopment authority was unable to obtain the necessary bonds to complete the transaction. The Navy has subsequently revalued the property and the parties are negotiating a new payment structure that emphasizes Navy participation in revenue sharing for an EDC of 627 acres.

Naval Air Station Moffett Field, California

Naval Air Station Moffett Field was transferred to NASA in 1994 with Navy retaining environmental cleanup responsibilities for past Navy releases. Hangar 1, which was built in the 1930s to house the USS *Akron* and its sister ship, USS *Macon*, is a Navy Installation Restoration Program site as a result of contamination in its siding and interior paint leaching to the environment. Due to it being a contributing element to the Naval Air Station Sunnyvale Historic District and individual eligibility for the National Register of Historic Places, the Navy's environmental response, which will leave the hangar without siding, has generated tremendous public and congressional interest.

The Navy has completed all Hangar 1 interior work and removal of siding is scheduled to begin in April 2011 for completion at this calendar year's end.

NASA, as the Federal facility owner and operator, has committed to reusing and re-siding Hangar 1. They are seeking additional financial support for this effort.

BASE REALIGNMENT AND CLOSURE SUMMARY

The Department is on schedule to meet the statutory requirement to complete the BRAC 2005 closure and realignment actions by September 15, 2011. While the relocation of Navy organizations from leased locations in the National Capital Region to DOD-owned space continues to present significant challenges, we feel we have a reasonable plan in place to meet this requirement.

Although the remaining prior round BRAC installations present cleanup and disposal challenges, we continue to work with regulators and communities to tackle complex environmental issues, such as low-level radiological contamination, and provide creative solutions to support redevelopment priorities, such as innovative EDCs.

CONCLUSION

Our Nation's sea services continue to operate in an increasingly dispersed environment to support the maritime strategy and ensure the freedom of the seas. We must continue to transform and recapitalize our shore infrastructure to provide a strong foundation from which to re-supply, re-equip, train, and shelter our forces. With your support of the Department's fiscal year 2012 budget request, we will be able to build and maintain facilities that enable our Navy and Marine Corps to meet the diverse challenges of tomorrow.

Thank you for the opportunity to testify before you today. I look forward to working with you to sustain the war fighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Senator JOHNSON. Secretary Pfannenstiel, the fiscal year 2012 budget request includes \$100 million for MILCON in Bahrain, on

top of the \$213 million in the fiscal year 2011 request. Given the current unrest in Bahrain and throughout the Middle East, what are the Navy's plans for executing both the fiscal year 2011 and fiscal year 2012 requests? Do you think it is prudent to go ahead and execute these projects in light of the current turmoil in Bahrain?

Ms. PFANNENSTIEL. Mr. Chairman, I understand the concern with what is happening in Bahrain. I'd point, of course, that the fiscal year 2011 projects are, of course, held by the lack of appropriations of fiscal year 2011.

But the, right now, the consideration in Bahrain is that it is the home of the Fifth Fleet and, as long as the Fifth Fleet remains—and we expect that it will—we need to provide the necessary facilities and security for the sailors who are there. So, yes, we do think it prudent to continue to support those activities.

Senator JOHNSON. What is the status of dependents in Bahrain? Have they been evacuated?

Ms. PFANNENSTIEL. I believe they were, there was a voluntary ability for them to leave. Perhaps Admiral Boone can address whether they have done so.

Admiral BOONE. Good afternoon. I would first like to thank the members of this subcommittee for their continuing support to our military.

To answer the question specifically, as Secretary Pfannenstiel stated, like some other locations, there has been a voluntary evacuation. I don't know the numbers. We'd have to take that for the record.

[The information follows:]

BAHRAIN AUTHORIZED DEPARTURE OF DEPENDANTS UPDATE

Department of Defense (DOD) dependents have not been evacuated from Bahrain. On March 15, DOD authorized voluntary departure from Bahrain of DOD dependents and non-emergency civilian personnel at Government expense. Additionally, a "stop movement" order was given. This order prohibits dependents of military personnel executing permanent change of station orders from traveling to Bahrain. The authorized departure (AD) of dependents and stop movement order was extended to May 13 in accordance with Department of State actions. At the conclusion of that period, the overall situation in Bahrain will be reassessed to determine if the policy should be extended, modified, or removed. As of May 1, of Bahrain's 710 command-sponsored dependents, 82 have departed under AD. Naval Support Activity Bahrain's Joint Reception Center continues to receive questions and process applications for alternative safe havens in the United States.

Senator JOHNSON. Secretary Pfannenstiel, the fiscal year 2012 budget request includes \$181 million for Navy projects in Guam. An additional \$106 million has been authorized in fiscal year 2011 funds, and \$300 million was appropriated in fiscal year 2010. Of the fiscal year 2010 funding, how much has been obligated to date? Now that the major environmental and historic preservation hurdles have been cleared, do you expect to be able to obligate all the remaining fiscal year 2010 funds, plus the fiscal year 2011 funds, this fiscal year?

Ms. PFANNENSTIEL. The, there are two projects—fiscal year 2010 projects—

Senator JOHNSON. Yes.

Ms. PFANNENSTIEL [continuing]. That were, in fact, awarded. A couple other fiscal year 2010 projects are in the process of being awarded even as we speak. So, these are going out for awards. At

the moment there is no actual construction going on. These are in process of planning and design, and they are moving forward. The fiscal year 2011 projects, of course, cannot be started because we do not have the appropriation.

Senator JOHNSON. Yes. What is the status of the various environmental lawsuits that have been filed? Do they present any impediment to beginning construction or awarding future contracts?

Ms. PFANNENSTIEL. No, sir. There is a lawsuit that is in the process of being heard as we speak, and it specifically is about the training ranges. It concerns whether the training ranges were sufficient—whether the environmental review of the possible places for the training ranges was sufficient. The contracts that have been approved and are considered, are in line to be awarded now, don't involve the area of the training ranges, so those could go ahead without the lawsuit having been resolved.

GUAM RANGE ID AND ACQUISITION

Senator JOHNSON. General Ruark, what is the status of identifying and acquiring training ranges on Guam? Do the current plans provide sufficient training resources for the marines?

General RUARK. Thank you, Senator. And we certainly appreciate the great support of the Congress for the Marine Corps.

The site at Route 15 was identified for the final environmental impact statement (EIS) as the preferred alternative location for the live-fire training range complex to support the relocating marines. The site was deemed a preferred alternative because it was considered to be the best balanced to meet the needs of the Marine Corps training.

The individual skills live-fire training, as identified in the Guam EIS, is the absolute minimum necessary on Guam for the marines.

Additionally, the USPACOM commander will conduct a Pacific training plan EIS, which starts this fiscal year, which will examine other potential training range opportunities throughout the Western Pacific, to include the Commonwealth of the Northern Marianas, and, to supplement the training on Guam, sir.

Senator JOHNSON. Senator Kirk.

Senator KIRK. Thank you, Mr. Chairman.

I wanted to just follow up on Guam. You can sort of, because we're a little confused as to what the construction schedule is, the cost.

At Pagat Village we've, I guess, worked out the historical caves agreement, luckily, before this hearing. And so, I want to ask about this former FAA property, and, are you being held up by the Guamese Government for a price that's too high? Or, where are we with that?

Ms. PFANNENSTIEL. We haven't started negotiating on that at any point. Where we really are is, taking a broad look. And that's been, sort of, the, why we haven't come back to this subcommittee with an updated schedule yet. We have the preferred alternatives what were laid out in the EIS.

Senator KIRK. Right.

Ms. PFANNENSTIEL. And we're going forward with them. And, but, we have also, in working with the Government of Guam, recognized that there are concerns about how we're planning to use

the land, as identified in the EIS. So, we agreed with the Government of Guam that we will try to reduce our overall footprint on Guam. That's caused us to have to take looks at different ways of doing things. For example, the FAA land was going to be used for housing, and the question is, can we put more housing elsewhere?

We are continuing to look at that now, even, you know, within the parameters of the EIS that was approved. And if there are changes, we will certainly bring them to the subcommittee.

Senator KIRK. Right. I'm just worried that maybe, you know, I am pretty pro-Guam—talked to Madeleine Bordallo about this, Chairman Culberson—but if we need them too much, they may hijack us for too high a price. So, subcommittee is going to get a proposal possibly for a hell of a lot of spending in Korea, with full tour norm. We could change that to combat capability. We—maybe the principals will put Okinawa back in play. It would surprise me. But if they did, is there a way to keep Okinawa and Korea more in play, so if the Guamese hijack us for money, the combat capability for Pacific is elsewhere?

Ms. PFANNENSTIEL. Well, I can assure you that the Pacific Command is always continually looking at what is the most effective force posture—

Senator KIRK. Right.

Ms. PFANNENSTIEL [continuing]. In the Pacific. And that's an ongoing, continual process.

Senator KIRK. It's a long way away, and future support is, it's a tremendous capability. But obviously, when the United States faced this in the past, Admiral Boone, I'm wondering, has there ever been a long-range United States Navy study about what logistics might be made, and, obviously, the good relations with northern Australia—put that in play, as opposed to what are very difficult and very tiny islands in the Pacific, so that we have something that's west of Hawaii, with a stable government that really likes us and doesn't charge us too much to be there?

Admiral BOONE. Yes, sir, Senator. Of course, through the Quadrennial Defense Review process we look at those kinds of force posture issues strategically on a regular periodicity. And in between, Pacific Command and other components analyze force posture issues throughout the region as events evolve. And so, all of that is continually being looked at on various levels.

Senator KIRK. What about my question—Australia?

Admiral BOONE. There are studies that are looking at the region throughout the Western Pacific to address the capabilities that you bring up.

Senator KIRK. Thank you.

How are we adjusting now to this estimate—\$1.3 billion estimate for water, power, and sewage needs on Guam, which is far in excess of the fiscal year 2009 plan that I showed to Comptroller Hale?

Ms. PFANNENSTIEL. Well, actually, there, of the, that \$1.3 billion, the Japanese have committed to \$740 million for financing of utilities, water—

Senator KIRK. Right.

Ms. PFANNENSTIEL [continuing]. Power and wastewater. And that will be a major chunk of that commitment.

Senator KIRK. But, the original estimate given to this subcommittee was about \$300 million, so this has gone way up.

Ms. PFANNENSTIEL. I don't know where that estimate came from. That was—

Senator KIRK. It's the original DOD estimate, so if you look—I mean, this will be a famous chart, because we want you guys to update it. But it says: Immediate upgrades to power, \$130 million; total estimate, about \$200 million, and then another \$300 million for the full is the estimate that you gave us. So, \$1.3 billion is a lot more than that.

Ms. PFANNENSTIEL. \$1.3 billion is certainly a lot more. And I do know that during the environmental impact process we were very involved with the Environmental Protection Agency—

Senator KIRK. Right.

Ms. PFANNENSTIEL [continuing]. And they spent time looking deeply at it, so, their conclusion was \$1.3 billion.

Senator KIRK. I'm concerned also about delaying costs as the DOD budget goes down. Is there a way to lay out a maximum footprint for what we plan for Guam and do one maxi-EIS, so we get all of this bureaucracy done at one go? Rather than death by 1,000 EISs?

Ms. PFANNENSTIEL. We are intending that this, as we look at all the changes that are coming—and as you know, there are a couple pieces of it that haven't been resolved at this point—as that work is all done, that we will have a final master plan, and that master plan will have an EIS associated with it.

We are looking internally about whether it's more efficient to have the one big master plan, or to have some supplementals for some pieces that might change. And it may end up being more efficient to do the latter.

Senator KIRK. Mr. Chairman, the last question. Just, it's a substantial U.S. investment which I think we should make for U.S. security in the Western Pacific. But, in the end, all of this combat capability for the Navy and Marine Corps is only worthwhile if it can be around when we need it. I'm surprised that we're rolling no substantial robust missile defense architecture in, in the current plan. When you've got the biggest bullseye in the closest range to the potential adversary that would have the most number of bullets to expend on this one target, how come, in all of this vast expense, we're rolling this in, and the site actually really couldn't defend itself very well in its current configuration?

ANTI-BALLISTIC MISSILE TREATY

Ms. PFANNENSTIEL. The original EIS, and the record of decision that was signed in September, does include the possibility of an Army anti-ballistic missile system.

Senator KIRK. Yes.

Ms. PFANNENSTIEL. That decision hasn't yet been made by the Army.

Senator KIRK. Don't you think that's kind of putting the cart—don't you defend the site before you invest in it?

Ms. PFANNENSTIEL. My, the intention is to consider whether it makes sense from the Army standpoint to put that system there or, likely, somewhere else—

Senator KIRK. My worry is that because of—

Ms. PFANNENSTIEL [continuing]. For them.

Senator KIRK [continuing]. International pressure or something we might worry about putting something there, which would be, would render this entire investment useless. And this is supposed to be the unsinkable aircraft carrier of the United States. But, if we wimp out on a missile defense site, then almost all of the money that we've sunk into this is—when we actually need it, in a military contingency—not worthwhile.

Ms. PFANNENSTIEL. I understand.

Senator KIRK. Thank you, Mr. Chairman.

Senator JOHNSON. I would like to thank all of our witnesses for appearing before the subcommittee today. Thanks for all of your service to our Nation. We look forward to working with you this year.

ADDITIONAL COMMITTEE QUESTIONS

For the information of the members, questions for the record should be submitted by the close of business on April 15.

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

QUESTIONS SUBMITTED TO HON. ROBERT F. HALE

QUESTIONS SUBMITTED BY SENATOR BEN NELSON

Question. For the past several years, the need for a new U.S. Strategic Command (STRATCOM) headquarters building has been apparent and identified as a requirement. The Department of Defense's (DOD's) budget seeks to fulfill that requirement by requesting authorization of \$564 million for a new headquarters. As I understand the request, the full authorization is being requested this year and the appropriation will be incremental with the first phase being \$150 million for fiscal year 2012. We all know that we are in a constrained budget and that hard choices are being made within DOD. This I know is a hard choice but one that is essential in protecting our national strategic missions for cyber, missile defense, and nuclear command and control now and in the future as these threats will not likely dissipate.

Question. As I understand the funding process for this project, the funding is scheduled to be spread over a 3-year period. What are the benefits to spreading this funding over 3 years? And does this optimize the construction schedule? How?

Answer. The benefits to spreading this funding over 3 years is that it is optimized and synchronized to the construction schedule. With this strategy, we obligate the construction funding at a pace consistent with the planned construction schedule. Programming the funding quicker than the three increments currently planned would be too early and would result in tying up valuable MILCON dollars unnecessarily. To the contrary, to shift the increments much beyond 3 years would delay overall construction completion, as the construction schedule would out-pace the funding stream.

Question. Is the full \$150 million needed in fiscal year 2012? What would be the impact if the full \$150 million were not realized? What would be the impact of any reductions in this funding in any year? Why is it not practical to just refurbish the current facility?

Answer. Funding the first increment at less than the \$150 million requested would likely result in the delay of the overall construction timeline. Any reduction in funding that would extend the funding increments much beyond 3 years would result in an extension to the construction schedule, thus delaying STRATCOM's move to its new facility and jeopardizing the viability of this mission so critical to America's national defense.

We considered a number of alternatives for recapitalizing the STRATCOM complex at Offutt Air Force Base, Nebraska. Those options included building an entirely new facility, renovating a portion of the existing complex and constructing an addition to replace the portions of the existing complex not suited for renovation, and

building an entirely new campus-like complex, with multiple facilities, over a number of years. In the end, the option to build an entirely new facility was the cheapest (when measured by both initial construction cost and by annual and periodic maintenance costs over the facility lifecycle), the quickest (in terms of overall construction duration), and least risky alternative (when measured by suitability for long-term STRATCOM mission and mission viability during the construction process).

QUESTION SUBMITTED BY SENATOR TIM JOHNSON

ELECTRONIC MEDICAL RECORDS

The Air Force recently completed a site survey at Malmstrom Air Force Base, as part of the ongoing process to determine suitable basing for this repository. The communities of Malmstrom and Great Falls continue to be strongly supportive of situating it there. In fact, Montana State University in Great Falls has phenomenal online health information technology, medical billing and coding, and medical transcription courses. If selected, these courses would help to quickly train and support military and civilian personnel in these processes—what a perfect fit for the base, the community, and DOD.

Question. Realizing that the final decision on basing assignments resides with the Secretary of Defense, and in light of the recent announcement, Mr. Hale, could you please expound on the nature of the facilities that are being looked at to house these electronic medical records repositories, and discuss the current timetable for implementation?

Answer. The infrastructure capabilities of facilities within the United States, including Defense Information Systems Agency data centers, are being considered with regard to electronic medical records repositories. A chief consideration in the decisionmaking process will be the investment needed to accommodate capability requirements for the DOD/VA integrated electronic health record (iEHR). The Departments of Defense and Veterans Affairs will continue to collaborate on this decision. We anticipate the initial data center consolidation locations will be determined in fiscal year 2011. A timetable to support migration to these data centers will be established at that time.

QUESTIONS SUBMITTED TO DR. DOROTHY ROBYN

QUESTIONS SUBMITTED BY SENATOR JACK REED

Question. I support this effort because it promotes the efficient administration and completion of Federal construction projects. It would also make sure workers are being treated fairly in terms of wages and benefits during these difficult economic times.

What steps has the Department taken to implement this Executive order?

Answer. DOD joined with other agencies and the Federal Acquisition Regulatory Council to develop Government-wide implementing regulations for Executive Order 13502. The Federal Acquisition Regulation (FAR) rulemaking process included going out for public comments, making changes based on the comments, and additional deliberations prior to publication of a final rule. The final rule amending the FAR was effective on April 13, 2010. The rule adds subpart 22.5—Use of Project Labor Agreements (PLAs) for Federal Construction Projects to the FAR which provides definitions, explains the policy and general requirements for project labor agreements. It also identifies a number of specific factors that agencies may consider in making a decision to require a PLA. The FAR rule provides standard solicitation provisions and contract clauses to facilitate implementation.

Question. What guidance are you providing to the services to encourage them to use PLAs on MILCON projects?

Answer. Executive Order 13502 was issued in February 2009 encouraging agencies to consider requiring the use of PLAs with large-scale construction projects. In July 2009, the Office of Management and Budget issued a memorandum that required reporting of those contracts exceeding the \$25 million threshold. The services report to the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics), Director, Defense Procurement and Acquisition Policy on their large-scale construction projects on a quarterly basis.

A new FAR implementing Executive Order 13502 was announced in April 2010. The FAR rule provides guidance through standard solicitation provisions and contract clauses to facilitate implementation. The DOD organization with the majority of large construction contracts that exceed the \$25 million threshold are the U.S.

Army Corps of Engineers (USACE) and Naval facilities (NAVFAC). DOD organizations were encouraged to develop internal implementing policies for their organizations. The USACE procurement instruction letter was signed and became effective in October 2010; similar guidance was developed by NAVFAC in February 2011.

SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.
[Whereupon, at 3:27 p.m., Thursday, April 7, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

**MILITARY CONSTRUCTION AND VETERANS
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2012**

THURSDAY, APRIL 14, 2011

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

The subcommittee met at 2:02 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Nelson, Pryor, Tester, Kirk, Hutchison, Murkowski, Blunt, and Hoeven.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE ARMY

STATEMENT OF HON. KATHERINE HAMMACK, ASSISTANT SECRETARY
OF THE ARMY (INSTALLATION, ENVIRONMENT AND ENERGY)

ACCOMPANIED BY:

**MAJOR GENERAL JAMES C. BOOZER, DIRECTOR OF OPERATIONS,
OFFICE OF THE ASSISTANT CHIEF OF STAFF (ARMY INSTALLATION
MANAGEMENT)**

**MAJOR GENERAL RAYMOND W. CARPENTER, ACTING DIRECTOR,
ARMY NATIONAL GUARD**

JAMES L. SNYDER, ASSISTANT CHIEF, ARMY RESERVE

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Good afternoon. This hearing will come to order.

I welcome everyone to today's hearing to discuss the President's fiscal year 2012 budget request for military construction (MILCON) and family housing for the Department of Army and the Department of the Air Force.

We will start with the Army. Our witnesses will be Katherine Hammock, Assistant Secretary of the Army for Installations, Energy and Environment; Major General James C. Boozer, Director of Operations for the Army; Major General Raymond W. Carpenter, Acting Director for the Army National Guard; Mr. James L. Snyder, Assistant Chief of the Army Reserve.

I would like to extend a personal welcome to General Carpenter, who is a fellow South Dakotan. I thank each of you for coming and I look forward to your testimony.

I remind my colleagues that in order to reserve the majority of time for the questions, our procedure will be to have opening state-

ments by the chairman and ranking member, followed by an opening statement from the Secretary and remarks from members of the panel. We will limit our first round of questions to 6 minutes per member, but we can have additional rounds, should we need them.

PREPARED STATEMENT

If there are any of my colleagues that wish to have statements submitted for the record, they will be accepted for the record without objection.

[A statement follows:]

PREPARED STATEMENT OF SENATOR ROY BLUNT

Thanks, Mr. Chairman and I appreciate the opportunity to hear from our distinguished witnesses from both panels today.

Missouri has two critically important bases in Whiteman Air Force Base and Fort Leonard Wood. I'm proud to represent the soldiers and airmen who serve at these facilities. Both have construction needs and I'm anxious to ensure that those needs are met to the greatest extent possible.

Missouri is also home to nearly 31,000 Guardsmen and Reservists, men and women who our Nation has relied upon like no other time in our history during the past decade. We need to do right by them and I look forward to working with you to meet their needs as well.

Obviously in today's fiscal environment it's more important than ever that we wisely invest our scarce resources. Ensuring that our soldiers and airmen are properly housed and have available amenities meets that test and I'm hopeful that this subcommittee will be able to do its work and deliver on those needs.

In particular I want to make a note of the tornado damage incurred at Fort Leonard Wood earlier this year. I had a chance to visit the base in the wake of that disaster and I'm hopeful that the Army will come through with needed repairs and upgrades, especially with regard to the base's housing facilities, in the near future. I'd like to ask Assistant Secretary Hammack if she can follow up with me after this hearing with an update on what is being done in this regard.

While I'm quite certain you already are in possession of these requests, I want to submit the highest priority requests from both Whiteman and Fort Leonard Wood for the record.

Once again, thanks for the work that you're doing to make the difficult decisions on where to prioritize resources for our soldiers and airmen. They're our Nation's most valuable asset and they deserve whatever we can feasibly provide for them during these difficult economic times.

[The following budget requests were submitted for the record from Fort Leonard Wood, Whiteman Air Force Base, and Missouri National Guard:]

FORT LEONARD WOOD—PROJECT PRIORITY LISTING: COMBINED (FISCAL YEARS 2013–2017 AND BEYOND)

| 2010 priority | Project number (PN) | Proponent | Project description | Command |
|---------------|---------------------|------------|---|---------|
| 1 | 78184 | DPW | Permanent Party Barracks | IMCOM |
| 2 | 65234 | MEB | 92d MP Bn Vehicle Maintenance Facility | FORSCOM |
| 3 | 65679 | MEB | 5th En Bn & 50th MRBC Vehicle Maintenance Complex | FORSCOM |
| 4 | 65236 | MEB | 92d MP Co Operations Complex | FORSCOM |
| 5 | 66099 | MEB | 94th EN BN Complex Phase 2 | FORSCOM |
| 6 | 54489 | DPW | Training Barracks Complex III, Phase 2 | TRADOC |
| 7 | 50486 | DPW | Training Barracks Complex II, Phase 2 | TRADOC |
| 8 | 71502 | DPW | AIT Barracks Complex 2, Phase I | TRADOC |
| 9 | 55315 | DPW | Training Barracks Complex VIII, Phase 1 | TRADOC |
| 10 | 71684 | DPW | AIT Barracks Complex 2, Phase II | TRADOC |
| 11 | 62160 | DPW | Training Barracks Complex VIII, Phase 2 | TRADOC |
| 12 | 75019 | DPTM | Engagement Skills Simulator (Training Support Center) | TRADOC |
| 13 | 78185 | DPW | Permanent Party Barracks Ph 2 on Indiana | IMCOM |
| 14 | 78609 | MEB | Deployment Railhead and Warehouse | FORSCOM |
| 15 | 78610 | MEB | Deployment Complex at Airfield | FORSCOM |

FORT LEONARD WOOD—PROJECT PRIORITY LISTING: COMBINED (FISCAL YEARS 2013–2017 AND BEYOND)—Continued

| 2010 priority | Project number (PN) | Proponent | Project description | Command |
|--|---------------------|--------------------|---|---------|
| 16 | 33713 | USAES/DOL/Joint .. | Dining Facility TA–244 | IMCOM |
| 17 | 75475 | USAMPS/USMC | Marine/MP EVOC Driving Range | TRADOC |
| 18 | 70362 | USAES | Joint Assault Bridge & Armored Breach Vehicle | TRADOC |
| 19 | 73998 | MWR | Fitness Center, MANSCEN | IMCOM |
| 20 | 75095 | MEB | Supply Support Activity Warehouse | FORSCOM |
| 21 | 69357 | DPW | Installation Infrastructure Upgrades | IMCOM |
| 22 | 51908 | USAES | Engineering Veh Maint Facility—TA–244 | AMC |
| 23 | 58904 | USACBRNS | 58th Trans Bn Veh Maint Facility | AMC |
| 24 | 62560 | DOL | Warehouse Facilities Phase 1 | IMCOM |
| 25 | 75675 | RMD | Revitalize Modified Record Fire Range, Rg 20 | TRADOC |
| 26 | 19555 | USAES | Combat Bridge Complex TA–250 | TRADOC |
| 27 | 25927 | USAES | Sapper Leader Course Complex | TRADOC |
| 28 | 75676 | USAMPS/RMD | Scout/Reconnaissance Gunnery Complex | FORSCOM |
| 29 | 71621 | RMD | Explosive Ordinance Clearance Agent (EOCA) Course | TRADOC |
| 30 | 59546 | USAMPS | USA MPS Crime Scene Investigation Facility | TRADOC |
| 31 | 75660 | DES | Fire Station No. 3 and Admin. Building | IMCOM |
| 32 | 65680 | MEB | 5th EN BN Bn and Co Operations | FORSCOM |
| 33 | 19551 | USAES | Field Engineer Complex Rg 33 | TRADOC |
| 34 | 75705 | DPW | 43rd AG Barracks, Classrooms | TRADOC |
| 35 | 59547 | MARINE | Vehicle Maint Facility—USMC | TRADOC |
| 36 | 75708 | USAMPS | Large MOUT | TRADOC |
| 37 | 61218 | NCOA | NCOA Training Complex | TRADOC |
| 38 | 65418 | USAES | Vehicle Wash Facility at TA–244 | IMCOM |
| PROJECTS ABOVE THIS WILL BE SUBMITTED FOR FISCAL YEAR 2017. PROJECTS BELOW THIS LINE REMAIN AS ON THE LIST FOR SUBMISSION IN FUTURE YEARS. | | | | |
| 39 | 52304 | MARINE | Consolidated Marine Maintenance Training Facility | TRADOC |
| 40 | 55028 | MSCoE | International Student Liaison Office | TRADOC |
| 41 | 75707 | USAMPS/RMD | Range 13–3 Story Shoot House | TRADOC |
| 42 | 58021 | DPW | Force Protection Barriers | IMCOM |
| 43 | 59662 | DPTM | Force Mod Deployment Complex | IMCOM |
| 44 | 71624 | USAMPS | Joint Nonlethal Training Center | TRADOC |
| 45 | 65688 | MEB | FORSCOM Engineer Training Areas | FORSCOM |
| 46 | 75349 | CDID | CDID Building | IMCOM |
| 47 | 58608 | USACBRNS | Joint Service Chemical Training Center | TRADOC |
| 48 | 75724 | USAES | Warmup Shelters at TA–236 | IMCOM |
| 49 | 75726 | USAES | TA–244 Latrine and Water Facilities | IMCOM |
| 50 | 75728 | MEB | 4th MEB Gymnasium | IMCOM |
| 51 | 75727 | MEB | 4th MEB Chapel | IMCOM |
| 52 | 75729 | MEB | 4th MEB Dining Facility | IMCOM |
| 53 | 75736 | USAMPS | Forensic Science Training Facility | TRADOC |
| 54 | 75735 | RMD | Relocate Robotic Training Area | TRADOC |
| 55 | 75737 | MEB | Tank Trails—4th MEB to TA–244 | FORSCOM |
| 56 | 75734 | DPTM | Air Traffic Control Tower | IMCOM |
| 57 | 75741 | MEDDAC | Dental Clinic at 43 AG | TRADOC |
| 58 | 75738 | DPW | Warehouse Facility Phase 2 | IMCOM |
| 59 | 75732 | DPW | Range Road Improvements Phase 1 | IMCOM |
| 60 | 75731 | DPW | Upgrade Constitution Avenue Bypass | IMCOM |
| 61 | 65441 | EOC | Emergency Operations Center/Post HQ | IMCOM |
| 62 | 65189 | DOL | Logistics Maintenance Facility | IMCOM |
| 63 | 59615 | MWR | Pippen Youth Center | IMCOM |
| 64 | 62951 | MEB | Operational Readiness Training Center | FORSCOM |
| 65 | 60780 | DES | Directorate of Emergency Services | IMCOM |
| 66 | 75730 | RMD | TA–236 Classroom (Driving Skills Pad) | TRADOC |
| 67 | 62911 | USAMPS | DA Police Academy Facility | TRADOC |
| 68 | 52843 | DPW | Improve/Widen FLW 1 | IMCOM |
| 69 | 75739 | DENTAC | Dentac Administrative Facility | IMCOM |
| 70 | 77602 | DPW | Education Center | IMCOM |
| 71 | 78392 | DPW | Band Building | IMCOM |
| 72 | 65718 | DPW | Soldier Readiness Processing Center | IMCOM |
| 73 | 78611 | DOL | Ammunition Bunkers | AMC |

FORT LEONARD WOOD—PROJECT PRIORITY LISTING: COMBINED (FISCAL YEARS 2013–2017 AND BEYOND)—Continued

| 2010 priority | Project number (PN) | Proponent | Project description | Command |
|---------------|---------------------|-----------|--|---------|
| 74 | 52845 | DPW | Training Barracks Complex IV, Phase 1 | TRADOC |
| 75 | 62156 | DPW | Training Barracks Complex IV, Phase 2 | TRADOC |
| 76 | 52846 | DPW | Training Barracks Complex V, Phase 1 | TRADOC |
| 77 | 62157 | DPW | Training Barracks Complex V, Phase 2 | TRADOC |
| 78 | 55314 | DPW | Training Barracks Complex VII, Phase 1 | TRADOC |
| 79 | 62159 | DPW | Training Barracks Complex VII, Phase 2 | TRADOC |
| 80 | 55316 | DPW | Training Barracks Complex IX, Phase 1 | TRADOC |
| 81 | 62161 | DPW | Training Barracks Complex IX, Phase 2 | TRADOC |
| 82 | 55317 | DPW | Training Barracks Complex X, Phase 1 | TRADOC |
| 83 | 62162 | DPW | Training Barracks Complex X, Phase 2 | TRADOC |
| 84 | 77353 | DPW | AIT Complex 3, Ph 1 | TRADOC |
| 85 | 77354 | DPW | AIT Complex 3, Ph 2 | TRADOC |
| 86 | 77603 | DPW | AIT Complex 3, Ph 3 | TRADOC |

Approved/Disapproved.
David E. Quantock, Major General, USA, Commanding. Date: August 25, 2010.

WHITEMAN AIR FORCE BASE—PRIORITY LIST AND CURRENT MISSIONS



UNCLASSIFIED

FY 13 MILCON Priority List

| Priority | PN | Project Title | PA (\$K) |
|----------|--------------|--------------------------------------|----------|
| 1 | YWHG031002R2 | CONSOLIDATED AIR OPERATIONS FACILITY | 23,500 |
| 2 | YWHG071005 | WSA SECURITY CONTROL FACILITY | 4,800 |
| 3 | YWHG013001R2 | ADD/ALTER FITNESS CENTER & HAWC | 22,200 |
| 4 | YWHG031003R1 | CRASH/STRUCTURAL FIRE STATION | 16,000 |
| 5 | YWHG101000 | CONSTRUCT NEW ECP AT ARNOLD GATE | 8,500 |

UNCLASSIFIED

To Deter and Assure



UNCLASSIFIED

Current Mission

Consolidated Air Operations Facility

- Project Description (U):**
 - Construct new Consolidated Air Operations Facility
- Mission Impact (U):**
 - Mission planning takes extra time due to separated facilities, 4,000 man-hours lost per month
 - Alert Air crews are housed in trailers that are undersized and expensive
 - Alert Facility is too far from docks necessitating a temporary facility closer
 - The air crews are put at risk as they transit between facilities to accomplish pre mission briefings

| | | |
|---|---|---|
| <p><u>Facility Status (U):</u></p> <ul style="list-style-type: none"> • FY 2013 • \$23.5 M, 79,190 SF • DD Form 1391: 28 July 2010 • CCD Complete • Status of Economic Analysis: 50% • Status of NEPA: CATEX A2.3.11 • Status of Design: 15% |  | <p><u>Current Situation (U):</u></p> <ul style="list-style-type: none"> • MDI = 85 • FCI .65 / Q4 • Demolition included: 94,912 SF • Currently workarounds are the trailers and LRS transports, these are not sufficient to maintain indefinitely |
| MAJCOM/CC Priority: #2 | | MAJCOM: AFGSC |

UNCLASSIFIED To Deter and Assure 2



UNCLASSIFIED

Current Mission

WSA Security Control Facility

- Project Description (U):**
 - Construct WSA Security Control facility. (Current Mission)
- Mission Impact (U):**
 - If left unaccomplished, the functions will remain in their current facilities and be at risk from attack.
 - Security for WSA will remain non-compliant with nuclear security requirements with inadequate protection against stand-off weapons and bulk explosives. Compensatory measures include additional random patrols and installation of expensive piecemeal alterations.
 - Alert fire team has no adequate staging point for their mission, does not have proper defensive positions

| | | |
|--|---|---|
| <p><u>Facility Status (U):</u></p> <ul style="list-style-type: none"> • FY 2011 • \$4.8 M, 4,499 SF • DD Form 1391: 28 July 2010 • CCD Complete • Status of Economic Analysis: Complete • Status of NEPA: CATEX A2.3.11 • Status of Design: 15% |  | <p><u>Current Situation (U):</u></p> <ul style="list-style-type: none"> • MDI = 90 • FCI .80 / Q4 • Demolition included: 3,131 SF • Current facility does not meet Air Force standards no adequate work around exists |
| MAJCOM/CC Priority: | | MAJCOM: AFGSC |

UNCLASSIFIED To Deter and Assure 3



UNCLASSIFIED

Current Mission

ADAL Fitness Center and HAWC

Project Description (U):

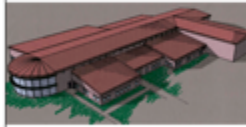
- ADD/ALTER Fitness Center. (Current Mission)

Mission Impact (U):

- Per the USAF Fitness Facility Design Guide the Fitness Center is 48% deficient in floor space
- The Base also lacks an indoor running track sufficient for PT testing, this added to the recent change to PT testing requiring all personnel to test every 6 months, has made scheduling tests during inclement weather unavoidable, to uphold AF standards, an indoor surface is required
- The facility was not designed to meet current seismic load standards and is incapable of accepting a second story

Facility Status (U):

- FY 2013
- \$22.2 M, 47,743 SF
- DD Form 1391: Complete
- CCD Complete 2005
- Status of Economic Analysis: 10%
- Status of NEPA: CATEX A2.3.11
- Status of Design: 15%



Current Situation (U):

- MDI = 71
- FCI/Q rating=.0148/Q1
- Facility is 48% undersized according to Air Force Standards
- Demolition included: 100,307 SF

MAJCOM/CC Priority:

MAJCOM: AFGSC

UNCLASSIFIED

To Deter and Assure

MISSOURI NATIONAL GUARD—LONG RANGE CONSTRUCTION PLAN 2010

| Priority | Project number | City | Name | Type | Facility | FED |
|----------|----------------|----------------------|------------------------------|-------------|-------------------|--------------|
| 1 | 290186A | Springfield | Readiness Center | MILCON | 29809-00001 | \$14,442,000 |
| 2 | 290117A | Kansas City, North. | Readiness Center | MILCON | 29B42-00001 | 13,095,000 |
| 3 | 290221A | WAFB | AASF PH II | MILCON | 29B60-AASFW | 13,794,000 |
| 4 | 290179A | North St. Louis | Armed Forces Reserve Center. | MILCON | 29C64-00001 | 12,914,000 |
| 5 | 290211A | Macon | Field Maintenance Shop. | MILCON | 29B78-OMS8A | 5,670,600 |
| 6 | 290222A | Fort Leonard Wood. | RTI Phase II | MILCON | 29C77-RTI02 | 24,871,000 |
| 7 | 290009A | Kansas City | Field Maintenance Shop. | MILCON | 29B41-OMS1A | 17,093,000 |
| 8 | 290219A | Macon | Land Acquisition | MILCON | 29B78-1LAND | 3,000,000 |
| 9 | 290187A | Springfield | Field Maintenance Shop. | MILCON | 29C20-OMS16 | 5,709,400 |
| 10 | 290109A | Springfield | AVN AVCRAD EXP/ALT PHASE II. | MILCON | 29D01-00001 | 51,533,000 |
| 11 | 290111A | Springfield | AVN AVCRAD EXP/ALT PHASE IV. | MILCON | 29D01-00001 | 39,368,000 |
| 12 | 290223A | Camp Crowder | Barracks #3 | MILCON | 29155-00753 | 1,500,000 |
| 13 | 290224A | Camp Crowder | Barracks #4 | MILCON | 29155-00754 | 1,500,000 |

Stephen L. Danner, Brigadier General, Missouri National Guard, the Adjutant General. Date: March 30, 2010.

Senator JOHNSON. The Army's request for MILCON, family housing, and base realignment and closure (BRAC) is \$5.3 billion, 33 percent less than the fiscal year 2011 request. That is a very large reduction and I hope the panel will address some of the reasons for it. I note that the Army has a number of major initiatives underway that are not reflected in this budget, but will impact future MILCON requirements. These include the decision to retain three brigade combat teams in Europe instead of four, and the Secretary's announcement of a reduction of 27,000 in Active Army end strength by 2015. I will be very interested to hear how the Army is preparing to meet these challenges.

Senator, Kirk, would you care to make an opening statement?

STATEMENT OF SENATOR MARK KIRK

Senator KIRK. Thank you, Mr. Chairman and I am very happy to be here in my first time role as a ranking member.

I, too, share your concerns about the implications of the Department's April 8 decision on the brigade combat teams in Europe and so my specific question will be the implications for Schweinfurt and Bamberg and what that means for this subcommittee and this future budget.

Also looking at the Government Accountability Office report on our requirements, in general, I, in my experience, sort of see Europe becoming a huge military gas station for onward deployment to Unified Protector or New Dawn operations or Operation Enduring Freedom. We do have a 27,000-man reduction and so it's the impact on the MILCON budget is something that I would like to hear about.

We have expressed our concerns about the full-tour norm proposal for Korea, which looks extraordinary expensive. And when I have seen the—also the move that has no real controversy from the Seoul area to the Camp Humphreys area, and I was struck in my preparation for this hearing that the overseas housing allowance for Seoul is \$3,800 per soldier, per month, but the Camp Humphreys number is \$4,200 and that surprised me, given the relocation.

It does appear that, as the Army is becoming much smaller, it may almost be Rumsfeldian in its level as we go back to that. And I would like to see a longer term plan, because it does appear that the Army will be much heavier on aviation brigades, air defense artillery, including theater high-altitude area defense, and the personnel to support that.

I also looked at the Air Force side, which we are going to have in the second panel, and looking for an Andersen Master Plan, my team gave us the original one, which is kind of chamber of commerce-esque, but there is one chart in here and as I did with our Office of the Secretary of Defense folks, to lay out the more comprehensive chart for Guam to see if we could get that, my final concern with regard to the Air Force is the growing role of unmanned aerial vehicle systems and looking at an unmanned beddown plan that also includes the Air National Guard, and see if we could have that emerge from the hearings.

[The information was not available at press time.]

And with that, Mr. Chairman, back to you.

Senator JOHNSON. Secretary Hammack, General Boozer, General Carpenter, and Mr. Snyder, thank you again for appearing before our subcommittee. Your prepared statements will be placed in the record, so I encourage you to summarize your remarks to allow more time for questions.

Secretary Hammack, please proceed.

SUMMARY STATEMENT OF HON. KATHERINE HAMMACK

Ms. HAMMACK. Thank you, Chairman Johnson, Senator Kirk, and other members of the subcommittee.

We greatly appreciate your support of the Army's MILCON programs. These investments have provided our soldiers the facilities they need to fight in two wars and hopefully return from two wars. But at the same time, we are working to reduce our energy footprint and be good stewards of the environment.

I do want to talk briefly about the impact that a continuing resolution has upon our ability to enact the fiscal year 2011 MILCON budget. Currently, we have \$1.9 billion in projects that are ready to award. These are projects that have been bid, they are thoroughly designed, and some of the bids are aging.

Unfortunately, these are projects, since we have been unable to award to date, that are jobs waiting to be awarded. And these are constituents in your States: \$300 million in Alaska, \$198 million in Texas, and I could go on. Every State of just about every member on this subcommittee has projects that are waiting to be awarded. So I ask for your support to enact legislation today that enables us to move forward with fiscal year 2011.

But keep in mind that this does not put our fiscal year 2012 projects in jeopardy. Even some of the phased projects are able to be phased together and in fact there may even be efficiencies by grouping these closer together. So we would hope, not only that you enact legislation to enable us to proceed with fiscal year 2011, but that our fiscal year 2012 budget is approved in an expeditious manner so that we can proceed with that.

As you said, we did submit written statements, so I will focus on only a few areas, the first being MILCON, the second efficiencies, and the third being energy and the environment.

As you stated, our budget is \$5.3 billion for MILCON in fiscal year 2012, and that is a 33-percent reduction or a \$2.6 billion reduction from the previous year. A portion of that, approximately \$1 billion of that reduction comes from BRAC, and the fact that we are completing BRAC and will be complete by September 15 of this year means that we are not asking for more MILCON dollars for BRAC. Another portion has to do with us completing programs, such as the barracks buyout or the Army's growth to 45 brigade combat teams. We are completing those projects.

But we did implement an efficiency in deferring \$1.4 billion in construction. And what we deferred were projects that we considered to be low to medium risk that, to impacting mission, are not mission-critical facilities. They are important to the Army and we are reevaluating everything for the fiscal year 2013 program year.

One of the things we are doing for fiscal year 2013 is reexamining our facility investment strategy. We are looking at the kinds of facilities we build, we are looking at the energy efficiency of the

facilities, we are looking at the size of the facilities and we are also looking to invest more money in sustainment, restoration, and modernization so we can make better use of facilities that we already have. So although this is a reduced MILCON request for us, we do not feel that it jeopardizes the Army mission.

We have also returned \$1 billion over the last 2 years from bid savings. We have seen, in this economic decline, that the cost of constructing the projects is lower than the bid or the programmed amount. So we have seen savings that we are returning.

BID SAVINGS

We have retained a small portion of the bid savings, and those we are using for unexpected requirements such as some of the problems we saw at Fort Leonard Wood where we had to rebuild some facilities because of tornado damage, we had some other emergency requirements in the Southwestern United States, some are going to energy efficiency or other unexpected reprogramming requests.

We are examining all solutions, and we are looking for efficiencies, and we are looking for cost savings.

In energy, we are building more efficient structures, more efficient power generation, and we are also looking at the efficiency of vehicles that we are investing in because we are aware that efforts to reduce energy here in the United States and at home station also has effect on how we use energy in contingency operations.

Our cost for energy is approximately \$4 billion a year and so we are focused on operational energy savings as well as we invest in more efficient structures, vehicles, and other technologies for our soldiers.

The Army environmental program needs an investment of \$1.4 billion to ensure that we have adequate environmental resources to support the mission. Some of this is going to BRAC so that we are able to conduct remediation efforts so that the properties can be utilized by the local community for a productive purpose.

PREPARED STATEMENT

I would like to give time for the fellow panel members to talk, so in close, I look forward to working closely with you and the subcommittee and answer any questions you might have. Thank you.
[The statement follows:]

PREPARED STATEMENT OF HON. KATHERINE HAMMACK

INTRODUCTION

Good afternoon Chairman Johnson, Senator Kirk, and members of the subcommittee. I appreciate the opportunity to explain the Army's fiscal year 2012 budget needs and requirements.

The Army's fiscal year 2012 installations management budget request will continue to invest in facilities infrastructure required to support highly visible and synchronized initiatives of base realignment and closure (BRAC), growth of the force to 45 brigade combat teams with an end strength of 547,400 soldiers, transformation to a globally postured and versatile modular force, and the Reserve components transformation from a strategic force to an operational force. Your subcommittee's commitment to our soldiers, families, and civilians and support of the Army's military construction (MILCON) program is deeply appreciated. The Army's strength is its soldiers—and the families and Army civilians who support them. They are and will continue to be the centerpiece of our Army.

The level of investment required to complete Grow the Army (GTA), global defense posture realignment (GDPR), and BRAC is declining. This permits the Army to focus on the funding to recapitalize and modernize legacy facilities, construct new facilities to eliminate deficit requirements, such as quality of life, and complete both permanent party and training barracks buy-out programs. Continued timely and predictable funding is critical as we transition from a period of prolonged conflict to one of increased stability while continuing to focus on rebalancing the force and maintaining a combat edge developed through a decade of war.

IMPACTS OF THE CONTINUING RESOLUTION

Under the current continuing resolutions, the Army is unable to proceed with the MILCON projects we requested more than 1 year ago—projects that are needed to continue the momentum required to meet our goals. We have approximately \$1.8 billion of Army MILCON projects—across all components—that are ready to award pending receipt of an appropriations bill or new start authority. As long as new starts are prohibited, we risk increased cost to re-advertise projects, shortened construction seasons—especially in northern climes, and delays to ongoing consolidation and stationing actions. So, I strongly urge the subcommittee to work hard to pass the fiscal year 2011 appropriation bills.

OVERVIEW

The Army's fiscal year 2012 President's budget requests \$5.3 billion for MILCON, Army family housing (AFH), and BRAC, which is \$2.6 billion less or a 33-percent reduction from the fiscal year 2011 request. This represents 3.6 percent of the total Army budget. Of the \$5.3 billion request, \$3.2 billion is for the Active Army, \$774 million is for the Army National Guard, \$281 million is for the Army Reserve, \$300 million is for BRAC, and \$682 million is for AFH. Although the overall MILCON funding level declines due to completion of BRAC construction and reduced investments in major initiatives such as GTA and GDPR, the Army continued to follow the "pillars of priority" in development of the fiscal year 2012 MILCON program which supports Army imperatives of sustain, prepare, reset, and transform.

The five pillars of priority are the foundation of the MILCON program. The pillars address all categories of facilities in the Army facilities portfolio for Active and Reserve component forces. The pillars are:

Global Defense Posture Realignment/Grow the Army.—GDPR construction provides facilities to ensure Army forces are properly positioned worldwide in support of the National Military Strategy. GTA supports the fiscal year 2013 Army end strength of 1,111,600 (547,000—Active Army; 358,000—Army National Guard; and 206,000—Army Reserve) necessary to increase Active component dwell time to 1:2 years and Reserve component dwell time to 1:4 years. Construction provides facilities for brigade combat teams and combat support/combat service support units activated as part of GTA. The Secretary of Defense recently announced a reduction of 27,000 in Active Army end strength planned for 2015. Unit level details of this reduction, and therefore impacts to facilities, will not be known for some time.

Transformation.—Supports the Army's transformation to a modular force, enables critical force structure initiatives, and eliminates inadequate permanent party and trainee barracks. The last inadequate permanent party spaces are planned to be removed after the new barracks are fully occupied in fiscal year 2015, if we have new start authority for our fiscal year 2011 projects.

Modernization.—Supports ongoing investment in recapitalization of operations infrastructure and quality of life facilities.

Training Support.—Supports ongoing investment in modernization and revitalization of Army training ranges, training centers, and supporting infrastructure.

Strategic Readiness.—Supports the modernization and recapitalization of the Army's industrial base, pre-positioned stock facilities, and transportation infrastructure.

In addition to the \$5.3 billion investment in our MILCON programs, the Army is sustaining its existing facilities by requesting \$3.4 billion in the President's budget for sustainment, restoration, and modernization and demolition. The request is \$2.5 billion for the Active Army, \$618 million for the Army National Guard, and \$255 million for the Army Reserve.

The fiscal year 2012 base operations support (BOS) program request is \$9.3 billion (Active Army—\$7.7 billion; Army Reserve—\$0.6 billion; Army National Guard—\$1 billion), an increase of \$181 million more than the President's fiscal year 2011 budget request and a decrease of \$1.5 billion from fiscal year 2010 execution. The Army

anticipates lower BOS requirements associated with efficiencies, installation closures associated with BRAC and the missions transferred to other services under joint basing. BOS is vital in all aspects of mission readiness and training, provides for operating and maintaining installations that serve as our Nation's power projection platforms, and provides essential services and programs promoting quality of life for soldiers, families, and civilians—essentially, the Army installations equate to the Army's home and workplace for soldiers, family members, and civilians.

The Army is executing a tightly woven plan integrating BRAC, GDPR/GTA, and transformation to a modular force as facilitated by MILCON, sustainment, restoration, and modernization, and BOS. The strategy includes aligning facilities to support a U.S.-based force structured as an expeditionary Army; completing facilities and moving personnel to comply with BRAC 2005 law by 2011; and completing GDPR/GTA by 2013. Facilities modernization for modular force units converted from the legacy force structure extends beyond 2016. The fiscal year 2012 MILCON request is crucial to the success of the Army's strategic imperatives to sustain, prepare, reset, and transform the force.

FISCAL YEAR 2012 BUDGET REQUEST

Military Construction, Army

The Active Army fiscal year 2012 MILCON request is for \$3,236 million (for appropriation and authorization of appropriations) to support the army imperatives of sustain, prepare, and transform.

Grow the Army (\$164 Million/5 Percent).—The GTA request in fiscal year 2012 funds four projects. The total includes \$137 million for operations facilities, \$23 million for a training barracks, and \$3.6 million for one operational support facility. These facilities are essential to support growth in the Army's combat support and combat service support force structure and establish the appropriate training support infrastructure for a 45-brigade combat team Active Army.

Global Defense Posture Realignment (\$178 Million/6 Percent).—The request includes \$80 million for barracks, an entry control point, and the third phase of the drainage system at Bagram Air Base, as well as \$49 million for a brigade complex at Fort Bragg as part of the Army Patriot units' global realignment, and \$49 million for a maintenance facility at Fort Leonard Wood.

Transformation (\$1.165 Billion/36 Percent).—The fiscal year 2012 request of \$639 million supports the stationing of units in support of weapons systems; theater high-altitude area defense; joint land attack cruise missile defense elevated netted sensor; combat aviation brigades; and enhanced range multipurpose unmanned aerial vehicle units. Another \$526 million will provide permanent operations and maintenance facilities and barracks to support the conversion of existing forces into new modular force units for the Active component. The Army strategy is to use existing facility assets to support transformation where feasible and program new construction projects when existing facilities are inadequate.

Barracks Modernization (\$296 Million/9 Percent).—The fiscal year 2012 request will provide for 3,482 new permanent party barracks spaces that will meet Department of Defense "1 + 1" or equivalent standard and complete the permanent party barracks buyout program by fiscal year 2013 and beneficial occupancy by fiscal year 2015. In addition to the barracks modernization program, additional barracks projects are included in the fiscal year 2012 request that support GTA, transformation, and modernization pillars. These projects are located at Joint Base Lewis-McChord, Forts Bliss, Carson, and Knox, Germany, Honduras, and Korea. The total fiscal year 2012 investment in permanent party barracks is \$562 million.

Training Barracks Modernization (\$59 Million/2 Percent).—The fiscal year 2012 request will provide 1,140 new training barracks spaces for our soldiers that meet applicable standards. One trainee barracks complex is at Fort Jackson. In addition to the training barracks modernization program, a second trainee barracks complex at Fort Benning is funded under the GTA pillar. The total fiscal year 2012 investment in training barracks is \$82 million.

Modernization (\$685 Million/21 Percent).—The fiscal year 2012 request consists of 30 projects with investments of \$258 million for operations facilities, \$321 million for operational support facilities, and \$106 million for quality-of-life projects.

Training Support (\$340 Million/11 Percent).—Training support facilities include training ranges to support multiple weapon systems, land acquisitions, and other soldier training facilities.

Strategic Readiness (\$74 Million/2 Percent).—Fiscal year 2012 represents the first year the Army will invest in industrial base and deployment facilities under the Strategic Readiness Initiative. Prior to fiscal year 2012, these types of facilities fell under general recapitalization and modernization of aging facilities. Five transpor-

tation infrastructure projects will be constructed to support railhead, deployment, and supply operations, as well as a Maneuver Systems Sustainment Center project at Red River Army Depot.

Other Support Programs (\$275 Million/8 Percent).—The fiscal year 2012 budget includes \$230 million for planning and design. As executive agent, the Army also provides oversight of design and construction for projects funded by host nations. The fiscal year 2012 budget requests \$25 million for oversight of host nation funded construction for all services in Japan, Korea, and Europe. The budget request also contains \$20 million for unspecified minor construction to address unforeseen critical needs.

Military Construction Efficiencies

The Army decremented the Active Army program by \$200 million in fiscal year 2012. Although described as an efficiency, the decrement action initiates the Army's relook of its facilities investment strategy—a strategy that will decrease new construction and increase use and maintenance of the current inventory of real property in a manner that best supports the Army's mission.

Over the next months the Army will assess an increased use of the Army's restoration and modernization funding program to complement MILCON in a manner that optimizes scarce investment dollars. If after reassessment, the decremented projects are found to be mission critical MILCON requirements, they will be inserted back into the program at the next opportunity.

Military Construction, Army National Guard

The Army National Guard fiscal year 2012 MILCON request of \$774 million (for appropriation and authorization of appropriations) is focused on GTA, modernization, transformation, training support, and other support programs.

Growth the Army (\$101 Million/14 Percent).—The fiscal year 2012 budget request includes \$101 million for 11 energy-efficient readiness centers that will support the Army National Guard's end strength growth and ability to react to high levels of force deployment.

Modernization (\$198 Million/25 Percent).—The Army National Guard budget request also includes \$198 million to replace 11 obsolete and energy-inefficient readiness centers. There are five readiness centers and one Armed Forces Reserve center, one maintenance facility, one Army aviation support facility, one U.S. Property and Fiscal Office, and one utilities replacement project that will provide modernized facilities to enhance the Guard's operational readiness.

Transformation (\$198 Million/25 Percent).—The budget request offers the Army National Guard the opportunity to reach higher levels of readiness by equipping Army National Guard units on a comparable level with the Active component. The request is comprised of 10 projects which include three tactical unmanned aircraft system facilities, five readiness centers, one Army aviation support facility, and one field maintenance shop.

Training Support (\$245 Million/32 Percent).—In fiscal year 2012, the Army National Guard is requesting \$245 million for 16 projects which will support the training of its operational force. These funds will provide the facilities soldiers require as they train, mobilize, and deploy. Included are five operations readiness and training complexes, seven range projects, one maneuver area training and equipment site, one railhead expansion and container facility, and two deployment processing facilities.

Other Support Programs (\$32 Million/4 Percent).—The fiscal year 2012 Army National Guard budget also contains \$20 million for planning and design of future projects and \$12 million for unspecified minor MILCON to address unforeseen critical needs.

Military Construction, Army Reserve

The Army Reserve fiscal year 2012 MILCON request for \$281 million (for appropriation and authorization of appropriations) is for modernization, training support, strategic readiness, and other support programs.

Modernization (\$216 Million/77 Percent).—In fiscal year 2012, the Army Reserve will invest \$216 million in facilities that prepare our soldiers for success in current operations. The construction of 10 new Army Reserve centers and one Armed Forces Reserve center will provide the modernized training classrooms, simulations capabilities, and maintenance platforms that support the Army Force Generation cycle and the ability of the Army Reserve to provide trained and ready soldiers for Army missions when called.

Training Support (\$28 Million/10 Percent).—The budget request of \$28 million provides for three ranges that enable soldiers to hone their combat skills. It also provides for construction of the final phase of a noncommissioned officer academy

classroom/training billets complex that, when completed, will allow for a modernized training environment for training.

Strategic Readiness (\$5 Million/2 Percent).—The request includes \$5 million for a containerized loading facility supporting mobilization and demobilization missions of the Reserve component.

Other Support Programs (\$32 Million/11 Percent).—The fiscal year 2012 Army Reserve budget request includes \$29 million for planning and design of future year projects and \$3 million for unspecified minor MILCON to address unforeseen critical needs.

Army Family Housing

The Army's fiscal year 2012 budget includes \$681.8 million for the Army's investment in and operation of its worldwide inventory of family housing assets. The Army relies first on the local economy to provide housing for our soldiers. When housing on the economy is not available, the Army provides housing by various means including Government-owned, privatized, and leased housing. The Army has successfully privatized 98 percent of its housing assets inside the United States, while overseas we primarily house families in Government-owned and leased quarters.

Residential Communities Initiative.—In 1999, the Army began privatizing housing assets and the Residential Communities Initiative (RCI) continues to provide quality housing which soldiers and their families and senior single soldiers can proudly call home. The Army leverages appropriated funds and existing housing by engaging in 50-year partnerships with nationally recognized private real estate development, property management, and home builder firms to construct, renovate, repair, maintain, and operate housing communities.

The RCI family housing is in 44 locations, with a projected end state of more than 85,000 homes—98 percent of the on-post family housing inventory inside the United States. Initial construction and renovation investment at these 44 installations is estimated at \$12.7 billion over a 3- to 14-year initial development period, which includes the Army's contribution of close to \$2 billion. During the 12 years since 1999 through 2010, our partners have constructed more than 25,000 new homes, and renovated another 19,000 homes.

The RCI program for senior unaccompanied housing includes four installations for a total of 1,394 accommodations for senior single soldiers in grade staff sergeant and above including officers at locations where there is a deficit of adequate accommodations off post. The four locations are Forts Irwin, Drum, Bragg, and Stewart.

Army Family Housing Construction (\$186.9 Million/27 Percent).—The Army's fiscal year 2012 family housing construction request is \$186.9 million (for authorization of appropriation, and appropriation) to continue our significant investment in our soldiers and their families. This supports our goal to sustain Government-owned housing and eliminate our remaining inadequate inventory at enduring overseas installations.

The family housing construction program includes \$76 million for traditional MILCON to provide 128 new homes in Germany, and to acquire 10 acres of land in Brussels for future construction so that the Army can eliminate seven high-cost leased homes that cost the Army more than \$1 million annually. The request also includes \$103 million for improvements to 276 family homes in Germany, and \$7.9 million for planning and design.

Army Family Housing Operations (\$494.8 Million/73 Percent).—The Army's fiscal year 2012 family housing operations request is \$494.8 million (for appropriation and authorization of appropriations). This account provides for operations, utilities, maintenance and repair, leased family housing, and management of RCI. This request supports almost 16,000 Army-owned homes, in the United States and in foreign countries, as well as almost 8,000 leased residences and provides Government oversight of more than 80,000 privatized homes.

Operations (\$85.4 Million).—The operations account includes four subaccounts—management, services, furnishings, and a small miscellaneous account. All operations subaccounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate the AFH-owned inventory.

Utilities (\$73.6 Million).—The utilities account includes the cost of delivering heat, air conditioning, electricity, water, and wastewater support for family housing units. The overall size of the utilities account is decreasing in proportion with the reduction in supported inventory due to RCI.

Maintenance and Repair (\$105.7 Million).—The maintenance and repair account supports annual recurring projects to maintain and revitalize AFH real property assets. Since most family housing operational expenses are fixed, maintenance and repair is the account most affected by budget changes. Funding reductions result in

slippage of maintenance projects that adversely impact soldier and family quality of life.

Leasing (\$204.4 Million).—The leasing program is another way the Army provides adequate housing for families. The fiscal year 2012 budget includes funding for a total of 9,036 housing units, including 1,080 existing section 2835 (“build-to-lease”—formerly known as 801 leases), 1,828 temporary domestic leases in the United States, and 6,128 leased units overseas.

Privatization (\$25.7 Million).—The privatization account provides operating funds for management and oversight of privatized military family housing in the RCI program. RCI costs include civilian pay, travel, and contracts for environmental and real estate functions, training, real estate and financial consultant services, and oversight to monitor compliance and performance of the overall privatized housing portfolio and individual projects.

BASE REALIGNMENT AND CLOSURE

Base Realignment and Closure 2005

BRAC 2005 is a massive undertaking, requiring the synchronization of base closures, realignments, MILCON, and renovation, unit activations and deactivations, and the flow of forces to and from current global commitments. BRAC 2005 encompassed:

- 102 Army recommendations;
- affected more than 150,000 soldiers and civilians, and their family members;
- 330 construction projects, which includes 125 Armed Forces Reserve centers;
- closure of 12 Active component installations, one Army Reserve installation, 387 National Guard readiness and Army Reserve centers, and eight leased facilities; and
- more than 1,100 discrete actions.

BRAC 2005 established training centers of excellence, joint bases, a human resources center of excellence, and joint technical and research facilities.

While the Department is facing scheduling challenges in a few cases, we are working diligently to ensure we satisfy our BRAC legal obligations. Army senior leaders continue to intensely manage these recommendations and are putting in place mitigation procedures to ensure we meet our legal obligations. Currently, the Army has completed 23 of 102 recommendations and awarded 327 MILCON projects, of which 154 have been completed. The Army has initiated 850 of 1,147 actions and completed 393. The Army has closed six Army installations, one Army Reserve installation, 42 Army Reserve centers, and disposed of 19,067 acres associated with the closures. The Army is on schedule to complete the remaining 754 actions and 173 projects in accordance with the BRAC law.

The Army fiscal year 2012 budget request for BRAC 2005 is \$229 million. The budget request is critical to the success of the Army’s BRAC 2005 initiative and does not contain funding for new construction projects. The funding request includes \$116.9 million in operation and maintenance to support facility caretaker requirements. In fiscal year 2012, the Army will continue environmental closure, cleanup, and disposal of BRAC properties. These activities will continue efforts previously ongoing under the Army Installation Restoration Program and will ultimately support future property transfer actions. The budget request for BRAC environmental programs is \$112.3 million, which includes munitions and explosives of concern and hazardous and toxic waste restoration activities. These actions do not occur at the expense of protecting human health and the environment from past activities that may have resulted in contamination. BRAC funds ensure human health and environmental protectiveness first, while also enabling the timely transfer of acreage for productive community re-use.

Base Realignment and Closure 95

The Army is requesting \$70.7 million in fiscal year 2012 for prior BRAC rounds. The request includes \$4.6 million for caretaking operations and program management of remaining properties and \$66.1 million for environmental restoration to address environmental restoration efforts at 280 sites at 36 prior BRAC installations. To date, the Army has spent \$3.1 billion on the BRAC environmental program for installations impacted by the previous four BRAC rounds. The Army has disposed of 177,842 acres (85 percent of the total acreage disposal requirement of 209,291 acres), with 31,448 acres remaining. As a result, the Army estimates approximately \$14.5 billion in savings through 2010—and nearly \$1 billion in recurring, annual savings from prior BRAC rounds.

ENERGY INVESTMENTS

Army installations and facilities require secure and uninterrupted access to energy. Dependence on fossil fuels and a vulnerable electric power grid jeopardizes the security of Army installations and mission capabilities. Investment in renewable energy and energy-efficient technologies will help ensure the Army can meet mission requirements today and into the future. An average of 2 percent of every facilities construction project is invested in increased energy efficiencies.

The Energy Conservation Investment Program (ECIP) fiscal year 2012 program includes 10 renewable energy projects and three energy conservation projects for \$51.5 million. The estimated average annual savings is projected at \$4 million or 258 billion BTUs. Although ECIP is an annual Defense-wide appropriation (\$135 million), the Army is taking a strategic look at requirements and developing an ECIP Future Years Defense Program that will provide the Army the ability to pull requirements forward should such an opportunity arise.

ENERGY

The Army is moving forward to address the challenge of sustainability and energy security to ensure the Army of tomorrow has the same access to energy, water, land, and natural resources as the Army of today. The Army realizes that innovative, cost-effective solutions are critical to success. Addressing these challenges is operationally necessary, fiscally prudent, and mission-essential. The Army has implemented an energy efficiency requirement into all new facilities construction, renovation, and modernization requirements.

Drive Efficiency Across the Enterprise.—The Army is investing to significantly reduce requirements for natural resources, to include energy and water, both on installations at home and in our combat operations. Reducing demand through efficiency improvements is often the cheapest and fastest way to save funds and reduce dependency. The easiest gallon of fuel to secure and transport is the one that is not required. The need to reduce energy vulnerabilities and associated costs is clear, given experiences in Iraq and Afghanistan. The approach will require a concerted effort involving a combination of new technologies, changes to user behavior, and conversion of “waste” in resource streams to energy with approaches that convert waste heat or garbage into electricity.

Build Resilience Through Renewable/Alternative Energy.—Army forces must still prevail, even in the face of disruptions due to enemy action, weather, shifting priorities, or energy availability. Given this, it is prudent that the Army take steps to diversify its sources of energy, particularly to include renewable and alternative sources available both here and abroad. The Army is building resilience and flexibility into force capabilities to continue operating in the face of energy disruption. These disruptions can occur at the national, regional, or local level and affect bases, weapons systems, vehicles, and soldiers.

ENVIRONMENT

The Army fiscal year 2012 budget provides \$1.4 billion for its Environmental Program in support of current and future readiness. This budget ensures an adequate environmental resource base to support mission requirements, while maintaining a sound environmental posture. Additionally, it allows Army to execute environmental aspects of re-stationing, GDPR, and BRAC while increasing programmatic efficiencies, and addressing the Army’s past environmental legacy.

As a land-based force, our stewardship sustains the quality of our land and environment as an integral component of our capacity to effectively train for combat. We are committed to meeting our legal requirements and protecting natural and cultural resources during a time of unprecedented change. We are on target to meet DOD goals for cleaning up sites on our installations, and we continue to manage environmental requirements despite operating in a constrained resource environment.

SUSTAINMENT, RESTORATION AND MODERNIZATION

The Army continues to comply with the joint planning guidance 1 and has funded sustainment at 90 percent of the Office of the Secretary of Defense facilities sustainment model requirement. The Army views 90 percent sustainment funding as the absolute bedrock of proper facilities stewardship, and is an essential objective of the Army facilities investment strategy. The Army has chosen not to take risk in the sustainment of our facility inventory valued at \$326 billion. Sustainment is an outward and visible sign of the Army’s commitment to providing a quality of life

to our soldiers, civilians, and families that is consistent with their commitment to our Nation's security.

BASE OPERATIONS SUPPORT

The Army fiscal year 2012 BOS request, the budget provides \$1.7 billion in support of the Army Family Covenant, which is the Army leadership's commitment to provide a quality of life to the soldiers and families that, is commensurate with their service. Other funded senior leadership initiatives are:

- Army Substance Abuse Program;
- Sexual harassment/assault response and prevention;
- Health promotion;
- Risk reduction and suicide prevention; and
- Comprehensive soldier fitness.

The Army is committed to developing a cost culture for increasing the capabilities of BOS programs through an enterprise approach. Additionally, the Army will continue to review service delivery of its soldier, family, and civilian programs to ensure the most efficient and effective means of delivery are realized.

CONCLUSION

The Army's fiscal year 2012 installations management budget request is a balanced program that supports our soldiers, families, and civilians; continued rebalancing of the force; completion of BRAC 2005 by September 2011; continued support to Army transformation, GTA and GDPR initiatives, and investments in barracks buyout programs. The Army's facilities investment strategy will be accomplished through your continued commitment to timely and sustained funding of MILCON, BRAC, and family housing.

In closing, we would like to thank you again for the opportunity to appear before you today and for your continued support for our soldiers, families, and civilians.

Senator JOHNSON. Thank you, Secretary Hammack.
General Boozer.

STATEMENT OF GENERAL JAMES C. BOOZER

General BOOZER. Mr. Chairman, Senator Kirk, I would also like to thank you all as well for your support.

Thanks in large measure to the support received from this subcommittee, we've made great progress toward sustaining Army soldiers, families, and civilians, and we are regaining that balance that I know you have heard General Casey speak of so very, very often.

This year, as you know, the Army is striving to complete all 1,147 actions associated with the Army's 102 BRAC recommendations that are necessary to fulfill our obligation for BRAC 2005. Construction continues on 330 projects; 165 of those 330 have been completed to date, as well as all the preparation in completing all the personnel moves, the civilian personnel moves mainly associated with those BRAC recommendations.

BASE REALIGNMENT AND CLOSURE

We have spent some time identifying risk associated with those— with our BRAC recommendations and have identified risk by project, by specific project type and we have put mitigation strategies in place to reduce that risk so that we can keep BRAC implementation on track. And our senior leaders are actively engaged in over watch as we near the BRAC deadline of September 15, 2011.

Restoring balance to our Army, though, is not an end state, but rather a continuous process. And that is why we have programmed \$1.7 billion for transformation projects and \$1 billion for modernization in the President's budget request.

Transformation projects ensure that we have the right modern facilities for the capability the Army is bringing to the fight, like conditional combat aviation brigades and the unmanned aerial vehicles that Senator Kirk mentioned.

We will continue to modernize our aging and obsolete facilities, and will continue to make investments in areas like Germany and Korea.

EUROPEAN BASING/STATIONING

Now, although a decision on the brigade combat teams in Europe was recently announced, it is critical that the projects in the President's budget request for fiscal year 2012 for Germany be appropriated. It is critical because those projects are not tied in any way to a brigade combat team stationing decision in Europe. Those were all tied to the consolidation plan in U.S. Army Europe that is going to yield savings as we close installations and concerns in Germany. So delaying the fiscal year 2012 Germany projects or any other further delay of the fiscal year 2011 budget will cause us some additional cost and delay some efficiencies that we could garner overseas.

And then finally, the investment in the Guard and Reserve facilities has increased significantly. As you know, they are an integral part to our current operations. This year, more than \$1 billion or 20 percent of the Army MILCON program is being invested in the Army Guard readiness centers and the Army Reserve centers.

So in closing, Mr. Chairman, I would also like to thank this subcommittee once again for your support to our Army and our soldiers, and look forward to your questions and the discussion and dialogue this afternoon.

Senator JOHNSON. Thank you, General Boozer.

Let's turn to General Carpenter.

STATEMENT OF GENERAL RAYMOND W. CARPENTER

General CARPENTER. Mr. Chairman, it is also great on my part to see a fellow South Dakotan. And for the third year in a row, it is my privilege to appear before this subcommittee as the Acting Director of the Army National Guard.

I am here today representing 360,000-plus soldiers in the Guard who are on point at home and abroad for our Nation. Our Army National Guard is approaching a decade of war with an all-volunteer force. We have mobilized soldiers for Operation Iraqi Freedom, Operation Enduring Freedom, Operation New Dawn, for the Balkans, the Sinai, and elsewhere in the world. More than 478,000 soldiers have been mobilized since 9/11, and as we speak, we have nearly 35,000 soldiers mobilized and deployed, away from their homes, away from their families, their employers, and communities.

Sadly, but very importantly, I would be remiss if I did not acknowledge the toll that this has taken. We have 10,000 soldiers with nonbattle injuries, 5,000 wounded, and 643 who have sacrificed their lives.

ARMY NATIONAL GUARD BUDGET

I want to assure you the Army National Guard would not be the operational force it is today without the support of the Congress and this subcommittee. I am here today to discuss the Army National Guard MILCON budget request for fiscal year 2012. That request is for \$773,000 and would fund 48 MILCON projects in 30 States and territories. These projects include readiness centers, ranges, tactical unmanned aerial system facilities, maintenance shops, training institute facilities, and one U.S. Property Fiscal Office building in Washington.

Facilities and infrastructure are key contributors to readiness for the homeland mission and overseas operations. And that infrastructure is aging. More than 40 percent of our readiness centers are more than 50 years old and require substantial modernization or total replacement to meet the needs of an operational force. In many cases those facilities not only do not meet the needs of the transformed units, but they also fall short of the Department of Defense (DOD), Federal, and State building standards in the areas of anti-terrorism, force protection, energy efficiencies, and the Americans with Disabilities Act requirements.

EFFECTS OF THE CONTINUING RESOLUTION

I would also like to point out, as previous panel members have, that because of the continuing resolution, we have been unable to begin to award the fiscal year 2011 construction contracts of \$873,000 worth of projects recommended by this subcommittee last year. We desperately need the funding to replace numerous substandard facilities across the Army National Guard. Incidentally, one of those projects, Mr. Chairman, is in our home State, Watertown, South Dakota.

It is vital that the fiscal year 2011 MILCON request is fully funded.

Again, Mr. Chairman, I would like to acknowledge the critical role this subcommittee has played in building and sustaining the best Army National Guard I have seen in my career of more than four decades.

I look forward to your questions and comments.

Senator JOHNSON. Thank you, General Carpenter.

Mr. Snyder.

STATEMENT OF JAMES L. SNYDER

Mr. SNYDER. Mr. Chairman, Senator Kirk, and distinguished members, it is my pleasure to be here on behalf of Lieutenant General Jack Stultz, the Chief of the Army Reserve, to discuss the MILCON program today.

ARMY RESERVE

Our requests are crucial to the Army Reserve as we continue the most comprehensive transformation we have conducted since World War II. And we are using the energy of the transformation from a strategic force to an operational force to provide the Nation a very good return on their investment.

OPERATIONAL FORCE

Of the 205,000 Army Reserve soldiers, about 190,000 have deployed since the operations have started. Today, we have 27,000 mobilized in support of operations, and that is down from recent years where we've had about 30,000 to 32,000. We do believe we are making a good contribution to the operational force.

MILITARY CONSTRUCTION PRIORITIES

MILCON priorities are: Army Reserve centers, training support facilities, and maintenance facilities, as you can imagine. But these are no longer just meeting places of the old strategic Reserve that you may remember, these are places to conduct training and family support group meetings and do collaborative planning over network simulations and so forth that really prepare soldiers for today's operations. And they require progressive readiness training through the Army force generation cycle, in order to be prepared to be mobilized for their available year. We have utilized BRAC and the Grow the Army (GTA) program over the last few years to transform our command and control posture to better support an operational Army Reserve. And those programs are being completed in fiscal year 2011, both BRAC and GTA.

As discussed, we have 26 projects in our fiscal year 2011 program that are on hold—10 are at the award stage, and 17 of those support structure that is activating in fiscal year 2012, so it's critical to get on with those programs, and we look forward to the authority.

FISCAL YEAR 2012 BUDGET

The fiscal year 2012 budget request of \$281 million supports modernization, training support, strategic readiness, and unspecified programs—\$216 million in modernization, that is 11 facilities, operations center.

Training support, about \$27 million, supports, primarily, our regional training centers at Fort Hunter Liggett, California; Fort McCoy, Wisconsin; and Fort Dix, New Jersey; and we have a deployment facility at Fort McCoy as well. We have \$29 million in planning and design and \$3 million in unspecified minor as part of that package as well.

And we are particularly proud to contribute on the energy front to the efforts that have been going on since 2008. And while we've designed for Leadership in Energy and Environmental Design (LEED) Silver standards, we have been able to achieve a number of LEED Gold and LEED Platinum standards as we complete the projects. And, in some cases, using renewable energy sources, we are able to reduce the consumption by 50 percent at particular facilities.

The fiscal year 2012 program will directly support 4,400 soldiers and families with these new facilities, and that is fitting with their service and sacrifice. Our citizen soldiers and families will continue to be the centerpiece of the Army Reserve, and their ability to perform their mission successfully depends upon your continued support.

Again, on behalf of Lieutenant General Stultz and the soldiers and families of the Army Reserve, I thank you for your support.

Senator JOHNSON. Thank you. Thank you, Mr. Snyder.

Thank you for your opening statements. We will begin with a 6-minute round of questions. Senators will be recognized in order of their arrival.

FORCE REDUCTION

Secretary Hammack and General Boozer, as part of his efficiencies review, Secretary Gates indicated that the Army would likely see a reduction in forces by as much as 27,000 in fiscal year 2016. It is my understanding that the drawdown on forces will be contingent on troop withdrawals in Afghanistan and as part of an Army force structure review.

What is the Army's time line for its force structure review? And what impact will this anticipated drawdown have on the Army MILCON program?

General BOOZER. Mr. Chairman, if it is okay—

Senator JOHNSON. Yes.

General BOOZER [continuing]. I would like to take a stab at that and I really appreciate that question.

As you know, I alluded to some of that reduction—not some of the reduction, but alluded to the brigade combat team stationing decision. But if I could just quickly—and I am a history major, so I am going to try to walk through the numbers, probably more for my benefit than yours, and talk through the reductions of where we are.

END STRENGTH

As you know, we are currently operating under a temporary end strength increase of 22,000. And so that took us from our permanent end state of 547 and brought us up to 569.

The Army's time line is to come off of that temporary end strength of 22,000 back down to the 547 by the end of 2013.

Then the 27,000 reductions that the Secretary has talked about and announced, we have to work through our process. In the Army, we call it the total Army analysis process, where we take strategic guidance, and we go through a series of qualitative and quantitative analyses to right-size the force. And we will start that process this summer, even though the 27,000 reductions aren't supposed to start until 2015. We are going to start that process this summer so we can lay out some options for the Army's senior leadership, because we have a lot of issues that we have to wrestle with when we take into consideration how we would proceed with reducing the force by 27,000.

Ms. HAMMACK. And then I would like to address your question as far as MILCON goes. As we enact that plan, and taking the force down starting in fiscal year 2015, we will be looking at our construction.

One of the things to keep in mind is, because we grew so fast in response to the current battles that we are in, the current wars that we are involved in, we have soldiers that are working out of temporary facilities, whether they are relocatable facilities or other facilities that are past their effective use State and sub-par facili-

ties. So as we look at reducing end strength, we will be looking at consolidating into those facilities that have the highest and best use and looking at reducing the amount of facilities that are older or aging or that are temporary facilities.

And we will be looking at our MILCON budgets in the out years to ensure that we are not building structures that don't have appropriate use.

READINESS CENTERS

Senator JOHNSON. General Carpenter, you mentioned the age of the readiness center inventory. Does the Guard have a modernization plan for its readiness centers and a goal for completion?

General CARPENTER. Senator, I believe you are aware of the readiness centers study that was discussed in the last session of the Congress. We have begun the process in terms of figuring out what the requirements are for that study. Unfortunately, the study was unfunded. We have taken \$2 million from our fiscal year 2010 budget that was not to be expended for other uses and we have dedicated that toward the start of that study.

Our effort is to look across all the readiness centers that we have got across all the States in the United States and rank order the ones that require replacement at the top and start working down through that list in order to modernize the readiness centers inside of the Army National Guard.

So, yes, sir, we do have a plan, and we are moving out on it. However, it is not fully funded at this point.

GROW THE ARMY

Senator JOHNSON. Secretary Hammack and General Boozer, how is it that there is a discussion in reducing force growth when we haven't funded MILCON for the current growth of force initiative? And how much MILCON does the Army have left to complete the growth of force initiative?

Ms. HAMMACK. I don't have the exact numbers with me right now to complete the initiatives, but the GTA and the Global Defense Posture Realignment programs were both scheduled for completion mainly in fiscal year 2012, with a little bit left in fiscal year 2013.

EUROPEAN STATIONING

Senator JOHNSON. General Boozer, on Friday DOD announced its intent to revise the force posture in Europe. As part of that announcement the Department intends to retain only three brigade combat teams in Europe, down from four. Now, no specifics of the re-stationing were offered in the press release even though this decision has been anticipated for months.

Will the brigade combat team be re-stationed in the United States or will it be deactivated? How will this decision impact current installations at Bamberg and Schweinfurt in Germany?

General BOOZER. Yes, Chairman, thank you for that question.

If I were to remain in my current posting here I would be knee deep in the analysis that we owe you. The good news is, in my future job, my posting in Europe as the Deputy Commanding General

for U.S. Army Europe, I am still going to be knee deep in that analysis that is going to take place. We are certainly—in that new posting I will certainly help the Army with.

And your question is a very, very good one. We have installations in Europe that are tagged as enduring installations and some that are tagged as nonenduring installations, I am kind of answering the question backwards in reference to the installations.

Some of those installations, specifically the ones Senator Kirk mentioned in his opening statements, Bamberg and Schweinfurt, are categorized as nonenduring installations. We are currently using those installations, in layman's term, as probably swing space.

As we consolidate installations and concerns in Europe, we are using Bamberg and Schweinfurt for those units or organizations. In fact, one of the brigades that is stationed in Grafenwoehr, the 172nd, some of its units are still in Schweinfurt, have not completed their closure into their permanent home which is Grafenwoehr.

Once we understand and get senior leader guidance from the Army on the end state for that one brigade combat team, because that is a reversal from the 2004 decision to bring two back, as we take into consideration the force reductions that we have talked about, the temporary end strength of 22,000 that we have got to come down off of between 2013, and then this 27,000-reduction, those decisions will all play in that.

So we do not have an answer. That is a long way to get at an answer. We do not have an answer to what is going to happen to that brigade combat team that has been identified.

Senator JOHNSON. What time frame do you anticipate?

General BOOZER. Mr. Chairman, I believe we have, in concert with the total Army analysis process, we have to bring those options and decisions to our senior leadership before the end of this year, because we are going to work that 2015 stance, if you will, during the upcoming total Army analysis process, so it has got to be part of that, that holistic process.

Senator JOHNSON. Thank you, General.

Senator Kirk.

MILITARY CONSTRUCTION BUDGET FOR FISCAL YEAR 2012

Senator KIRK. Thank you, Mr. Chairman.

Just note that for our legislation, the Department of Veterans Affairs (VA), last year, took up about \$53 billion, and MILCON was \$23 billion. And this year for the bill; it looks like the VA will take up \$56 billion and MILCON \$16.6 billion. So MILCON was 30 percent of this bill last year; it is just 22 percent this year. At that rate, MILCON disappears from this bill in 3 years.

Any thought about recommendation to us about reorganizing our committees and moving MILCON into DOD, because you are rapidly disappearing here?

Ms. HAMMACK. Thank you for that question. We are reaching a steady state level. And our steady state level of investment and re-investment and our facilities is around that \$5 billion mark. After we have finished the re-stationing and corrected for capacity, new

construction is going to be correcting for condition where we have aging or decaying facilities that require replacement.

So we will always have a continuing need for MILCON, just as any other enterprise would, to manage and maintain our facilities. We are looking at increased investment in sustainment, restoration, and modernization, but there will always be a need for MILCON.

Senator KIRK. All right. I would just note that—when we talk about new buildings for DOD and the Army, what is more important to you: increased combat capability or energy efficiency?

ENERGY EFFICIENCIES

Ms. HAMMACK. Mission comes first, sir.

Senator KIRK. Yes. I would like to hear that more, because it seems like we are really pushing energy efficiency, when it is great to have an energy-efficient facility, but if it is not yielding additional combat capability, that is—

Ms. HAMMACK. I would disagree with you on that point, because it is mission-critical that our facilities be energy-efficient. And if you take a look at Japan, our facilities were able to operate and continue to operate in light of a frail and dysfunctional power grid. And so we need our facilities to better manage the energy that is required to maintain mission—

Senator KIRK. Right.

Ms. HAMMACK [continuing]. And be able to operate should the power grid go down.

And just in the last decade, we have seen issues, whether they be accident, weather-related, or acts of terror, that could impact our mission. So our mission is to remain viable and operational should there be hazards in the local community.

Senator KIRK. Right.

Ms. HAMMACK. So we view energy as mission-critical.

Senator KIRK. Yes, although I would just say they are two vehicles, but would you rather go to war in a Nissan Leaf or in a Humvee, you know? And I would just say that in the end, combat capability is, I think, our primary value here that we are looking for in the facilities.

KOREA TOUR NORMALIZATION

Can we talk about Korea and Army MILCON? Because it is a big swing number. Should we go with full-tour norm? What is your timeline on assessment for this huge bill?

General BOOZER. Yes, Senator Kirk, as you know, the Secretary first approved our command sponsorship of our families at that level at 3,740. And, to date, that is really the only decision that has been made that is associated with career tour normalization, is the command sponsorship levels, if you will.

We are working toward what we call the consolidation and the relocation—

Senator KIRK. Right.

General BOOZER [continuing]. Of forces north to south, from the Seoul area into the Daegu, Yongsan area into what we know as Camp Humphreys. And that—

Senator KIRK. Do you have any idea—I would think that housing would be vastly more expensive in Seoul than Camp Humphreys, but your numbers show it is actually vastly more expensive in Camp Humphreys than in Seoul.

General BOOZER. Yes, sir. And you mentioned the way that we are going to tackle that problem for housing with our families is using the Humphreys Housing Opportunity Program, which is not using MILCON dollars, but is using an overseas housing allowance rate. And it is, as you mentioned, \$4,200, that rate. That rate allows the public-private venture, if you will, to occur.

And, quite frankly, in the short term, it is cheaper and more efficient than MILCON.

EUROPEAN STATIONING

Senator KIRK. Yes. Last question. As we bring that brigade combat team home from Germany, I didn't really get a sense of when you would be bedding that, making a decision on beddown of that unit. When—

General BOOZER. Yes, Senator Kirk, that will occur in 2015. All those brigade combat—

Senator KIRK. The decision will occur in 2015?

General BOOZER. No, I'm sorry, I misunderstood. I thought you were talking about the actual movement or whether we activate—inactivate it or moved it would be 2015. The decision, I believe, has to occur sometime late this fiscal year.

Senator KIRK. Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman. I want to thank the panel for being here today.

ARSENALS

Ms. Hammack, let me start with you, if I may. I want to ask about arsenals. I know that there are several laws out there that the Congress has passed over the years, and some regulations, that basically encourage us to utilize our arsenals more fully. You are aware of those laws and regulations, the Arsenal Act, Defense Industrial Reserve Act, Army Regulation 700-90 and others. You know those better than I do.

But how are we doing in terms of keeping our arsenals fully, workloaded and fully busy?

Ms. HAMMACK. I would say they are very busy right now, but thank you for the question.

Our arsenals are very busy because we are engaged in two conflicts right now. As we bring our soldiers home and disengage, the load on the arsenals will reduce. Several of our arsenals are right now at three shifts, so they are operating on a 24/7 aspect. Our peacetime load is much closer to one shift, 5 days a week. So we will get closer to that.

Our arsenals are a critical resource to the military, to the Army, so we need to ensure that their capabilities remain and that investment in them remain.

We are looking at options to offer services that could be coupled more closely with the public sector. We are looking at some realign-

ments right now that might change their structure, not necessarily their location but their cost structure so that it would make them more competitive in the private sector.

Senator PRYOR. How would you do that, when you say to change their cost structure? What do you mean by that?

Ms. HAMMACK. Right now many of our arsenals are operating both the manufacturing portion and the garrison portion coupled very closely together. We have an installation management command that manages the garrison side of our installations and does that for more than 150 different installations.

INSTALLATION MANAGEMENT COMMAND'S MANAGEMENT OF ARSENALS

We are looking at decoupling the production aspect and having the installation management command manage the garrison side of the arsenal, and we believe that will focus what the costs are strictly for the production capabilities. Also, the first couple of ones we have looked at, and we are implementing this on a pilot basis, are showing cost savings because installation management command has contracting mechanisms that they can then leverage.

Senator PRYOR. And do you think that those cost savings are what you will find at most of these locations?

Ms. HAMMACK. We believe so. The final results are due in September.

Senator PRYOR. And what percentage of the arsenals in our system now are, I guess what you would call, fully work-loaded? I know it is an up tempo time, but do you know the answer?

Ms. HAMMACK. I would have to take it for the record, but I believe that most of them are fully utilized. The question right now is, as our up-tempo decreases, how they will be unloaded.

[The information follows:]

ARSENALS

For the two manufacturing arsenals, Rock Island Arsenal Joint Manufacturing and Technology Center (RIA) and Watervliet Arsenal (WVA), the percentages are approximately 81 percent for RIA and 52 percent for WVA. The chemical arsenal, Pine Bluff Arsenal, is presently workloaded at approximately 28 percent.

These percentages are against a full 40-hour work week, and do not take into account the added capacity with multiple shifts.

Ms. HAMMACK. One of the things to keep in mind is, many of our arsenals are engaged in resetting equipment as it comes out of the theater. So there will be a period of time where they will remain or they will lag the up tempo as they work to reset equipment.

Senator PRYOR. Right. And, of course, we have the Pine Bluff arsenal in Arkansas and they have just gone through the big chemical demilitarization process. And my understanding is, we have a lot of capability there now that is really not being utilized because of that change of mission. So we certainly would appreciate you all considering Pine Bluff as you look at arsenals and what our needs are in the future.

Let me ask—I guess this might be best for General Carpenter. And that is, on the Operational Reserve call-up concept. I met with Lieutenant General Stultz the other day, and we were talking about this and he was describing the desire for the Reserve components to amend title 10 to provide the Secretary of Defense the authority to involuntarily activate a limited number of selective Re-

serve personnel. And as I understand, that would allow for easier activation for validated, nonemergency DOD force generation requirements.

Is that something that the National Guard supports?

General CARPENTER. Senator, I think you know the history of this particular issue. I believe it was in 2007 there was part of the National Defense Authorization Act allowed for the mobilization and employment of the Army Reserve in emergency and disaster operations. And then at the request of the Governors, I believe that was reversed in 2008.

The feedback I get from the adjutant generals across the Nation, and as a result consistent with our Governors' wishes, is the Governor wants to remain responsible and in charge of what goes on in disaster and emergency operations inside of his or her State. And, right now, we, the National Guard, are working, in conjunction with the Council of Governors and U.S. Northern Command, on a process that has a critical, dual-status commander, a dual-hat commander, if you will, that represents both the title 10 forces and the title 32 forces.

And as we work through that process to establish that, the Governors, the ones that I know about, feel confident that when that is in place they would be inclined to support what General Stultz has in mind.

I believe—you know, I sit with General Stultz regularly as my counterpart in the Army National Guard and his position is, why would we call the 82nd Airborne when we have the engineer unit in Florida that is already there to take care of business? And they have done great work, Hurricane Katrina, for instance, as being an example.

Senator PRYOR. Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Hutchison.

EUROPEAN STATIONING

Senator HUTCHISON. Thank you. Thank you, Mr. Chairman.

I appreciate what you said, Secretary Hammack, about gauging the MILCON as you go based on these decisions that are going to be made. I have expressed, pretty publicly, that I am concerned that we have spent so much on MILCON in Germany, and then the announcement was made that we were going to reverse an earlier decision by the previous administration to leave two brigade combat teams in Germany instead of have three.

And I look at the Government Accountability Office (GAO) reports, the GAO said that when the decision was made to keep two and bring two home, that it would save millions. And they estimated that it would cost nearly \$2 billion more from fiscal years 2012–2021 to retain the two brigades in Europe than it would cost to return them to the United States.

The GAO also said that they were concerned about the lack of comprehensive cost data that the Army used when they were doing their theater posture plans. And they said that, of the \$17 billion obligated by the services to support installations in Europe from 2006–2009, approximately \$13 billion was for operations and maintenance (O&M).

So my question is, how do you factor in the added costs of new MILCON in Germany and the O&M costs on top of that when the GAO and others have said that you could save so much more by keeping with the original decision to bring the two brigade combat teams back and not doing that added MILCON and then keeping the O&M?

And I would ask either you or General Boozer.

Ms. HAMMACK. In Germany, in Europe, we have been working on consolidation, and we have been working to reduce our footprint. In the last 5 years, we have closed 91 sites and returned 23,000 acres to the German Government. Over the next 5 years, we plan to close 29 sites and return 7,000 acres to the German Government.

In doing so, some of the facilities that we are closing are aging facilities that cost a lot to operate and maintain and cost a lot to sustain. So, as we consolidate into the other facilities, by building new, it is reducing our costs for O&M in those facilities that we need to remain in.

Senator HUTCHISON. General, did you have something to add?

General BOOZER. Yes, ma'am, if I could, Senator?

Senator HUTCHISON. Yes.

General BOOZER. Thank you. Ma'am, I mean, you are correct, absolutely correct. It is more expensive to operate, build, maintain, and sustain a force in Europe versus back here in the United States. And Secretary Hammack pointed out some of the ways we have to try to mitigate that is through these consolidation and efficiency efforts that are still ongoing. U.S. Army Europe, now based on this most recent decision, will have to look, are there more efficiencies and more consolidations that can take place? Senator Kirk mentioned Bamberg and Schweinfurt, so clearly, U.S. Army Europe and the Army, the Department is going to have to look at that very, very closely to see if there is more efficiencies to be garnered.

There are some things that, even though more expensive, hard to put a price tag on of the benefits that are reaped by having a force over there. What the right size is, I think, is still under discussion, but the benefit of having a force there that can partner and build alliances and the training value that our soldiers get by operating in a multinational environment, are very hard to put a price tag on that.

Senator HUTCHISON. Well, General, let me just make a couple of points. Germany was supposed to be the lead for NATO early on for the security in Kabul. And they started backing out with restrictions on what they would do, rules of engagement that were limiting, and America has taken the giant lead, as we all know, in Afghanistan. Germany has said right away, right up front, they are doing nothing in Libya.

And so I think we do need to start looking at the overall importance of and effectiveness of these joint international training missions if in fact some of our allies participate and then sometimes they don't.

The other point that I would ask you about, and I would ask both of you, is that Germany is notorious for not making much of an effort for the building programs that we do in country. Germany's contribution has been about \$20 million per year of the overall \$1.4

billion that we have spent in Germany between 2006 and 2010. That is less than 10 percent.

And my question is, are you factoring those things in? And are you asking for more participation from Germany, such as, for instance, Japan does and even Korea is doing more now? Are we also making this case with Germany? And are we looking at a long term—whether, in fact, it is so much more expensive and maybe not as effective as we would like for it to be to have these operations there when our allies don't seem to be stepping up in the major theaters like Afghanistan, certainly nothing in Iraq from Germany.

How are you putting that all together? And are you asking for more of an effort? And are you looking at really carefully how much more we should be building in Germany, and then eventually turning back to the Germans, with very little effort on their part?

General BOOZER. Yes, Senator, thank you. Yes, that is a true statement. German host-nation contributions are absolutely lagging from other host nations like Japan and Korea.

I don't know how engaged we are in trying to turn that tide, but it is something that I would personally take on to see what else we can do. I think we need to ask, and I think we need to probably solicit the help of the State Department and our ambassadors there to help us in that endeavor.

So I absolutely concur.

Senator HUTCHISON. Well, thank you. I do appreciate that response. I do. And I appreciate that you will be looking, Madam Secretary, at whether we really do go forward with some of this MILCON when we look at the bigger picture of how many we are going to really have there and what is the effectiveness of it.

So I thank you for saying you will look at it and I hope that you will. Thank you.

Senator JOHNSON. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman. And thank you all for being here today.

NATIONAL GUARD READINESS CENTERS

I applaud the investment that is being made in the Army National Guard readiness centers. These centers provide the necessary support for the operational and ever-ready Guard and Reserve. We have had several new facilities in Nebraska, and I think that they are not limited to our State, but the Guard has, for a long time, been under-resourced in meeting those facility requirements.

I know, General Boozer, you mentioned about having a study that is going to be required. Can you talk a bit about how the Guard and Reserve facilities are prioritized when you have this report that you go through?

And I think, Madam Secretary, you made reference to it as well, how you are going to determine the facilities. Obviously, aging facilities are going to have one priority, but priorities may be for different reasons in different locations. Is there going to be a way to establish priorities, not simply on an aging basis?

I think we will start with you, Madam Secretary.

Ms. HAMMACK. Absolutely, and thank you for that question. Each command prioritizes where they need investment. So when it is all

brought together, we have a prioritized list from the Guard, we have a prioritized list from the Reserve, the regular Army, Army materiel command, et cetera, and we look at them all together based upon the critical nature of the requirements.

And as I said, we are launching into increased scrutiny of this to really look at condition of facilities. And some of the capacity things we might be looking at—less square foot for each function, but condition is where the focus of our MILCON will be.

And as I said, every project competes, and it competes based upon the requirements of that facility.

Senator NELSON. Well, in that regard, it could be that an aging facility is going to be less important to today and tomorrow and the needs beyond than, perhaps, a facility that is not as old, but needs to be modified to take into consideration the mission for that facility. So what I am getting at is, I know aging will be a factor, but you might move new facilities ahead of old facilities just on the basis of there is a higher need for them for mission.

Ms. HAMMACK. And mission is part of the process, and that is where the prioritization by the command comes from, looking at what their mission requirements are.

Senator NELSON. So it won't simply be by aging?

Ms. HAMMACK. No, but that is—and age isn't part of it, it is condition.

Senator NELSON. Well, condition.

Ms. HAMMACK. We have some very old facilities that are in excellent condition. But we have some newer facilities—there is a certain era where some of the facilities that were built were not of durability to last. So we have some newer facilities in worse condition than older facilities.

Senator NELSON. But condition alone will only be part of it because mission requirements would be equally or, in many cases, more important?

Ms. HAMMACK. Absolutely. Mission is the primary focus.

Senator NELSON. Okay.

General, anything you might like to add?

General BOOZER. Yes, Senator, thank you. The one thing I would add is that we do have this internal process in the Army where we look at the MILCON projects for all three components—Active, Guard, and Reserve—and we do look at quality, age, and we also look at quantity. So when we have deficits of certain facility types, whether it be Guard, Reserve, or MILCON, that plays in heavy as well in terms of are we meeting mission requirements.

Senator NELSON. Thank you, Mr. Chairman.

Senator JOHNSON. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman. And welcome to the panel.

FORT WAINWRIGHT, ALASKA

Secretary Hammack, a question for you. I know that you are familiar with the housing project on Fort Wainwright known as the Birchwood Homes, these are 400 unit, the 801 housing.

Back in May 2007, the Army allowed that these units be leased out to the public, and that out-lease ends then in May 2018. The 801 project developer as well as the Fairbanks North Star Borough

have requested that the Secretary consider an approval to extend that ground lease beyond the year 2018 so that the housing can continue to be made available to the military as well as the Fairbanks community. This is in a community where housing is an issue, particularly the four- and five-bedroom units. This is a big deal for us.

Back in October, the Alaska delegation wrote the Secretary, asking that the Army favorably consider that proposal to extend the ground lease. But then back in December, we received a response that the proposal had been rejected. And the comment made by the Secretary was that Fort Wainwright may need this land in the future for installation support facilities.

So the question this afternoon is whether or not the Army does have some kind of a plan, a definitive plan for developing the land where the Birchwood Homes projects sits.

And basically, we are trying to find a creative solution. And I know this is not news to you, but just seeking a little bit of input this afternoon as to how we can advance this in a way that is good for Fort Wainwright, good for the community, and really get to that win-win situation.

Ms. HAMMACK. Thank you very much for the question.

I was up there in August taking a look at this area. One of the challenges of Alaska, as I'm sure you know, is permafrost. And this area that these houses are built on is an area that is permafrost-free, which means it reduces the complexities with construction there.

So when we look at the entire base configuration, including the land on which those houses are located, that is one of the largest areas that the Army had set aside for future use. And when this lease expires, we do have intended use, we have plans and programs for that use of that area. So the developer is very well aware that it was a land that the Army needs, that it was a lease that had a termination date on it. And because of the characteristics of the land, that is land that the Army does need to support our soldiers in that area.

Senator MURKOWSKI. So there is, what you would consider to be, a definitive plan that is either under way or is on the books for after 2018?

Ms. HAMMACK. Yes.

Senator MURKOWSKI. Let me ask you, because you bring up the subject of permafrost and the fact that in Alaska, particularly up in the interior there, you have got a pretty short construction season. And with the situation that we have been in back here in Washington, DC, it makes for a pretty short construction season when in fact we are just now in the process of completing the work on our fiscal year 2011 MILCON appropriations bill.

So the question that I would pose to you this afternoon, and I understand you may have alluded to it in your opening, but how much groundwork have you been able to lay in anticipation that we were actually going to get our work done here so that you can get these new projects moving along? Are you going to be accelerating some of the contracting process? How are you going to deal with just a very consolidated time period that we have got?

Ms. HAMMACK. I appreciate your question and we had a meeting on this last week to look specifically at Alaska. Because right now there is \$300 million worth of contracts, projects that have been bid, that have been thoroughly scoped, and that are ready to award. And essentially, the contracts are written ready to award, but we can't obligate funds until we have a budget.

May 1 is really our definitive date. We have to have the contracts enacted and in place by May 1 in order for us to execute what we need to do out of the fiscal year 2011 budget.

Senator MURKOWSKI. So, are you anticipating that some of these projects may drop off if we are not able to do what we need to do prior to May 1?

Ms. HAMMACK. They would not drop off, they would have to be postponed. We would award the contracts. Some of them are at a 65-percent design level. And part of the contract is the final last touches on the design, finishes, and some of the other final fit-outs. So we would have to use some of that time period for other activities and be ready to then start the construction as soon as—

Senator MURKOWSKI. Do you have any sense—

Ms. HAMMACK [continuing]. The season starts.

Senator MURKOWSKI [continuing]. As to how many or perhaps what percentage might be in that deferred status?

Ms. HAMMACK. It is entirely dependent upon when we get that new start authority. And as I said, if we get that new start authority by May 1, we will be able to enact the plans that we have right now.

APPROPRIATIONS BILL

Senator MURKOWSKI. Well, that certainly goes to highlight one of the issues that we were talking about around here about the impact that the delay here in the Congress to these appropriations bills and how that actually translates on the ground. I think it has meaningful consequence and unfortunately, possibly negative consequence if we're looking at a lot of the deferrals. So hopefully that will get to you in a more timely manner.

Ms. HAMMACK. Well, the concern is, as bids age, we reach bid expiry dates. And, so far, many of our contractors have been willing to give us bid extensions. But if they age too much, then it has to be re-competed because the bids have expired, and then you are at risk of increased cost. So really, we encourage everyone to give us the new start authority so we can put your constituents to work.

Senator MURKOWSKI. I am hoping we do that today.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Tester.

Senator TESTER. I'm going to save all my fireworks for the Air Force.

ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. Thank you all for coming today, and thank you for your service to our Nation. We will look forward to working with you and your staffs this year. Will our second panel please be seated?

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

QUESTIONS SUBMITTED TO HON. KATHERINE HAMMACK

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

TRANSPORTATION IMPROVEMENTS/BASE REALIGNMENT AND CLOSURE MEDICAL FACILITIES

Question. The fiscal year 2011 Department of Defense (DOD) appropriations bill includes \$300 million for transportation improvements related to base realignment and closure (BRAC) medical facilities. Does the Army have a plan for this money that could be executed quickly?

Answer. The Army has identified road improvement projects related to BRAC medical facilities. The oversight of these funds however is with the Office of Economic Adjustment (OEA) from the Office the Secretary of the Defense (OSD). The Army is prepared to move forward with these projects once OEA has determined which projects will be funded.

Question. In addition to the traffic improvements needed at Bethesda and Fort Belvoir, are there any other medical facilities that would receive a portion of these funds?

Answer. The oversight of these funds is with the OEA from the OSD. The Army must work with OEA as they determine how the funds will be used.

Question. What specific road improvements needed at Fort Belvoir and Bethesda as a result of the new hospitals, and what is the projected cost to complete them?

Answer. The oversight of these funds is with the OEA from the OSD. The Army must work with OEA as they determine how the funds will be used.

Question. How much of the \$300 million will be used for traffic mitigation measures in the vicinity of Fort Belvoir and how much for Bethesda?

Answer. The oversight of these funds is with the OEA from the OSD. The Army must work with OEA as they determine how the funds will be used.

ARMY FORCE REDUCTION

Question. Secretary Hammack, Secretary Gates has announced a reduction of 27,000 in Active Army end strength by 2015. It is my understanding that the drawdown in forces will be contingent on troop withdrawals in Afghanistan and as part of an Army force structure review.

What impact will this anticipated drawdown have on the Army military construction (MILCON) program?

Answer. The Army continues to review and analyze future force structure and operational adjustments to meet the directed 27,000-reduction in the Army end strength beginning in 2015. This reduction is contingent on troop withdrawals in Afghanistan, which are expected to reduce significantly by the end of 2014. If the anticipated drawdown occurs, end strength reduction plan options will be developed and provided to Army leadership for decisions. Based on Army leadership decisions, the Army will adjust the MILCON program as necessary during the annual reconciliation of current construction requirement. No decisions have been made as to what type of units or what installations will be impacted.

Question. How is it that there is a discussion on reducing force strength when the Army has not completed the MILCON piece of the current Grow the Army (GTA) initiative?

Answer. The GTA initiative was a restructuring to the Army organization using the brigade as the centerpiece formation. The discussion on the 27,000-reduction in Army end strength is conditioned on projected reduction in demand for ground combat forces in Afghanistan, which is expected to be significantly reduced by the end of 2014. Assuming these conditions, an implementing plan will be developed and a set of options presented to Army senior leadership for decisions. However, at this point in time, no decisions have been made as to the type of units or installations that will be affected. As the Army's end strength is reduced, we expect that the impacts to the MILCON program will be minimal and that decrements and adjustments to the MILCON program will be addressed upon the conclusion of this year's Total Army Analysis.

Question. Are there additional GTA MILCON requirements beyond 2012?

Answer. There are three GTA MILCON projects currently programmed for fiscal year 2013. The projects appear in the fiscal year 2012 President's budget Future Years Defense Program.

[Dollars in thousands]

| Location | Description | Estimated cost |
|--------------------|---|----------------|
| Fort Carson | Addition/Alteration to Preventive Medicine Facility | \$5,700 |
| Fort Stewart | Digital Multipurpose Training Range | 17,000 |
| Fort Drum | Soldier Specialty Care Clinic | 22,000 |

These are the final Army GTA MILCON requirements.

ARMY EFFICIENCIES

Question. Secretary Hammack, the Secretary's efficiencies announcement included a \$1.4 billion reduction in Army MILCON over the next 5 years. This included the elimination of \$200 million in projects from the fiscal year 2012 request. However, you indicated in your written statement that the Army will be reviewing these decisions and will reserve the right to put projects back into future MILCON budgets.

When will the Army begin this review?

Answer. The Army reviews requirements on a continual basis. The Future Year Defense Program is developed and refined each year based on senior leader initiatives and priorities. The majority of the deferred projects (\$1.4 billion reduction) supported quality-of-life, force projection, operational, and training range requirements. These projects may compete for funding to be included in future MILCON budgets based on current need and senior leader initiatives.

Question. If some of the deferred projects need to be added back into the MILCON program, will the Army offer offsets to maintain the \$1.4 billion in efficiencies?

Answer. Yes, the Army will offer offsets to maintain the \$1.4 billion reduction in the Army's Military Construction Program.

QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

LAND ACQUISITION EFFORTS AT FORT POLK

Question. Regarding the land acquisition efforts at Fort Polk, I understand the company rejected the first two offers for the initial parcel of land. I have also been informed the local leadership, including one of the local mayors and a police jury president, has reached out to the landowner in an effort to move the process forward. What is the status of the negotiation with that company?

Answer. The Army Corps of Engineers (COE), Fort Worth District, Chief of Real Estate provided an initial written offer with maps and engaged in discussion with a local company official in Shreveport, Louisiana to purchase the initial tract of land. The local company official declined to make a counter offer or proceed with negotiations. To encourage company officials to reconsider, a second offer letter was elevated to the company's principle business office in Boston, Massachusetts. Company officials are reviewing the offer and possible sale to the Government. We expect an update from the company mid- to late May 2011. To date no counter offer has been received and negotiations are not yet complete.

Local and State representatives met with a company representative to emphasize the land acquisition's importance and Fort Polk's significance within Louisiana.

All land negotiations are conducted by Government officials in accordance with the Uniform Relocation Act at 42 U.S.C. 4601, et. seq.

Question. Have you spoken/engaged with the local leadership to inquire about their knowledge of the landowner and his/her asking price?

Answer. There has been no direct dialogue between the COE's Fort Worth District, Chief of Real Estate, and local leadership to inquire about the landowner's asking price. In accordance with the Uniform Relocation Act, the Government offered market value for purchase of land. This value is not shared or made public with any party other than with the landowner involved. The COE is waiting on feedback to our offer directly from the landowner's corporate representative. To date, the COE has no knowledge that the landowner has stated an asking price. Instead, our understanding is that the landowner is assessing if a sale is in their best interest or even possible from their standpoint.

Question. What is the plan for bringing the current landowner to the table for continued negotiations?

Answer. The landowner has not rejected the Government's offer and continues to be involved with negotiations. When/if a counter offer is received from the landowner, those terms will be evaluated and negotiations will continue and possibly conclude with a purchase through a signed offer-to-sell and closing. However, if negotiations for purchase ultimately fail, the Army will have to re-evaluate training requirements and the land acquisition effort.

Question. Would you please tell me the lead from the installation command who is working with the COE in the negotiations? As the Army continues with the Fort Polk land acquisition, I want to ensure we keep the right folks informed and to be of assistance where possible.

Answer. The installation management command lead is the Fort Polk Directorate of Public Works.

Question. Can you provide me a detailed list of the money that is currently available for use to acquire the additional acreage in question around Fort Polk, Louisiana?

Answer. The list of money appropriated and programmed to acquire the additional acreage at Fort Polk is as follows:

- \$17 million military construction (MILCON) dollars have been appropriated for project number (PN) 74406 in fiscal year 2010;
- \$30 million MILCON dollars have been appropriated for PNs 66194 and 72676 in fiscal year 2011, \$6 million and \$24 million, respectively;
- \$27 million MILCON dollars are being requested in fiscal year 2012 for PN 66195; and
- \$30 million MILCON dollars are planned for PN 66196 in fiscal year 2013.

Question. Also, please detail when these different pots of money were appropriated to the Army, for what purpose, and in what account?

Answer. Currently, only Military Construction, Army dollars have been appropriated for land acquisition at Fort Polk. These dollars were appropriated as follows:

- one project for \$17 million in fiscal year 2010;
- two projects for \$30 million in fiscal year 2011;
- one project for \$27 million has been requested in fiscal year 2012; and
- one project for \$30 million is planned in fiscal year 2013.

Question. Also if any of these monies are at risk in the Army's overall budgeting process. I see this as an important project for the Army's training and recap efforts and want to provide the right amount of oversight to protect these appropriations.

Answer. The Army does not currently see these dollars at risk. It is important to note that although land acquisition funds are requested as MILCON projects, in truth they have little in common with traditional facility construction projects. For example, they tend to have slower execution timetables, which are dependent upon having all of the funds on hand to conclude a negotiation in good faith with landowner(s). The Army would urge patience and caution when analyzing unobligated balances in the Military Construction, Army account, as unobligated balances in land acquisition programs deserve to be treated differently than regular construction projects.

Question. The Army has indicated that the privatized family housing has been given the go-ahead to build roughly 192 additional units on Fort Polk. Will these be houses that are refurbished from existing units or will they be newly constructed units?

Answer. The current family housing deficit at Fort Polk is 192 units. Of that deficit, the project will construct 112 new units. The remaining 80 units will likely be addressed via a variety of methods—i.e., home purchases, soldiers choosing not to bring their families to Fort Polk, or soldiers residing outside the defined commute area.

Question. And what is the time frame for completion?

Answer. All 112 of the new homes will be constructed by March 2014.

Question. I am encouraged to hear that Fort Polk was selected as participant in the Army's Net Zero Waste Program. What are the necessary steps that we (local, State, and Federal leaders) can take to make the Net Zero Waste Initiative a successful program in and around Fort Polk?

Answer. Fort Polk is working with more than 70 local community partners to establish long-term goals and identify opportunities to improve sustainable practices. Local mayors, the Louisiana Economic Development Agency, and industry are very proactive and support establishing a regional recycling program. Continued partnerships among the Army, local community groups, and other key stakeholders are critical in meeting the Net Zero Waste goal at Fort Polk.

Question. Are there any steps that would help make this initiative viable for the long term?

Answer. The continued collaboration between Fort Polk and local community stakeholders to address regional waste reduction will ensure that the Net Zero Waste initiative is viable into the future. A regional recycling facility will reduce the total volume of waste that has to be disposed of in local landfills, directly assisting both Fort Polk and the local communities to achieve sustainable goals.

Question. Are there any public-private partnership opportunities?

Answer. No, family housing was privatized in September 2004, lodging was privatized in August 2009, and there are no additional privatization opportunities being considered at this time.

Question. The soldiers and the families of Fort Polk deserve quality housing. The first six renovated barracks are receiving very positive reviews from the soldiers and their leaders. Would you provide me with a detailed time frame for the proposed completion of the remaining barracks that are slated for renovation?

Answer. The Army has engaged in a long-term initiative, the Barracks Modernization Program, to improve living conditions for soldiers residing in permanent party barracks at all Army installations. Fort Polk has an inventory of 4,920 spaces in 33 barracks buildings for permanent party single soldiers in the ranks of private through sergeant. The sustainment, restoration, and modernization (SRM) funded fiscal year 2008–2009 projects to renovate 16 barracks buildings and four central energy plants are scheduled to be completed by February 2013. The Army is planning on renovating six more barracks buildings with SRM funding in 2011 with completion scheduled for 2013. Ten more barracks buildings are planned for renovation through SRM-funded projects in fiscal year 2012. These renovations are estimated to be completed by fiscal year 2014.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

HEAVY BRIGADE COMBAT TEAM

Question. Secretary Hammack, the Department of Defense announced on Friday, April 8, that the Army will be re-deploying one heavy brigade combat team (BCT) from Germany to the United States, although it is not yet determined which BCT will be redeployed and the move would not occur until 2015. As you are aware, there are only two heavy BCTs in Europe, the 170th infantry brigade in Baumholder and the 172nd infantry brigade in Grafenwoehr. How will the Army determine which BCT will be redeployed and what installation in the United States the BCT will be re-deployed to?

Answer. The Department of Defense recently announced that it will retain three BCTs in Europe to maintain a flexible and rapidly deployable ground force to fulfill the United States' commitments to NATO, to engage effectively with allies and partners, and to meet the broad range of 21st century challenges. In addition, the Secretary of Defense announced plans to reduce the Active component Army end strength by 27,000 soldiers beginning in 2015. In light of these announcements, the Army is conducting a thorough analysis to determine the overall makeup of the force. Any BCT stationing decisions will be addressed, along with other force structure actions, at the conclusion of this year's Total Army Analysis.

Question. Secretary Hammack, on January 11 when Secretary Gates made his announcement about efficiency initiatives that the Department was looking to implement, he mentioned that in an effort to save \$6 billion the Army's permanent Active Duty end strength would be reduced by 27,000 troops starting in 2015. Is it your assessment that the BCT scheduled to be redeployed from Germany could be impacted by these troop cuts?

Answer. No decision has been made as to what types of units or what installations will be impacted by the Secretary of Defense announcement to reduce the Active component by 27,000 soldiers. The Army is conducting a thorough analysis to determine the unit and stationing implications associated with this end strength reduction.

QUESTION SUBMITTED BY SENATOR MITCH MCCONNELL

THE BLUE GRASS ARMY DEPOT

Question. The Blue Grass Army Depot (BGAD) industrial operations, specifically the mine resistant ambush protected (MRAP) and chemical defense equipment (CDE) operations, are important missions that support the combat fighters. What

is the Department of Defense's plan for these two critical functions, for the overall future workload at BGAD in this vein and for the relevant work force at BGAD?

Answer. Thank you for recognizing the importance of our mission at BGAD. I will address your MRAP question first. The Joint Program Management Office for MRAPs is currently storing MRAP kits and raw materials at BGAD on a year-by-year basis as needed. In fiscal year 2011 we will provide approximately \$500,000 to fund storage operations, to date \$250,000 has already been provided. We anticipate the same level of funding in fiscal year 2012. The plan for the CDE mission at BGAD is to execute the same level of funding in fiscal year 2012 that was executed in fiscal year 2011—\$2.4 million. BGAD possesses a unique stock, store, and distribution system that has the capability to manage shelf life items. There are more than 400 CDE items that require intensive shelf life management.

QUESTION SUBMITTED BY SENATOR ROY BLUNT

LAND ACQUISITION EFFORTS AT FORT POLK

Question. Can you please provide an accounting of the actions being taken by the Army to expeditiously repair and replace housing and training facilities damaged or destroyed by the tornadoes that affected Fort Leonard Wood in February?

Answer. The installation management command has validated a cost estimate of \$19 million in sustainment, restoration, and modernization and base operations support costs as a result of the tornado damage. Currently, the installation has completed 65 projects; 53 projects are under construction; and 15 projects are in the design phase and contracting phase. Fort Leonard Wood has completed 85 percent of the installation cleanup. Operations and training at Fort Leonard Wood are normal; the installation has provided workarounds until all repairs/replacements are made to facilities, ranges, and training areas so no training or normal operations are hindered.

Fort Leonard Wood had/has surplus housing and the tornado did not adversely impact the supply of housing. Prior to the tornado, Fort Leonard Wood was drawing down from 2,242 homes to an end state of 1,806 homes and that plan remains the same. The project will replace all 40 destroyed homes with new construction and build an additional 100 new homes with \$15.75 million in Grow the Army funds previously transferred to the Family Housing Improvement Fund for privatization initiatives.

Construction is anticipated to begin July 1, 2011. All of the damaged homes will be repaired with insurance proceeds—final estimates are still pending.

QUESTIONS SUBMITTED TO GENERAL JAMES BOOZER

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

BRIGADE COMBAT TEAM ANNOUNCEMENT

Question. General Boozer, on Friday, the Department of Defense announced its intent to revise force posture in Europe. As part of that announcement, the Department intends to retain three brigade combat teams (BCTs) in Europe instead of four.

Will the fourth BCT be re-stationed in the United States or is there a possibility that it will be deactivated?

Answer. A decision has not yet been made regarding the heavy brigade. The Army continues to anticipate increased budget pressures which will require that it evaluate force capabilities and structure. The required Active component end strength reduction may impact all installations across the force. A stationing decision for the BCTs and other force structure actions, to include end strength reductions, will be addressed at the conclusion of this year's Total Army Analysis.

Question. How will this decision impact Army bases at Bamberg and Schweinfurt in Germany?

Answer. Future impact to the Army bases at Bamberg and Schweinfurt, to include the locations for the three BCTs to remain in Europe, will be determined at the conclusion of the this year's Total Army Analysis.

Question. Is the Army end strength reduction linked to the reduction of one BCT in Germany?

Answer. The disposition of BCTs in Europe was pending NATO's strategic concept and U.S. defense posture. To date, no decisions have been made as to what types of units or what installations will be impacted by the Secretary of Defense an-

nouncement. The Army will develop its plan to adjust force structure to meet the 27,000 end strength reduction, and a set of options will be presented to Army senior leadership for decision.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BARRACKS FACILITIES IN GRAFENWOEHR

Question. General Boozer, the Army requested \$75.5 million in fiscal year 2011 for construction of new barracks facilities in Grafenwoehr, home of the 172nd heavy brigade combat team (BCT), and for fiscal year 2012 the Army is requesting \$38 million in new military construction (MILCON) projects for a new barracks facility, chapel, and convoy live fire range. Why is the Army requesting more than \$100 million for new construction in Grafenwoehr if the 172nd BCT could potentially be re-deployed to the United States?

Answer. All of the MILCON projects requested in Germany for fiscal year 2011 and fiscal year 2012, including the projects at Grafenwoehr, have validated requirements that would still exist regardless of whether the 172nd heavy BCT is, or is not, selected to depart from Europe. The Army's construction request in Europe was specifically planned to be neutral on BCT stationing, given that no decision on force posture in Europe had been made at the time the budget was developed.

BRIGADE COMBAT TEAM COMPLEX AT FORT BLISS

Question. General Boozer, as you are aware the American taxpayers have spent more than \$437 million to build a brand new BCT complex at Fort Bliss. If the decision is made not to re-deploy a heavy BCT to Fort Bliss, what will become of this brand new facility?

Answer. The Army asserted in its gap analysis that the 48th BCT MILCON would be required to support population increases as well as to address facility requirements related to the activation of the 212th fires brigade (fourth quarter fiscal year 2011), the re-stationing of the 15th sustainment brigade (second quarter fiscal year 2011), and the pending increased mission requirements pertaining to the Army Evaluation Task Force, effective second quarter fiscal year 2011. The current Fort Bliss Facility Synchronization Plan includes:

212th Fires Brigade.—Re-stationing to Fort Bliss (fourth quarter fiscal year 2011), and is scheduled to occupy its phase 1/recently completed MILCON, as well as a portion of the BCT No. 48 complex (supporting its requirement for two tactical equipment maintenance facilities and six company operation facilities).

15th Sustainment Brigade (Headquarters and Headquarters Company Only).—Relocated from Fort Hood in second quarter fiscal year 2011, moving into a portion of the BCT No. 48 complex.

Division Special Troop Units.—Expected activation date of third quarter fiscal year 2011, with planned facility support to include legacy facilities, relocatables, and a portion of the 48th BCT complex, once completed third quarter fiscal year 2011.

Army Evaluation Task Force.—Currently resides in legacy facilities on main post. Pending senior leadership review and approval, the Army Evaluation Task Force could conduct a phased movement of its mission operation and personnel to the 2/1AD BCT complex.

Although the decision to remove one brigade from Europe by 2015 was announced, the Army has yet to determine which one of the four brigades will be removed from Europe, has not determined if it will relocate to the United States, nor has any decision been made on its final location. However, should a BCT be returned to Fort Bliss, additional MILCON will be required to support its relocation.

QUESTIONS SUBMITTED TO GENERAL RAYMOND CARPENTER

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

LACK OF EARMARKS/PLUS-UPS

Question. In past years, the Congress has made it a priority to provide additional military construction (MILCON) funding for the Army Guard and Army Reserve in the form of earmarks and plus-ups to account top-lines.

General Carpenter, with the increased reliance on the National Guard for operational mission support, and the overwhelming need to improve Guard facilities for

training, can the Guard realistically meet its MILCON requirements without help from the Congress through earmarks?

Answer. The President's budget does not assume the receipt of earmarks, and our internal processes are based on mission-related requirements. Earmarks have, in the past, addressed the replacement and maintenance of legacy facilities and meeting mission requirements. The President's budget request provides distribution of MILCON resources within established priorities of the Army.

Question. What impact will the current ban on earmarks have on the Guard MILCON program?

Answer. The internal process for selecting MILCON projects in the President's Budget is based on mission related requirements and does not assume the receipt of earmarks. This selection process will not change if earmarks are not received. The President's budget request provides distribution of resources within established priorities of the Army and identifies the Army National Guard's level of funding for the Military Construction, Army National Guard program.

QUESTIONS SUBMITTED TO MR. JAMES SNYDER

QUESTION SUBMITTED BY SENATOR TIM JOHNSON

LACK OF EARMARKS/PLUS-UPS

Question. Same question to you, Mr. Snyder—what impact will the earmark ban have on the Army Reserve's ability to meet its military construction (MILCON) requirements?

Answer. The earmark ban will have a minimal impact on the Military Construction, Army Reserve program. The President's budget request provides an equitable distribution of resources within the established priorities of the Army and provides the Army Reserve with \$281 million for the Military Construction, Army Reserve program. However, as with the Active component and the National Guard funding, the Army Reserve funding is currently not sufficient to address all of the Army Reserve requirements to include modernizing our legacy facilities and upgrading our facilities to meet current operational training standards.

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

ARMY STRONG COMMUNITY CENTER

Question. The Army Strong Community Center (ASCC) is an element of the Army Reserve virtual installation that was created to fill gaps in services and to support geographically dispersed service members, retirees, veterans, and their families. There are currently four pilot sites:

- Rochester, New York;
- Brevard, North Carolina;
- Coraopolis, Pennsylvania; and
- Oregon City, Oregon.

I understand a new ASCC recently opened in Oregon. Can you talk briefly about how this program works and the future expansion of the project?

Answer. ASCCs are an element of the Army Reserve Virtual Installation Program created to fill in gaps in services, and support geographically dispersed soldiers, retirees, veterans, and their families. The ASCCs provide responsive support through a personal touch by trained, qualified, and skilled staff. They combine military and community resources to provide, virtually, the same level access to support that soldiers and families would expect from a military installation.

Soldiers and families need responsive services near where they live, and should not be required to drive great distances to Active component installations. The ASCCs connect soldiers and families with services that exist in the community, and provide them directly via personal touch, to obtain resolution. The ASCCs also build community-based capacity and foster effective Federal, State, and local partnerships. Through these efforts, initiatives are built and strengthened, while partnerships are fostered, and services coordinated to support the strength, resilience, and readiness of soldiers and their families. There are currently four pilot ASCCs in operation:

- Rochester, New York;
- Brevard, North Carolina;
- Coraopolis, Pennsylvania; and
- Oregon City, Oregon.

As each pilot ASCC opens, Army Reserve Family Programs conducts analysis of their usage, types of issues resolved, and the demographics served in order to ensure proper selection of new pilot sites, services offered, and staffing. Plans for a total of six pilot sites, in both rural and urban areas, in partnership with Federal, State, and local agencies, are in motion.

Question. As you know, Arkansas has many rural areas and a significant number of Reserve members. I read there are four locations to be added throughout the year. What criteria do you look at when deciding where to open the centers?

Answer. Army Reserve Family Programs conducts market research and analysis of the areas throughout the country to determine the Army Reserve's ability to partner with local community and other organizations to create a network to assist Army Reserve soldiers and families.

ASCCs build community capacity and foster effective partnerships with Federal, State, and community agencies, as well as with veterans' and social service organizations. We are looking for opportunities to partner with community colleges, Veterans' Affairs centers, and other cost-effective locations.

Prior to opening a pilot ASCC the criteria used to determine each site includes the below elements:

- Army Reserve soldier and veteran population within 50-mile radius.
- Installation Army community services, Navy family services, Air Force Family Service Centers, and National Guard Family Assistance Centers within 50-mile radius.
- Facilities with easy access for soldiers and families, space for parking, office suite that has private office space, comfortable waiting area for adults and children, Internet, and e-mail capability, controlled access, and safety features.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF HON. TERRY A. YONKERS, ASSISTANT SECRETARY OF
THE AIR FORCE (INSTALLATIONS, ENVIRONMENT AND LOGIS-
TICS)

ACCOMPANIED BY:

MAJOR GENERAL TIMOTHY A. BYERS, CIVIL ENGINEER, UNITED
STATES AIR FORCE

MAJOR GENERAL WILLIAM H. ETTER, DEPUTY DIRECTOR, AIR NA-
TIONAL GUARD

MAJOR GENERAL JAMES F. JACKSON, DEPUTY CHIEF, UNITED
STATES AIR FORCE RESERVE

Senator JOHNSON. I am pleased to welcome our second panel of witnesses. The Hon. Terry A. Yonkers, Assistant Secretary of the Air Force; Major General Timothy A. Byers, the Air Force Civil Engineer; Major General William H. Etter, Deputy Director of the Air Guard; and Major General James F. Jackson, Deputy Chief of the Air Force Reserve.

This year's military construction (MILCON) budget for the Air Force is \$1.4 billion, which is \$97 million more than last year's request.

I am pleased to see that the Air Force Reserve request is more than triple the fiscal year 2011 request, which funded only one project. But I note that the Air Guard's request is 40 percent lower than last year's request.

I continue to believe that more needs to be done to address the backlog of MILCON requirements for Guard and Reserve forces, and I am interested in your thoughts on the impact that a moratorium on earmarks will have on the Reserve's forces.

As I said at last week's hearing, I recognize that there are hard choices we must make in these difficult economic times. But we must not shortchange our Reserve forces at a time when their resources and manpower are already stretched thin.

Again, thank you for coming. We look forward to your testimony.

Mr. Secretary, I understand that you will be offering the only opening statement. Your full statement will be entered into the record, so I encourage you to summarize it to leave more time for questions.

Please proceed.

SUMMARY STATEMENT OF HON. TERRY A. YONKERS

Mr. YONKERS. Thank you, Mr. Chairman, Senator Kirk, and distinguished members of the subcommittee.

I want to thank you for allowing us to be here today to talk to the subcommittee about our MILCON, housing, base realignment, and other programs within the jurisdiction of this subcommittee. Again, thank you very much for the continued strong support that you have provided to our Air Force over the years.

As you mentioned, sir, today I am joined by the Civil Engineer of the Air Force, General Tim Byers, Deputy Director of the Air National Guard, General William Etter, as well as the Deputy Chief of Air Force Reserve, General Jim Jackson.

I would like to put in a pitch, as you heard from Secretary Hammack, about the continuing resolution, and it is the criticality of getting this fiscal year 2011 appropriations bill passed. We right now have about \$650 million worth of MILCON that is on hold in the same status as the Army with regards to ready to go designs, ready to be contracted for, but they are on hold because of the green light to proceed with new MILCON starts. That constitutes just about one-half of our MILCON projects for this year.

A right-sized and efficient infrastructure is essential to enabling our total Air Force and airmen to perform their duties, while ensuring responsible stewardship of the fiscal resources we are entrusted with. Our fiscal year 2012 President's budget request contains \$2 billion for MILCON, family housing, and base realignment and closure (BRAC).

The \$1.4 billion MILCON request, as you mentioned, sir, ensures new construction is aligned with our weapon system deliveries and strategic basing initiatives, and keeps us on track to eliminate inadequate housing for unaccompanied airmen by the year 2017.

The \$1.4 billion MILCON request includes \$147 million to continue supporting Guam Strike and the beddown of the persistent missions at Andersen Air Force Base, Guam, that include the fighters, the bombers, the tankers, and the intelligence, surveillance, and reconnaissance platforms that we will have there. Guam Strike provides the air power vital to the U.S. Pacific Command's theater's engagement plan. And we continue to work through the Office of the Secretary of Defense-established Joint Guam Program Office, who ensures all the services' requirements are planned collaboratively for maximum effectiveness, efficiency, and synergy at Guam.

The Air Force is well on its way to privatize the 52,500 houses on all of our bases in the continental United States by the year 2012. To date, we have provided more than 1,500 new homes, 8,000 renovated homes for our airmen through housing privatization at 44 bases in 27 projects across the country.

This would not have been possible without our private sector partners who have allowed us to do \$6.5 billion worth of development for an Air Force investment of \$423 million. That is a 15-to-1 exchange and leverage.

There are six privatized housing projects yet to be done—Southern Group, Joint Base Elmendorf-Richardson, the Western Group, the Continental Group, Air Combat Command Group III, and the Northern Group—that remain and will provide upgraded houses at 19 installations. The final project, the Northern Group, sir, which I know you are familiar with, is scheduled to close January 2012.

Our efforts to provide quality housing for airmen and their families also includes nearly \$500 million to sustain and modernize overseas housing and support housing privatization in the continental United States.

As far as BRAC 2005 is concerned, the Air Force is on track to fully implement all of the statutory requirements required of us by

the BRAC 2005 legislation. And we are fully funded at the \$3.8 billion that has already been authorized.

Housing for our unaccompanied airmen remains a top priority for us. Our fiscal year 2012 budget request includes seven new construction dormitory projects that total \$190 million.

This investment keeps us on track to meet our 2017 goal to provide adequate dormitories for all our unaccompanied airmen.

We are also supporting our partners at the Joint Base Elmendorf, Alaska; Joint Base San Antonio, Texas; and Joint Base Langley-Eustis in Virginia with a construction of three more dormitories worth \$190 million. These projects represent the last of the joint base MILCON funds transferred to the Air Force.

Let me shift gears just a little and talk about environmental and some of the efficiencies that we are looking at within the portfolio of Installations, Environment and Logistics.

Earlier this year, I signed out a policy that refocuses our environmental restoration efforts. The policy moves us much closer to completing cleanups of contaminated sites by leveraging available technologies and industry innovation through such contracting mechanisms as performance-based contracts.

We have established some new goals to get to the end point much sooner than we are scheduled to do prior. For example, we are looking at accelerating the completion of sites of 75 percent of our Active bases by the year 2015, and for our BRAC sites, 90 percent by the same time frame.

Our Air Force installations, renewable energy is a key pillar to our goal for increasing energy supply. Increasing energy efficiency is central to addressing our goal of reducing the energy demand.

In fiscal year 2010, the Air Force funded 100 percent of our eligible MILCON projects to meet the LEED Silver standards. We have designed all new buildings since 2007 to be at least 30 percent more energy-efficient. Within the Federal Government, the Air Force is also a leader in renewable energy use with 6.4 percent of our electricity coming from renewables to date. Last year, we had 85 renewable energy projects on our bases that produced more than 34 megawatts of power and we expect to have 1,000 megawatts of renewable power in production within the next couple of years.

The budget request and efficiencies described here represent only a small sample of the efforts to meet our responsibilities to our airmen and to the Nation. While these are certainly challenging times for everyone, sir, and you have said it, the Air Force remains committed to fulfilling its obligation to fly, fight, and win as never before.

PREPARED STATEMENT

Chairman Johnson, Senator Kirk, and distinguished members of the subcommittee, it is really an honor again to be here today and thank you for your continued support. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. TERRY A. YONKERS

INTRODUCTION

The United States faces diverse and complex security challenges that require a range of agile and flexible capabilities. From the ongoing conflicts in Afghanistan and Iraq, to potential confrontation with aggressive State and non-State actors, to providing humanitarian assistance, the Air Force continues to provide capabilities across the range of potential military operations. As part of this effort, we must ensure that we have right-sized and efficient infrastructure that enables our most valuable resource, our total force airmen, to perform their duties, while ensuring responsible stewardship of fiscal resources. To maximize our contributions to the joint team, we structured our resource choices by balancing them across the near- and long-term.

Over the last year, the Air Force has striven to deliver our trademark effectiveness in the most efficient way possible. We are focused on five priorities, which serve as a framework for this testimony:

- Continue to strengthen the nuclear enterprise;
- Partner with the joint and coalition team to win today's fight;
- Develop and care for our airmen and their families;
- Modernize our air, space and cyberspace inventories, organizations, and training; and
- Recapture acquisition excellence.

OVERVIEW

Our fiscal year 2012 President's budget request contains \$2 billion for military construction (MILCON), military family housing, and base realignment and closure (BRAC). The \$1.4 billion MILCON request represents an increase of \$97 million more than fiscal year 2011, allowing us to invest in the top priorities of the Air Force and our combatant commanders, even in a fiscally constrained environment. This request also ensures new construction is aligned with weapon system deliveries and strategic basing initiatives. In addition, we continue our efforts to provide quality housing for airmen and their families by dedicating nearly \$500 million to sustaining and modernizing overseas housing, and supporting housing privatization in the continental United States. Our unaccompanied airmen remain a top priority; we request \$190 million to invest in dormitories, keeping us on track to meet our goal of eliminating inadequate housing for unaccompanied airmen by 2017. Finally, we also request \$124 million to continue completing our legacy BRAC programs and environmental clean-up.

In the course of building the fiscal year 2012 budget request, we applied asset management principles to ensure maximum efficiency without compromising the effectiveness of our installation weapons systems, the platforms from which we fly and fight. This was accomplished through the judicious funding of our sustainment priorities (for example, spending money in the right place at the right time to keep our good facilities good) and using MILCON to recapitalize existing facilities first, as a preferred alternative to growing our footprint.

CONTINUE TO STRENGTHEN THE NUCLEAR ENTERPRISE

Since its inception, the Air Force has served as a proud and disciplined steward of a large portion of the Nation's nuclear arsenal. We steadfastly secure and sustain these nuclear weapons to deter potential adversaries and to assure our partners that we are a reliable force providing global stability. Reinvigorating stewardship, accountability, compliance, and precision within the nuclear enterprise remains the Air Force's No. 1 priority. While we have made progress in this area, we have taken additional steps in the fiscal year 2012 budget to continue to strengthen and improve this core function.

Air Force Global Strike Command achieved full operational capability on September 30, 2010, moving all Air Force nuclear-capable bombers and intercontinental ballistic missiles under one command. In addition to ensuring that our organizations and human resource plans support this mission, we are also concentrating on the infrastructure and facilities that are crucial to our success. Air Force civil engineers have conducted enterprise-wide facility assessments and understand that a significant portion of the existing infrastructure will require modernization or complete replacement in the years ahead. Our fiscal year 2012 budget request begins to address these issues with \$75.6 million in MILCON for the nuclear enterprise, including a B-52 maintenance dock at Minot Air Force Base, North Dakota, and an addition to the Air Force Nuclear Weapons Center at Kirtland Air Force Base, New Mexico.

These and similar projects in the years to come will ensure maximum effectiveness for the Air Force's most important mission.

PARTNER WITH THE JOINT AND COALITION TEAM TO WIN TODAY'S FIGHT

Our Air Force continues to project air, space, and cyber power to great effect in our conflicts in Afghanistan and Iraq, and our men and women make incredible contributions every day. We currently have more than 33,000 airmen deployed, including nearly 2,300 Air Force civil engineers. Nearly one-half of these engineers are filling joint expeditionary taskings, serving shoulder-to-shoulder with our soldier, sailor, and marine teammates. Due to their wide array of skills, our Air Force rapid engineer deployable heavy operational and repair squadron engineers (RED HORSE) and our prime base engineer emergency force (Prime BEEF) personnel are in high demand in several theaters of operation.

In addition to the contributions and sacrifices of our airmen, our fiscal year 2012 budget request invests \$366 million in projects that directly contribute to today's fight. Examples include the following:

Projects Supporting Our Combatant Commanders That Will Greatly Enhance Ongoing Operations.—These include the recapitalization of headquarters, United States Strategic Command at Offutt Air Force Base, Nebraska and a new air freight terminal complex at Andersen Air Force Base, Guam.

New Facilities for Operations and Mission Support.—A new air support operations facility at Fort Riley, Kansas will further our efforts to support joint terminal attack control specialists as they partner with ground forces to integrate airpower in Iraq and Afghanistan. Additionally, we are strengthening communications capabilities of combatant commanders with a satellite communications relay in Sigonella, Italy, and a communications and network control center at Nellis Air Force Base, Nevada.

Improvements at Andersen Air Force Base, Guam.—Three projects continue to support the Guam Strike initiative, consolidating operational capability for fighter and bomber operations at the base.

DEVELOP AND CARE FOR AIRMEN AND THEIR FAMILIES

The all-volunteer force provides the foundation for our flexibility and agility. Our fiscal year 2012 budget request reflects a commitment to providing first-class housing, while focusing on training and education, and striving to improve the overall quality of life for our airmen and their families.

The best airmen in the world deserve the best facilities in the world, and our fiscal year 2012 budget request supports that goal. We aim to build upon the foundation laid during the Year of the Air Force Family, and utilize new data such as our 2010 Dormitory Master Plan to ensure we effectively allocate taxpayer dollars to our most pressing requirements.

Billeting

We continue our efforts to provide quality housing for our airmen deployed to the U.S. Central Command theater with the fourth phase of the Blatchford-Preston Complex at Al Udeid Air Base, Qatar. This \$37 million project will build two dormitories, raising the billeting capacity there to 3,332 rooms.

Dormitories

Housing for our unaccompanied airmen remains a top priority, and our Dormitory Master Plan provides valuable insight into how to maximize the impact of our investment. Our fiscal year 2012 budget request includes seven dormitory projects totaling \$190 million. These include dorms at:

- Travis Air Force Base, California;
- Osan Air Base, Korea;
- Eielson Air Force Base, Alaska;
- Minot Air Force Base, North Dakota;
- Ramstein Air Base, Germany;
- Thule Air Base, Greenland; and
- Cannon Air Force Base, New Mexico.

This investment keeps us on track to meet our 2017 goal to provide adequate housing for all unaccompanied airmen. We are also supporting our partners at Joint Base Elmendorf, Alaska; Joint Base San Antonio, Texas; and Joint Base Langley-Eustis, Virginia, with the construction of three dormitories worth \$193 million. These projects represent the last of the Joint Base MILCON funds transferred to the Air Force.

Training and Education

The most professional airmen in the world grow into the world's best noncommissioned officers because of the investments we make in their education, starting from the day they enlist. We have two projects in this year's program totaling \$78 million that address these areas. They include the fourth phase of the basic military training complex at Lackland Air Force Base, Texas, and an Education Center at Vandenberg Air Force Base, California.

Military Family Housing

We are carrying forward the momentum we gained during the Year of the Air Force Family with continued investment in building thriving housing communities. Our fiscal year 2012 budget request for military family housing is nearly \$500 million. Included in this request is \$85 million to improve nearly 1,400 homes in Japan and the United Kingdom and an additional \$405 million to fund operations, maintenance, utilities, and leases, and to manage privatized units for the family housing program.

Housing privatization has leveraged \$423 million into \$6.5 billion in private sector financing; it is central to the success of our housing initiatives. At the start of fiscal year 2012, we will have 47,700 privatized units, increasing to 52,500 by January 2012, when 100 percent of our family housing in the United States will be privatized.

Child Development Centers

The final component of caring for airmen and families is ensuring the children of our service men and women receive the same standard of care at installations around the world, from bases in major metropolitan areas to those in remote locations to those overseas. The American Recovery and Restoration Act allowed us to allocate \$80 million for eight new child development centers, to help ensure that our force has adequate child care capacity. This year, we have only one requirement for a child development center, at Holloman Air Force Base, New Mexico. This \$11 million project will get our airmen's children out of temporary, substandard facilities.

MODERNIZE OUR AIR, SPACE, AND CYBERSPACE INVENTORIES, ORGANIZATIONS, AND TRAINING

Modernizing our force to prepare for a wide range of future contingencies requires a significant investment. For fiscal year 2012, a key focus area is enabling the bed-down of several new weapon systems. Therefore, we are requesting \$233 million for a variety of MILCON projects, including:

Five Projects To Beddown Our Newest Fighter, the F-35.—This includes the F-35 force development and evaluation mission at Nellis Air Force Base, Nevada, the second training location at Luke Air Force Base, Arizona, and the first operational unit at Hill Air Force Base, Utah.

Three Projects Supporting Our HC/EC/C-130J Fleet.—These projects include a joint use fuel cell at Davis-Monthan Air Force Base, Arizona, and flight simulators at Davis-Monthan and Pope Air Force Base, North Carolina.

Three Projects Supporting the Pacific Regional Training Center at Andersen Air Force Base, Guam.—This requirement was driven by the re-location of the 554th RED HORSE from Korea to Guam in 2007, along with an increased need for expeditionary training in the Pacific.

Other Projects.—These will support diverse mission areas, including C-5 training, F-22 support, the F-16 beddown at Holloman Air Force Base, New Mexico, and support operations at Barksdale Air Force Base, Louisiana; Fairchild Air Force Base, Washington; the United States Air Force Academy, Colorado; and Cannon Air Force Base, New Mexico.

RECAPTURE ACQUISITION EXCELLENCE

The Air Force continues its efforts to optimize the effective use of taxpayer resources in the acquisition of goods and services. By focusing on asset management principles, we have built a culture that supports the warfighter by delivering the right products and services on time, within budget, and in compliance with all applicable laws, policies, and regulations. Where possible, we seek strategic sourcing opportunities to maximize the use of available dollars, pursuing ways to leverage our size as we purchase common commodities and services to be used across the enterprise. Our engineering and contracting communities continue to partner on efforts to transform the processes that support Air Force installation-related acquisition.

OTHER PROGRAMS OF NOTE

Base Realignment and Closure Actions

Completing Air Force BRAC actions remains a priority for the Air Force and Department of Defense. The fiscal year 2012 request includes \$123.5 million for legacy BRAC actions at our 28 remaining former bases, and \$1.97 million to perform program management, environmental restoration, and property disposal at locations closed in BRAC 2005. The Air Force is on track to fully implement all BRAC 2005 recommendations by the mandated September 2011 deadline.

*Legacy Base Realignment and Closure**Real Property Transformation*

The Air Force remains a Federal leader in the implementation of the management principles outlined in Presidential Executive Order 13327, Federal Real Property Asset Management. We continue to aggressively manage our real property assets to deliver maximum value for the taxpayer, improve the quality of life for our airmen and their families, and ensure the protection and sustainment of the environment while providing the highest level of support to Air Force missions. The Air Force is achieving these goals through an enterprise-wide asset management transformation that seeks to optimize asset value and to balance performance, risk, and cost over the full asset lifecycle. Our approach is fundamentally about enhancing our built and natural asset inventories and linking these inventories to our decision-making processes and the appropriate property acquisition, management, and disposal tools. Even though the BRAC 2005 round did not substantially reduce the Air Force's real property footprint, our current transformation efforts seek to shrink from within and to leverage the value of real property assets in order to meet our "20/20 by 2020" goal of offsetting a 20-percent reduction in funds available for installation support activities by achieving efficiencies and reducing by 20 percent the Air Force physical plant that requires funds by the year 2020.

Base Realignment and Closure Property Management

To date, the Air Force has successfully conveyed nearly 90 percent of the 88,000 acres of Air Force land directed by BRAC 1988, 1991, 1993, 1995, and 2005 with the remainder under lease for redevelopment and reuse, or pending final transfer. With the successful redevelopment of Air Force BRAC property, local communities have been able to increase the number of area jobs by more than 45,000.

To complete the clean up and transfer of remaining property, the Air Force is partnering with industry leaders on innovative business practices for its "way ahead" strategy. Of the 40 BRAC bases slated for closure—including BRAC 2005—the Air Force completed 23 whole-base transfers as of September 2010. Eleven of the remaining 17 legacy and BRAC 2005 bases are targeted for transfer by the end of fiscal year 2011, while the remaining BRAC bases (Chanute, George, McClellan, Wurtsmith, Williams, and Galena) will transfer no later than the end of fiscal year 2014.

In February 2011, I issued a memo directing accelerated site completion and performance-based remediation (PBR) performance objectives. For the BRAC program, 90 percent of all sites must be completed by 2015 and 95 percent under a PBR by 2014. Performance based remediation projects and contracts represent the Air Force's best tool for achieving site completion in the quickest time frame and best value to the Air Force, while still protective of human health and environment. Also included in this directive, is an initiative to reduce overhead and management costs to below 10 percent of program, costs.

Joint Basing

The Air Force remains committed to maximizing installation efficiency and warfighting capability, while saving taxpayer resources and being the best partner we can be. The Air Force has equity in 10 of the 12 joint bases and is the lead service for 6 of the 12. All 12 bases achieved full operating capability on October 1, 2010. We anticipate that the benefits derived from this initiative will yield significant efficiencies and cost savings.

Energy

The Air Force energy vision is to reduce demand through conservation and efficiency, increase supply through alternative energy sources, and create a culture where all airmen make energy a consideration in everything we do. In pursuit of this vision, the Air Force continues as a Federal energy leader by advancing energy independence through coordinated efforts aimed at minimizing energy costs and leveraging proven technology in conservation measures and renewable energy devel-

opment, while matching system reliability and critical asset security with Air Force mission requirements. These efforts effectively reduce dependence on commercial supply and delivery systems and enhance energy security for the Air Force. The Air Force is committed to reducing its greenhouse gas emissions and carbon footprint through the reduced use of fossil fuels consumed directly through vehicles and facilities or indirectly through consumption of fossil fuel-generated electricity from the national electric grids. In fiscal year 2012, we will continue our energy conservation efforts, which have already reduced facility energy use nearly 15 percent from 2003 levels. In fiscal year 2011, we exceeded our goals and produced or procured nearly 7 percent of our total facility energy from renewable sources, and we have led the Department of Defense as the No. 1 purchaser of renewable energy for the fifth year in a row.

CONCLUSION

The Air Force remains a trusted and reliable joint partner—all-in to provide air, space, and cyberspace capabilities to our combatant commanders as they face the myriad short- and long-term security challenges in their areas of responsibility. Nearly two-thirds of the men and women serving in our Air Force today are actively supporting combatant commanders in their fight across the full spectrum of military operations from installations all over the world. Our fiscal year 2012 budget request balances warfighter requirements, recapitalization efforts, new mission beddows, and quality-of-life requirements.

As we have shown, it remains aligned with the fundamental priorities of our Air Force:

- Continue to strengthen the nuclear enterprise;
- Partner with the joint and coalition team to win today's fight;
- Develop and care for our airmen and their families;
- Modernize our air, space, and cyberspace inventories, organizations, and training; and
- Recapture acquisition excellence.

In addition to being committed to providing and maintaining effective infrastructure, efficiently right-sized to support our missions and priorities, we are also committed to ensuring that we continue to care for our total force airmen and their families. This includes making good on our promise to provide first-class dormitories and housing with a focused determination to eliminate inadequate housing for all by 2017. Finally, we remain committed to ensuring the judicious and responsible use of taxpayer resources with every decision we make.

In so doing, we remain focused on a continual pursuit of efficiencies that allow us to provide our trademark delivery of effective air, space, and cyber power while ensuring maximum impact from every \$1 spent. Thank you for your continuing support of our Nation's Air Force.

Senator JOHNSON. Thank you, Mr. Secretary.

Secretary Yonkers, earlier this year Secretary Gates announced a DOD efficiencies initiative that included \$34 billion in savings from the Air Force through 2016. Will any of those savings be derived from the MILCON program?

Mr. YONKERS. Thank you for the question, Senator Johnson. No, sir, the MILCON program remains untouched with regards to the efficiencies. We did take efficiencies in the sustainment, restoration, and modernization. And through various mechanisms such as better business practices, using asset management principles and through contracting and other mechanisms, we are pretty convinced that we are going to be able to do a better job in our facility sustainment and thereby reducing the investment that we are making there. Over the Future Years Defense Program, that should save us about \$1.6 billion.

But I will also remark that, just like the Army, we are beefing up our restoration and modernization accounts. And you've seen this, I think there is about \$197 million additional for this fiscal year 2012 request to do exactly what the Army talked about doing, reducing our footprint with new construction and taking better care of the facilities that we already have in place.

Senator JOHNSON. Secretary Yonkers, thank you for bringing us up-to-date to the Northern Group housing plan.

Secretary Yonkers, the Air Force had a strong reservation about the joint-basing decision mandated by the BRAC 2005 at the beginning of the process. Where is the Air Force now on joint basing?

Mr. YONKERS. Sir, I think we are all in. We were concerned initially as to whether or not the efficiencies would be returned as projected. I think we are now beginning to see that the fruit of those endeavors is beginning to bear out. As you probably know, we went full operational capability on all of the joint bases last year. So it has been a pathway for us to get to where we are.

I have been out to almost every one of the joint bases now, including some of the Army lead as well as the Navy lead, and what I am seeing is a terrific amount of effort putting into making this work and work right. And I think over time that we will see this mature, we are going to start realizing those efficiencies that we expected when we started down this path some years ago.

Senator JOHNSON. As you well know, the Congress has been helpful in the past by providing funding for additional MILCON dollars for the Air Guard and Air Force Reserve in the form of earmarks and plus-ups to account top lines.

General Etter and General Jackson, with the ban on earmarks, does this change any of your funding priorities in the fiscal year 2012 request or future requests?

General ETTER. Senator, thank you for the question.

The Air National Guard participates in the enterprise-wide integrated Future Years Defense Program MILCON process. Within the process, the Air National Guard is treated as a full partner. We appreciate the past strong support of the subcommittee and all the members. As with any set of priorities, often there are more requirements than resources. Any future support would help satisfy Air National Guard requirements.

Senator JOHNSON. General Jackson.

General JACKSON. Mr. Chairman, thank you very much for the question.

We have not seen an impact in our priorities. We, once again, compete within the Air Force total MILCON process. We get our fair share. We have been able to go ahead and put into the fiscal year 2012 budget our top two priorities, so we think that we are competing fairly there. And we will have to continue to go ahead and look for more efficient means and better ways of racking and stacking our projects.

Senator JOHNSON. Senator Kirk.

Senator KIRK. Thank you, Mr. Chairman.

Secretary Yonkers and General Byers, are we going to see a full-tour norm proposal for Kunsan Air Base?

Mr. YONKERS. Sir, as you know, the Secretary of Defense's instruction was to look at this from an affordability point of view and we all know that this is going to be a big bill to pay. I would say right now, we have looked at several alternatives, particularly for our housing at Kunsan Air Base, South Korea. And the spread of dollars that we are seeing is somewhere between \$1.3 billion and \$5 billion, depending upon whether or not we can work a public-

private partnership, or whether we would go full up on a full MILCON.

So right now, it is a question of affordability for us, and we have not made any decisions about it.

Senator KIRK. Great. Obviously be a concern actually about both numbers.

On the Andersen general plan, it is kind of the chamber of commerce view, but I think it is page 40 did give us the beginnings of what a master plan would look like.

I think for us in the subcommittee, what would be most helpful is what the Office of the Secretary of Defense originally put out back in fiscal year 2009 for what Guam construction looks like. Would it be possible for you guys to update this so we could see what Andersen really looks like?

Mr. YONKERS. Sir, we will be happy to share the Air Force's master plan for Guam.

Senator KIRK. Does it exist, or is it just kind of this thing?

Mr. YONKERS. Well, I will let General Byers also talk to this, but we have, as you know, identified the MILCON requirement for the full build-out of Guam Strike on Guam over the course of several years. That is going to be about \$700 million. So we already identified the MILCON and other kinds of requirements that are going to need to construct at Guam to meet our combatant commander support responsibilities for that area of the Pacific.

General BYERS. Senator Kirk, we have details on all of our plans for the next 20 years, our base master plan for Andersen Air Force Base, and we can definitely sit down and give you the rest of those details that you require.

[The information was not available at press time.]

Senator KIRK. Good. And the schedule of when things hit?

General BYERS. When we plan on doing it is based on the budget, yes, sir.

Senator KIRK. Great.

General BYERS. If we have a beddown requirement and we know what year, we can do that.

Senator KIRK. We are seeing the growth of unmanned aerial vehicle systems, obviously very big and popular. In my other life, I am a huge customer of them.

At Sigonella, it is basically becoming an Air Force base now. Will we begin to see that takeover? I can't imagine there is much Navy happening there at all anymore, but with Unified Protector, it is kind of all your show.

Mr. YONKERS. Senator Kirk, I have not been to Sigonella, so I cannot really respond, but maybe some of my other panel cohorts could.

General BYERS. Senator Kirk, as you mentioned, there are a lot of requirements there that the Air Force has put in, especially for unmanned aerial systems and obviously in our fiscal year 2012 request, a satellite communications relay parts for our unmanned aerial systems.

There has not been a discussion with the Navy for any details of us taking over the base-operating support requirements for that particular installation at this point.

Senator KIRK. It would seem that that would make sense for you guys.

Last thing, and I raised this before with the Office of the Secretary of Defense side, but if I can go back to Guam for a second. It is a very complicated build, it is a very expensive build, and yet, it is completely worthless if it gets pummeled in the first hours of a conflict. And so, can we begin to think about what the MILCON requirements are to actually defend the island itself?

Mr. YONKERS. Senator, you're making a great point. And you know, we harden, right now, our facilities based on climatic conditions. There is, as you probably—

Senator KIRK. Unfortunately, the climate is going to be several hundreds of surface-to-surface missiles landing on the island.

Mr. YONKERS. Yes, sir. I think we need to re-look this. I think your point is so well taken.

There are a number of different options I think you are aware of with regards to dispersion and so forth, and those game plans haven't quite come together yet. And as they do, I think it will put more focus on the hardening and the defensive mechanisms that yet to be decided on the island and how we would defend against it.

Senator KIRK. Yes. I meant to ask this of the Army, but since I have you guys there, it would seem that before tens of billions get thrown in there, you would put a missile defense base in and other ways to make sure that you were invulnerable to bomber and fighter or cruise missile strike.

Mr. YONKERS. Sir, we are always happy to make commitments on behalf of the United States Army.

Senator KIRK. Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman, and thank you gentlemen for being here today.

Secretary Yonkers, for the past several years, the need for a new U.S. Strategic Command (USSTRATCOM) headquarters building has been apparently identified as a requirement and priority. The Department's budget seeks to fulfill that requirement by requesting authorization of \$564 million for a new headquarters.

As I understand the request, the full authorization is being requested this year and the appropriation will be in three increments with the first phase being \$150 million for fiscal year 2012.

Could you outline the Air Force's decision to build a new facility versus to renovate the current headquarters?

Mr. YONKERS. Senator Nelson, good to see you again, sir.

Senator NELSON. Good to see you.

Mr. YONKERS. You know this nuclear deterrent mission that is performed by USSTRATCOM is absolutely essential to our Nation. And this building that they are in right now, this building 500/515 is 57 years old. While the inside of this building and the outside structure are in pretty good shape, the infrastructure is in need of repair in any number of different ways. And we saw this back in December when the water pipe broke and flooded the basement of the building.

As you accurately portray, the request is for \$564 million spread across 3 years—\$150 million in fiscal year 2012; \$250 million in fiscal year 2013; and the remainder in fiscal year 2014 with an occupancy date on or about the latter part of fiscal year 2016 or the early part of fiscal year 2017.

We are looking at phasing this for a number of different reasons. For one reason, affordability and what we can put into the budget on any particular fiscal year. But also from a practical point of view, in terms of being able to execute the construction, given those amounts of dollars, we need to spread it over the 3 years.

Senator NELSON. Do you think the Air Force will be able to execute the \$150 million needed in fiscal year 2012? I guess you were assuming that we would pass the budget and authorize it. But are you anticipating that that will be executed as a result of fiscal year 2012?

Mr. YONKERS. I will give you my answer and then I will ask the Civil Engineer of the Air Force to embellish. But I don't think we are seeing any potential delays in being able to execute that \$150 million. I mean, it really does depend upon how long it takes to get the green light to proceed. But right now I think we are going to be able to execute it.

Senator NELSON. General Byers.

General BYERS. Senator Nelson, we will be 100-percent designed in June 2011 and ready to award as soon as the appropriation is available to us for fiscal year 2012.

And just to embellish a little bit more on Mr. Yonkers' statement earlier. One of the things we did when I was the Air Combat Command Civil Engineer, working with General Chilton at the time he was the USSTRATCOM commander—

Senator NELSON. Yes.

General BYERS [continuing]. Was to look at several options. We did a business case analysis and we also did an economic analysis, so two separate studies, to look at all the options: to renovate as-is, to build new, to do a modification of some new, and some renovate. And all those led to being the cheapest, being the fastest and the best impact to the mission was to build new, as we have brought into the fiscal year 2012 program.

Senator NELSON. Well, it is an obvious question, I guess I am just getting it for the record. What would be the impact of any reductions in the funding of this year? That sounds like a question for an engineer.

General BYERS. Yes, sir. The Army pretty well laid it out. Anything for fiscal year 2011, same issues. For fiscal year 2012, any delay will cause a delay in the mission and the impact at Offutt Air Force Base is not quite as bad as Alaska, but it is still pretty cold there, and it does have a short construction season. So if the appropriation is enacted on time, we will get the best use of the construction timing and it won't delay the construction season, nor delay the mission, if we can stay on track.

Senator NELSON. Well, you're right about Nebraska. We have two seasons. We have building season and football season. So.

General BYERS. Yes, sir.

Senator NELSON. To optimize the construction process over a 3-year period, stretching the funding over a 3-year period, that sim-

ply will be a good way to facilitate the construction. If you had all the dollars in a check right now, you couldn't put it all in the ground at the same time. Do you feel that that is an appropriate way to do this?

I think maybe I'd ask the engineer first and then Secretary Yonkers. General Byers.

General BYERS. Sir, thanks again for a great question.

You are spot on, we can't put \$564 million in the ground right away. In fiscal year 2012, we have a lot of other priorities in the Air Force for quality of life and mission. So we went to the Office of the Secretary of Defense to ask for incremental funding of this project, in other words, one project authorized and awarded, but spread the money out to line up with the construction period. And that is what we did. Working real close with the Army Corps of Engineers, how much we needed in the first year of fiscal year 2012, how much in fiscal year 2013, and how much we need to finish up in fiscal year 2014.

So it does a couple of things for us. It helps us get other MILCON dollars, into the right projects that we need. Second is, it ensures that we have enough money to continue the construction period without work stoppage; even if we are a little late in some fiscal years of appropriating the dollars, we should be okay.

Senator NELSON. Mr. Yonkers, do you have any thoughts you would share?

Mr. YONKERS. No, sir, I think General Byers answered the question.

Senator NELSON. Thank you.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Tester.

Senator TESTER. Yes, thank you, Mr. Chairman. And I want to thank everybody for being here today to testify.

I know that you are well aware of the mission conversion issues that we are working through in Montana with the Air National Guard unit, and if you are not, you can stop me right away.

I want to thank the Air Force and the Air National Guard for working with the Montana Air National Guard as we continue to find the right solution with our manpower concerns and our potential mission conversion from F-15s to C-27Js.

We have talked and written about this repeatedly over the past 2 years. It is a big change. But, in particular, I want to express my appreciation for the past observations about the value of an airspace east of Great Falls and what an important national asset that airspace is. My concern is that I don't want to see that airspace underutilized, and I think you share that same concern. There are very few places left in this country where we have the amount of room to operate overland. In fact, I don't know that there is any, 4.5 million acres with a lack of civilian over flights.

Can we get your commitment that you won't forget about that national asset as the Air Force considers future requirements?

Mr. YONKERS. Senator, I appreciate your comment. And as we talked when the civic group came in, for example, we recognized that is unused airspace, uncrowded airspace. It truly is a national asset.

As we think through these future basing decisions, these kinds of things will come into play and will be a prominent criteria for how we decide where we are going to beddown whatever weapon system it is that we're talking about.

Senator TESTER. Okay. Thank you for that.

As Air Force has concluded and indicated to us, the Air Force hopes to be transitioning the F-15s that are currently in Great Falls, Montana Air National Guard to the California Air National Guard in Fresno as part of a larger Air Force aircraft reconstruction plan very soon, contingent on the completion of an environmental impact statement (EIS).

Is that correct?

Mr. YONKERS. Yes, sir, that is correct.

Senator TESTER. What's the status of that EIS?

Mr. YONKERS. I believe the EIS is about to be wrapped up in the latter part of the summer, if I remember the dates correctly. And so far the information that we have is that there really are no show stoppers on the EIS.

Senator TESTER. And what do they take into consideration?

Mr. YONKERS. Any number of different things.

Senator TESTER. They can take into consideration noise on neighborhoods?

Mr. YONKERS. Noise, air quality, biological, cultural, et cetera.

Senator TESTER. Do they take into consideration things like effectiveness of those fighters at the Montana Air National Guard versus the effectiveness those fighters would be with the California Air National Guard in Fresno?

Mr. YONKERS. Typically environmental impact analyses do not. However, operational needs, requirements, and so forth do. And as you know, part of what you are talking about is a \$3 billion, almost a \$4 billion savings as we restructured the Combat Air Forces, and looked at F-16s and F-15s.

Senator TESTER. I am all about the savings, but I have got to say it for the record, even though this isn't in your guys' bailiwick. I am a little biased, but I don't mind basing it on fact. The Montana Air National Guard has met every doggone thing they have put up against them, and they have done it every time, and they have done it incredibly well. I don't know that Senator Feinstein could say the same thing about the Guard in Fresno. Just my observation. You can respond if you'd like.

Mr. YONKERS. Sir, you know, the Air National Guard in Montana is quality, so well noted.

Senator TESTER. Yes. Thank you. I appreciate that.

And as you can tell, that outfit has been a fighter unit forever, and I appreciate the C-27Js coming in, but that airspace, I talked about that 4.5 million acres, my farm is under that. I remember as a 6-year-old watching the F-102s fly over. And to take them out away from that airspace, as a dirt farmer, I don't think it makes a lot of sense, as a military person, I will have to defer. But I still think, when we look back on it, I am not sure it is the best thing for the country.

I just want to talk about electronic medical records just for a second. Secretaries Gates and Shinseki have agreed to create a joint common platform for the Department's electronic medical records,

early May deadline to come. I don't know if you guys have any say where that repository is going to be, do you?

Mr. YONKERS. You are catching me really cold. No, I don't.

Senator TESTER. Yes, that is okay. That is the best way to do it.

Mr. YONKERS. I don't know. This would be in the bailiwick of our surgeon general. And that is about all I can say about it.

Senator TESTER. Okay. Well, we have got a base up there called Malmstrom Air Force Base that happens to be on the east end of Great Falls, the Air Guard is on the west end. And it is an incredible piece of property and also another incredible asset that has great infrastructure built originally for the transport missions. And so if there is any way that you can help influence the final decision on where that database might go, it would be a nice place to put it.

Thanks, folks. Appreciate your service to this country.

Mr. YONKERS. Thank you, Senator.

Senator KIRK. Senator Tester, by the way, I think Senator Durbin and I would be very happy to take those C-27Js off you for Springfield. So.

Senator TESTER. If we could keep the F-15s, I would be inclined to say go ahead.

Senator JOHNSON. Obviously, Senator Tester, the assets you speak about obviously belong at Ellsworth Air Force Base.

Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman. Secretary Yonkers, thank you for being here. General Byers, General Etter, and General Jackson, thank you for your service. We have the Minot Air Force Base and the Grand Forks Air Force Base in North Dakota, also the North Dakota Air National Guard, and all do just an outstanding job, as do all of you that wear the blue suit. We are really proud and really appreciative of what you do and all the men and women in our great Air Force. My wife grew up in the Air Force. Her family is career Air Force. And I tell you, the things that you do, not only here to protect our country, but all over the world, is absolutely amazing. So I thank you.

Secretary Yonkers, if I could, I would like to start with you. And you know, you may want to hand some of these questions off and you probably are best equipped to make that call.

The Minot Air Force Base is getting an additional squadron of B-52s. The 5th bomb wing is expanding with the 23rd bomb squadron. And it is going to be composed of the 23rd and 69th squadrons. So with the additional aircraft coming in, and as you know, the buses are big, it is going to require some facilities, some of which are in the 2011.

Now, we are hoping with the vote today we will get you under way there. I know you're anxious to get going, and we need to get you going. But with some runway issues, control tower. But then in the fiscal year 2012, there are both some facilities as far as aircraft maintenance facilities, munitions maintenance facilities, and then dormitories. That is a community that is growing significantly, it is now up more than 40,000. And so your young, outstanding airmen are coming in and not having a place to live right away, so the dormitories issue is very important, too.

Could you comment on the MILCON there for that? Actually, it is not a mission conversion, it is mission growth. And if you would comment on that, I would appreciate it.

Mr. YONKERS. Thank you, Senator. I would be happy to.

We have got a number of what we call inadequate dormitories spread across our Air Force. And our goal right now is to make those whole by the year 2017.

And General Byers can get into this in greater detail, but we have a dormitory master plan, and we are on track with the funding that we have spread out across the Future Years Defense Program, along with the dollars that we have in the construction program this year, to get to that point, both here and overseas as well.

As you have adequately and eloquently stated, our airmen really are the basis of our Air Force. And we are trying to do everything we possibly can to improve their quality of life and whether they are deployed or here in the States, and also for their families.

As far as some of the other MILCON is concerned, I know one of the things that is probably on your mind is the improvement of the runway. I think there is a \$2 million MILCON project slated, and again, General Byers can correct me, this year to expand the taxiway as a temporary runway with O&M dollars being invested in the next 2-3 years to repair and make that a full-up runway ready to do business for those B-52s.

Senator HOEVEN. That is right on, Mr. Secretary, and it is very important. It is, both your MILCON budget and then your O&M budget, as it is set up right now, is very important for the ability of our airmen and aircraft to deliver those missions. And so, the way you have it slotted right now between MILCON and O&M is good, and it is very important that you stick to it.

And so your comments there? At this point, it is looking like you are on track and you are going to be able to stay on track, correct?

Mr. YONKERS. Unless something extraordinary happens, sir, yes.

Senator HOEVEN. Okay. Well, it is a good plan, and I commend you for it. And I want to work hard to help you achieve it on behalf of our airmen and the mission.

Switching gears, Grand Forks Air Force Base is actually converting now to the Global Hawk mission. Again, that is going to be important. Again, your plans look good and we want to make sure that we are doing everything we can to help support you in that endeavor, and I hope you will let me know, but also there are fuel lines at that facility. And there is tremendous facilities there, but they need to be maintained. And so I would ask that you look at your O&M account, and with our cold weather and all, make sure that you are maintaining those underground fuel lines, both for the unmanned mission or the remotely piloted aircraft mission, but also potentially for the future tanker mission now that tanker mission is going forth.

That is a tremendous asset and a tremendous facility and I would ask that you check and get back to me that you are, through your O&M account, maintaining those fuel lines, for both now and for the future.

Mr. YONKERS. Well, I would remark that I agree 100 percent. Not only are fuel lines required for mission essential requirements, but if we don't take good care of them, they become environmental

hazards. And we are finding across our Air Force where we have spent millions of dollars not only in the fuel that we lost, but in cleaning up the fuel that is in the ground and the groundwater. So from my perspective, as far as underground infrastructure is concerned, that is one of the ones that peaks my interest the most.

Senator HOEVEN. Thank you.

Mr. Chairman, if I could beg your indulgence for just 1 minute?

The other thing at Grand Forks is, we are bringing in a tremendous amount of support in the area for remotely piloted aircrafts, including University of North Dakota School of Aviation and Aerospace. Customs and Border Protection is also flying the unmanned aerial vehicles and the remotely piloted aircrafts—specifically, it is the Predator in their case. Our Guard flies the Predator now, one of the first Guard units to fly the Predator, they will also fly the joint cargo aircraft. They are flying the Predator right now along with the C-21.

But all of these things go to—and we are getting a tremendous influx now of industry that is involved in developing, you know, the whole unmanned aircraft system mission. And it is very important that we continue to develop that here at home because we have got to maintain your global leadership in unmanned aerial systems. You are the leader. I think this is incredibly important for the future of the country. And so I would ask that you do focus attention on Grand Forks Air Force Base and making sure that we have whatever we need to continue to make that mission the best possible mission.

We are dovetailing it now with being able to fly unmanned aircraft systems here in the United States with concurrent airspace, and that is what we're working toward. So we are trying to make sure that that is an asset and an opportunity for Air Force.

And so, again, just any thoughts that you might have on how we can work on building that mission the right way for the future of unmanned aircraft system in this country and for Air Force.

Mr. YONKERS. Well, as you know, Senator, it is a critical mission for us, and it is a growing mission. Eventually, we will get to 65 combat air patrols. A good lot of that will be with the Air National Guard. We have a number of different locations that we are yet to be looking at with regards to where we will beddown some of these Predators or Reapers or even some of the Global Hawks, so it is a work in progress, but a good lot of that will end up with the Air National Guard at a number of different locations.

I think it is fair to say that we are engaged strongly, not only with Department of Homeland Security's Customs and Border Protection in particular, but with the Federal Aviation Administration—

Senator HOEVEN. Right.

Mr. YONKERS [continuing]. On how we are going to collectively figure out how to go about recognizing airspace for unmanned aerial vehicles or for remotely piloted aircraft. Those discussions are yet to be finalized, but we are pushing hard on resolving those kinds of issues.

Senator HOEVEN. It is an incredible opportunity, and I really am pleased to see that you are very tuned into it. And obviously, you are and I thank you for that.

Senator JOHNSON. I would like to thank all of our witnesses for appearing before this subcommittee today. Thanks for your service to our Nation. We look forward to working with you this year.

ADDITIONAL COMMITTEE QUESTIONS

For the information of members, questions for the record should be submitted by the close of business on April 22.

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

QUESTIONS SUBMITTED TO HON. TERRY A. YONKERS

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

B-1 BOMBERS

Question. Secretary Yonkers, the Air Force briefed my staff yesterday on the Department's plan to consolidate the B-1 fleet. Specifically, Ellsworth Air Force Base (Ellsworth AFB) will lose two aircraft as part of the consolidation plan.

What impact will this have on future personnel levels and operations at Ellsworth AFB?

Answer. As a result of Ellsworth AFB, South Dakota losing two B-1s as part of the fiscal year 2012 President's budget request, we project a fiscal year 2012 manpower reduction of 160 authorizations (12 officer, 148 enlisted). Local B-1 operations are expected to decrease commensurate with the aircraft and manpower reductions.

Question. It was estimated that this plan would save \$357 million in the out years. Some of this savings, about \$125 million, will be used to modernize the remaining B-1 fleet.

Where will the remaining \$231.9 million in savings be invested? Does the Air Force have specific programs identified that will be the recipient of these savings?

Answer. The retirement of six B-1s will provide a total savings of \$61.9 million in fiscal year 2012 and \$357.3 million over the Future Years Defense Plan. Of these savings, the Air Force is reinvesting \$32.9 million in fiscal year 2012 and \$125.4 million over the Future Years Defense Plan, into critical B-1 sustainment and modernization programs to ensure the health of the remaining fleet. These programs include procurement and installation of vertical situation display upgrade and central integrated test system sustainment efforts, fully integrated data link capability upgrade, and procurement of critical initial spares for these modifications.

The remaining \$231.9 million enabled the Air Force to make additional investments in other Air Force and Department of Defense (DOD) priorities to include the future long-range penetrating bomber and programs that support activities such as continuing to strengthen the nuclear enterprise and building partnerships capacity.

AIR FORCE FINANCIAL SERVICES CENTER

Question. Secretary Yonkers, the Air Force has also decided to disperse current military pay operations of the Air Force Financial Services Center (AFFSC) out to the installations and eliminate military positions in South Dakota. It is my understanding that the Air Force consolidated these functions in 2007 as an efficiencies/cost savings measure. Now, more than 4 years later, the Air Force is reversing that decision claiming that this action will increase efficiency and improve customer service. I worry that this gives the Air Force a credibility problem.

Secretary Yonkers, I know this is outside of your expertise, but can you tell me how the Air Force hopes to avoid the mistakes of the past by redistributing personnel out to the field?

Answer. Military pay operations was never intended to permanently reside at the AFFSC in South Dakota. The manual process was to be subsumed by DOD's automated Defense Integrated Military Human Resources System (DIMHRS). DIMHRS was supposed to merge a military member's personnel record and pay record into one, with the result that a personnel transaction would automatically update the associated pay information. This would have eliminated the need for finance personnel to do a manual pay transaction. However, DIMHRS was canceled and the Air Force is now developing its own system, the Air Force Integrated Personnel and Pay System (AF-IPPS). AF-IPPS will be designed to integrate personnel and pay records. Over the past couple of years we've discovered that doing manual military

pay transactions at the AFFSC slows processing time and decreases levels of customer service by adding a middleman.

Question. How are we going to get efficient by dispersing people back out to the field, when it was determined over 4 years ago that consolidating into one location was key to reducing personnel cost and gaining efficiencies?

Answer. Since DIMHRS was canceled and we are still doing manual military pay transactions, it makes sense to move back to the base level until AF-IPPS deployment. Personnel transactions are still done at the base level, and often drive a pay transaction. Having both at the base level allows for faster resolution of issues, quicker processing times by eliminating the middleman (the AFFSC), and face-to-face customer service.

NORTHERN GROUP HOUSING PRIVATIZATION

Question. In December, the Air Force issued a notice to proceed with the long delayed the Northern Group Housing plan, which includes Ellsworth.

What is the status of this plan?

Answer. The Northern Group Housing Privatization Project (Minot Air Force Base, North Dakota; Grand Forks Air Force Base, North Dakota; Cavalier Air Force Station, North Dakota; Ellsworth Air Force Base, South Dakota; Mountain Home Air Force Base, Idaho; and Cannon Air Force Base, New Mexico) remains on track for a project closing in January 2012. Proposals were received on April 5, 2011. Oral presentations from the offerors were presented on May 2–6, 2011. The selection of the highest ranked offeror is scheduled for July 2011 and following congressional notification of this selection the Air Force will enter into a period of exclusive negotiations with the highest ranked offeror.

QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

LITTLE ROCK MISSION AND RESTRUCTURING

Question. An important Air Force installation in my State is the Little Rock Air Force Base (LRAFB). The base is the home of the C-130 center of excellence. The C-130 mission at the base is undergoing some restructuring with the Reserve training unit coming under the Guard unit.

The restructuring of the C-130 training unit involves a Reserve unit coming under the command of a Guard wing and this is taking place on an Active Duty base.

Can you give me your impression regarding how this mission and the restructuring are going at LRAFB?

Answer. The transition of legacy C-130 training from the Active component to the Reserve component is in progress and on schedule; but, we face some manpower and aircraft availability challenges. This is the first time a C-130 Air National Guard unit has associated with an Air Force Reserve unit. The Air Staff, Air Force Reserve Command, Air National Guard, and Air Education and Training Command will continue to work through these and other issues as they arise to ensure mission success of this training partnership.

Question. An important Air Force installation in my State is the LRAFB. The base is the home of the C-130 center of excellence. The C-130 mission at the base is undergoing some restructuring with the Reserve training unit coming under the Guard unit.

Can you describe the unique role that LRAFB plays in training our C-130 pilots and navigators?

Answer. As you have stated, LRAFB, Arkansas hosts the C-130 center of excellence and provides C-130 qualification training required for the Air Force, Navy, Marines Corp, Coast Guard, and our international partners. This includes all variants of the C-130 and all crew positions (pilots, navigators, flight engineers, and loadmasters).

Question. An important Air Force installation in my State is the LRAFB. The base is the home of the C-130 center of excellence. The C-130 mission at the base is undergoing some restructuring with the Reserve training unit coming under the Guard unit.

I think it is important that all of our C-130 pilots receive the same high-quality training. It's my understanding that no one does C-130 training better than the LRAFB. I mention this because I want to focus on efficiency both for the Air Force and for the C-130 students. LRAFB has all of the facilities (academics, simulators, and aircraft) in one location without any disruption to the flow of training.

Do you all agree that C-130 training should be conducted by our military experts at the C-130 center of excellence?

Answer. The Air Force performs a variety of C-130 training at multiple locations, but LRAFB, Arkansas is currently our primary C-130 qualification training location and the majority of C-130 training will occur at LRAFB for the foreseeable future.

QUESTION SUBMITTED BY SENATOR JON TESTER

HOUSING PRIVATIZATION AT MALMSTROM AIR FORCE BASE

Question. On January 12 of this year, I received a letter from the Air Force announcing their intent to award a combined housing privatization project to the Western Group bases, to include Beale Air Force Base, California; F.E. Warren Air Force Base, Wyoming; Whiteman Air Force Base, Missouri; and Malmstrom Air Force Base, Montana. In February, Balfour Beatty Communities, LLC, was awarded that contract, estimated at \$330 million in development costs, slated to provide new and renovated housing for a total of 3,264 military families at the four bases combined. According to the DOD, this process represents a significant cost-savings to the Government. I applaud these measures.

There are real concerns though as to how this private firm will utilize local subcontractors through a fair and competitive bidding process. Many of our small local military communities, like Great Falls, have greatly benefited in the past with MILCON projects. The rapport our small businesses have established within these military communities has provided top-notch workmanship on military bases through a fair and proven contract-bidding method.

Many of the details with this privatized process are not yet transparent.

Will contract bidding continue as it has in the past or will Balfour Beatty bring many of the subcontractors with them, thus hurting the local businesses and in turn the local economy? Please elaborate on the details?

Answer. The Air Force encourages offerors to promote small business participation on their project teams. Companies that have been selected to enter into exclusive negotiations with the Air Force for housing privatization projects usually host industry forums at the bases to educate small businesses about project details and hire local companies. This is an efficient and cost-effective way for project owners to utilize local small businesses on their project teams. In our previous privatization efforts the majority of the work has been done by local businesses.

Subsequent to the January notification you received, a protest of the Air Force's selection of Balfour Beatty Communities, LLC as the highest rated offeror (HRO) for the Western Group housing privatization project was filed with the Government Accountability Office. As a result of that protest the Air Force is currently taking corrective action to include re-evaluating proposals and making a new selection of the HRO for the Western Group project. When an HRO is selected we will encourage them to conduct industry forums and use small businesses, particularly in the Great Falls area.

QUESTION SUBMITTED TO GENERAL TIMOTHY BYERS

QUESTION SUBMITTED BY SENATOR TIM JOHNSON

MQ-9 BEDDOWN

Question. General Byers, what is the status of the MQ-9 beddown at Ellsworth Air Force Base?

Answer. The beddown is on track. The environmental impact analysis process concluded in June 2010 with a categorical exclusion. The first ground control station will arrive in March 2012. The first combat air patrol to be controlled from Ellsworth Air Force Base, South Dakota is scheduled for May 1, 2012.

QUESTION SUBMITTED TO GENERAL WILLIAM ETTER

QUESTION SUBMITTED BY SENATOR TIM JOHNSON

LACK OF EARMARKS/PLUS-UPS

Question. General Etter and General Jackson, I will ask you the same question I asked the Army Guard and Reserve about earmarks.

With the increased dependence on the Air National Guard (ANG) for mission support, and the backlog of military construction (MILCON) requirements for ANG facilities, can the ANG realistically meet its urgent MILCON requirements without help from the Congress through earmarks? What impact will the current ban on earmarks have on the ANG MILCON program?

Answer. ANG MILCON projects in the fiscal year 2012 President's budget request competed along with all other Air Force and Air Force Reserve command projects in the Air Force's corporate process, and they were judged among the Air Force's highest MILCON priorities based on contributions to satisfying mission requirements at the appropriate timing/schedule.

The ANG enjoyed generous additional MILCON funding from the Congress in years past and appreciates the support to help satisfy ANG and State mission requirements. The majority of former ANG congressional add projects funded recapitalization of existing facilities; without this funding stream, the ANG will need to carefully manage available assets and apportion the sustainment, restoration, and modernization, and unspecified minor MILCON funds available to support existing facilities as long as possible.

The Congress has pledged to curtail earmarks and the associated acceleration of future MILCON requirements. In an environment of fiscal austerity, the ANG will continue to assess mission requirements and MILCON projects needed to satisfy the requirements, and advocate in the Air Force corporate process alongside all other Air Force missions, to achieve funding for the highest priority requirements across the Active, Guard, and Reserve mission sets.

QUESTION SUBMITTED TO GENERAL JAMES JACKSON

QUESTION SUBMITTED BY SENATOR TIM JOHNSON

LACK OF EARMARKS/PLUS-UPS

Question. General Etter and General Jackson, I will ask you the same question I asked the Army Guard and Reserve about earmarks.

General Jackson, what impact will the earmark ban have on the Air Force Reserve's ability to meet its military construction (MILCON) requirements?

Answer. The Air Force Reserve participates in the enterprise-wide integrated Air Force MILCON process. The Air Force works hard to ensure the Air Reserve components receive their fair share of funding during the Air Force corporate review process, and is treated as a full partner.

The Air Force Reserve's plant replacement value is equal to 4 percent of the total plant replacement value for all three components of the Air Force. In fiscal year 2012 the Air Force Reserve received 4 percent of the MILCON funds available. However, with a backlog of more than \$125 billion in validated MILCON projects, the Air Force Reserve cannot meet the Department of Defense benchmark infrastructure guidelines.

CONCLUSION OF HEARINGS

Senator JOHNSON. This hearing is concluded.

[Whereupon, at 3:48 p.m., Thursday, April 14, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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