

**MILITARY CONSTRUCTION APPROPRIATIONS FOR
FISCAL YEAR 2005**

HEARINGS

BEFORE A

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

SECOND SESSION

ON

H.R. 4837/S. 2674

AN ACT MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION FOR
THE DEPARTMENT OF DEFENSE FOR THE FISCAL YEAR ENDING SEP-
TEMBER 30, 2005, AND FOR OTHER PURPOSES

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MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 2005

TUESDAY, MARCH 30, 2004

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

The subcommittee met at 10 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

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

DEPARTMENT OF DEFENSE

OFFICE OF THE SECRETARY

**STATEMENT OF RAYMOND F. DUBOIS, DEPUTY UNDER SECRETARY OF
DEFENSE, INSTALLATIONS AND ENVIRONMENT**

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Our hearing will be called to order, and I am very appreciative that we could start with Mr. Dubois on the Military Construction Appropriations Subcommittee for the 2005 budget request. Today we will focus on the Department of Defense in general, and the Air Force construction programs. Navy and Army to follow. I'd like to start with my statement and then I will turn it over to Senator Feinstein.

This year's military construction request is up slightly over last year's at \$9.49 billion, compared to \$9.1 billion. Certainly this is encouraging, but it is still \$1.4 billion below what the Department projected last year for the 2005 fiscal year. I'm encouraged that the funding request for the National Guard and Reserve components, at \$620 million, is a rise considerably from last year's request. It is still less than the amount enacted last year in support of the Guard and Reserve in our final bill, and we all know what a tremendous burden in the Global War on Terror our Guard and Reserve units are under. However, this is going in the right direction and we're pleased to see that.

One item of continuing interest to the subcommittee is the investment of our scarce MILCON dollars in our overseas bases. Clearly the Department has more carefully focused its request for overseas construction this year, bringing it down from over \$1 billion in its initial fiscal year 2004 request to \$823 million this year. I hope that we will be able to see the overseas master plan soon,

so that we will have a better idea of what is considered to be ongoing and what is going to be closed.

We're making progress toward providing a better working environment and better quality of life for our military personnel and their families. Certainly in the area of family housing privatization we are able to get more people in better housing, more quickly than we could under the traditional military construction approach. And I will say that we will be working with you on the lifting of the cap for the privatized housing.

But I would ask you, Mr. Dubois, to be looking long term at the rise in the O&M costs that we have when there is privatized housing versus the initial costs, and I know there's a tradeoff there, but in the out years when we are providing stipends for off base housing for people it goes into O&M, and I'd like for there to be a look at whether that is—maybe after we get caught up if that is in our long term best interest.

But I certainly agree with the priority that we've got to do better fast, and that lifting the cap on privatization is a way to do that.

Let me just end my formal remarks by saying I really appreciate the Department's updating us so well and frequently on what your priorities are. Certainly on the overseas basing, I think you have been very forthcoming about what you're going to be doing. I hope we can get better information on a real master plan quickly, and I'd like to have a time table on that.

But I think as compared to last year we are way ahead of the game. I think your focus on overseas basing is better, but I still want to make sure we are not wasting one dollar for the welcoming back of troops you will be sending back and you've already made that public announcement. So I thank you for the communication, I think it's been terrific this year. I appreciate it very much.

And now I'd like to turn to my distinguished vice chairman and just say for the record how much I appreciate our working relationship. There couldn't be a closer relationship and a better give and take than we have had on this committee, and it's my hope that this lasts for a long time. Senator Feinstein.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thank you very much, Madam Chairman, and I'd like to echo those words, it's a very special privilege to have you as a friend as well as a colleague, and we have worked together easily and well and I too appreciate that, and it is going to go on. So thank you very much, and thank you for your leadership on this committee.

Mr. Dubois, I want to welcome you, we look forward to hearing from you today. I think it's clear that it appears at the top line of the military construction budget request is that it changed very little from last year's request. However, last year's budget request was reduced by over 12 percent at a time when we were preparing for war on a major scale. The low request came at an unusual time and the committee had hoped to see a more robust request this year, in light of the military's ongoing war efforts.

As our missions increase our service members deserve quality facilities, and their families deserve quality housing in which to live and work. And in fact over the past 2 years the requested amounts

were substantially decreased. Taking a closer look at this request, individual accounts appear to have changed dramatically.

Now, even given the Navy's ability to use land sale profits to assist with BRAC environmental clean up, I'm very concerned that the BRAC remediation request is reduced again this year. The overall BRAC clean up budget request has dropped 56 percent in the last 2 years, taking a \$125 million cut this year alone. It was only 2 years ago when the services badly underestimated their environmental clean up requirements and came to the committee for help. And we provided that help.

So I am hopeful that you will be willing to re-look at that account because the clean up needs are vast. I mean, I can say in California alone we can probably use the whole budget, plus. And that doesn't take into consideration the other 49 States.

I would like to commend the Department for keeping its promise to the Reserve components to steadily increase funding for their infrastructure needs. Although the request for Reserve components is down 15 percent from last year's enacted amount, it is still 68 percent higher than last year's requested amount, so that's some good news.

The quality of our military infrastructure impacts the ability of our forces, as we all well know, to train, to maintain their equipment, to do their jobs. Adequate infrastructure in terms of housing and family support facilities is the overriding quality of life issue for service members and their families. Where investment in military construction is needed, this committee wants to meet that need. But it's up to the Defense Department and to you, Mr. Dubois, and to the individual services to come before this committee and tell us what the Department needs.

We all recognize that infrastructure is an essential element of readiness, it's also an easy target for cuts in the face of competing demands. And I think that's happened for the past two years and I really hope it doesn't happen again. So we look forward to your testimony. Thank you very much for being here.

Senator HUTCHISON. Okay. We will have—

Senator STEVENS. Madam Chairman.

Senator HUTCHISON. Oh, I'm sorry.

Senator STEVENS. Yes. Thank you. I'm invisible.

Senator FEINSTEIN. Not really.

Senator HUTCHISON. I'm going to pay a heavy price for that. Mr. Chairman.

STATEMENT OF SENATOR TED STEVENS

Senator STEVENS. I just stopped by, I have another hearing, but I do want to echo what you said and to make a request. It's obvious that we're going to go into a new era now in terms of installations and bases, and I want to reaffirm the request made by the Chair to have us fully informed as to the impact of those plans on this subcommittee.

Last time we went through a base closure round we found we had put money into bases that were listed on the base closure list, and at the request of the Department. I don't think that should happen. I think we're going into this era with both eyes open, and the demands, particularly for overseas relocation, are going to be

rather extensive, as well as demands at home to be prepared for the relocation that's been announced.

Some of us were briefed recently by SACEUR when we were visiting with him, and the extent of those relocations in Europe are going to be immense.

So I would not want to be in a position we were in before of responding to requests for improvements of bases that we are going to close, or installations we're going merge. I would hope that we'd find some way to really program the budget out further than we currently have it, as far as overseas construction and the construction at home.

I encourage you, Madam Chair, to make certain that we conserve this military construction money to the maximum extent possible and use it for the future—although I share the Senator from California's position with regard to the cost of base closure, installation closure, and merger from the environmental point of view. Those have to be factored into these decisions too.

As far as I'm concerned, I do think that the worldwide strategy that has been discussed so far is going to have enormous impact on this subcommittee. I think we must be prepared and not get off on the wrong track again. Thank you very much.

Senator HUTCHISON. Well, thank you, Mr. Chairman. Those are excellent points and in my questioning I am going to ask when they will start factoring into their MILCON budget request, the troops they've announced they're bringing home so that we can have a smooth transition. That's got to be a part of it.

Senator STEVENS. Well, base closure and remediation costs have to be part of this figure too. That's the problem.

Senator HUTCHISON. That's right.

Senator STEVENS. Thank you very much.

Senator HUTCHISON. That's exactly right. Well, thank you very much for coming. We appreciate it. Our first witness is Raymond Dubois, the Deputy Under Secretary of Defense for Installations and Environment. Mr. Dubois, your full statement will be a part of the record, if you could summarize. I want you to cover fully—you have quite a long statement, and it covers a lot of territory. If you can summarize, we will submit the full statement for the record, and then we will be able to ask the questions. Thank you.

STATEMENT OF RAYMOND F. DUBOIS

Mr. DUBOIS. Thank you, Madam Chairman, Senator Feinstein. The questions that you have posed in your opening statements, along with those of Chairman Stevens, are needless to say extremely important, both in terms of how we build this year's MILCON budget, as well as how we are looking at the out years.

Let me take the opportunity just to briefly highlight some of the remarks that I've made in my written statement, because I think it's worth—they're worthy of emphasis. Clearly we believe that we have a strategy for our real property asset management as well as the important environmental stewardship obligations which we hold dearly.

Now, I do want to thank this particular committee. As you know, I testify probably almost as many times as the Secretary of Defense himself before various committees before the House and the Sen-

ate. But in particular this committee has evidenced over the years strong support for the quality of life for our troops, as well as the healthy infrastructure so necessary to that quality of life.

We believe that we have defined a strategy to address those conditions of our installations and facilities, which were inadequate when we came into office. Now, for many years, as you have pointed out, both today and in the past our facilities had declined. Had declined in a miserable sense due to competing priorities. And we can't get around that, can't get away from that, but it also, we think declined—those facilities declined due to a poor understanding of how to properly fund sustainment and recapitalization in particular.

Now, we all remember that at the outset of this Administration, President Bush and Secretary Rumsfeld identified military housing as a central priority of the Department. We have significantly improved that housing as well as the military infrastructure through attention to best business practices and using models that we have taken from the private sector to improve our facilities.

Now, full facilities sustainment is in our view the foundation pillar of the Department's infrastructure investment strategy. As you know, the Department is requesting \$6.5 billion for sustainment now, and in most respects that bill is not a Military Construction Appropriation per say, it comes out of the O&M account. But it is important to recognize that we are spending a considerable amount on our infrastructure and we are obtaining a 95 percent sustainment rate based on standard commercial benchmarks. 2008 is our goal to achieve full sustainment.

What does full sustainment do? It prevents the deterioration and it does preserve the performance of the life of the facility, and all facilities by category have a useful life. Managing those sustainment costs and funding to the appropriate levels is in the long run less expensive than repairing and replacing unusable facilities.

However, sustainment alone will not keep facilities from becoming obsolete. We must continue to recapitalize our facilities to coincide with the military mission and the needs of our services. The quality of our infrastructure directly affects their training and readiness, as you have pointed out in your statement.

The Department is requesting \$4.4 billion for the recapitalization of our facilities, which is the second pillar of our infrastructure investment strategy. The third pillar is the quality of life pillar in many respects, because if we do not focus on those issues we will reap the negative benefits, if you will, in terms of recruitment, retention, readiness, and morale. Now, to that end the Department is committed to providing quality housing. As you have pointed out, how are we approaching this quality housing dilemma?

We have, one, increased the basic allowance for housing. Two, we have eliminated the out-of-pocket expense for off base housing. Three, we have increased the housing privatization projects, and four, we are maintaining, and with your help we will continue to maintain, appropriate military construction funding.

We think that the Department has used privatization in a skillful manner to advance this goal and obtain maximum benefits from the Congress' appropriated levels for housing investment. Now, our

policy requires that privatization projects yield at least three times the amount of housing as traditional military construction for the same amount of appropriated dollars. And we believe our housing privatization efforts have now achieved unqualified success, with the installation commanders and service members of all ranks welcoming privatization efforts to revitalize their family housing.

There will be at the end of this month in excess of 55,000 military family housing units privatized, and we are continuing to accelerate our effort and project by the end of 2005 fiscal year, to have awarded over 136,000 privatized units.

Now, it is important at this juncture I think in my opening remarks to reprise, if you will, your comment, Madam Chairman, about the issue of the so-called cap. Due to the rapid acceleration of the program over the last 3 years we have used about 70 percent of the \$850 million budget authority provided by our original authorities for housing privatization.

That means by the end of this calendar year we will have used the remaining 30 percent. We have submitted to Congress a legislative proposal to increase our authority by an additional \$1 billion, that is to say to a level of \$1.85 billion, allowing us to fully implement the President's management agenda to eliminate all inadequate military family housing through contractual privatization by the year 2007. And I thank you for your commitment to help us in that regard.

Another issue that needs to be put on the table I think today is the importance of our access to needed test and training ranges, and the fact the Department over the last several years has asked for Congress' assistance in terms of mitigating the effects of encroachment in and around our facilities.

No one would deny the fact that realistic live fire training is an enormously important aspect to our military readiness. But that requires substantial natural resources—air, land, water, brown water, blue water—those natural resources where the military can train as they would fight. Those resources must replicate to the extent that we can the challenges, the stresses, the discomfort, physical and psychological, the actual conditions of combat.

Now, as we have discussed over the last several years, encroachment comes from many sources, it's not just an environmental issue or an endangered species issue, it is also urban and suburban sprawl. It is also appropriate land use, or on the negative side, inappropriate land use in and around our military installations. Air space restrictions, frequency spectrum competition, all of these issues tend to restrict somehow, both in and around our installations, our training opportunities.

The Department appreciates, as I indicated, the action of Congress in adopting several provisions from our fiscal year 2003 and fiscal year 2004 requests, and the National Defense Authorization Act of those 2 years now embrace some of the requests that we have made. These provisions are key enablers of what we call range sustainability.

And I also want to point out something that was in last year's bill that I think was very important because it connects to a request in this year's bill, and that is section 2811 of the 2003 Act, which allows the services, the military departments, to take a

proactive role in developing programs to protect installations and ranges from urban sprawl by working with the States and local organizations, non-governmental organizations, to promote sound land use.

The fiscal year 2005 budget request includes a new initiative of \$20 million targeted on our new authority to assist in developing those partnerships with the local communities. The Department is very proud in this regard of our environmental programs at our military installations, and we're committed to pursuing a comprehensive environmental program. As you know, we have the responsibility to manage over 30 million acres of land. They are important to military training and readiness. We have completed integrated resource management plans, as required by the Sikes Act, at 95 percent of our installations.

As you know, INRMPs, Integrated Natural Resource Management Plans, provide a management framework to protect threatened and endangered species while providing for no net loss of test and training opportunities.

I think I'll stop here, Madam Chairman, and again thank you for this opportunity to highlight some of our initiatives that may come up in the questioning as it has in your opening statements, relative to our BRAC effort.

The BRAC effort is extremely important. I've testified to this on numerous occasions, as has the Secretary, and with respect to both your question and that of Chairman Stevens, it is no doubt true that the overseas rationalization, both of force structure and of infrastructure, will have a tremendous impact on domestic BRAC.

The Secretary I know has briefed you, and Chairman Stevens received a briefing I believe this week. The Secretary intends to finalize, he and the Chairman of the Joint Chiefs, finalize their decisions on these, what I call major building blocks of our overseas force structure and infrastructure in the May timeframe of this year.

He knows that he has to do that in order to appropriately inform the domestic BRAC process and give the military departments and the joint cross service groups enough time, i.e. between May and June of next year, to use those decisions to define and design where that force structure will return, in terms of the base structure in the United States.

Thank you again, Madam Chairman, and I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF RAYMOND F. DUBOIS

Madam Chairman and distinguished members of this Subcommittee, I appreciate the opportunity to discuss the President's Budget request for fiscal year 2005 and the plan of the Department of Defense for improving its infrastructure and facilities. The Department is continuing with its efforts to transform the force structure to meet new security challenges and the way we do business. In Installations and Environment, this translates into a renewed emphasis on taking care of our people, providing facilities to support the warfighter by eliminating facilities we no longer need and improving those that we do, and modernizing our business practices—all while protecting the environment and those assets for which we have stewardship responsibility.

At the outset, I want to express the Department's appreciation for the strong support of this Subcommittee for our initiatives. With regard to infrastructure, the Department has a defined strategy to address the condition of our installations and

facilities. These issues are an integral component of readiness. Installations are the “platforms” from which our forces successfully deploy to execute their diverse missions. Over many years, our facilities declined due to competing priorities and poor understanding of funding requirements, but we are significantly improving our military infrastructure through focused attention to best practices drawn from standard business models. Continuing to improve our facilities and military readiness is a priority of the Secretary of Defense.

The Department currently manages nearly 600,000 buildings and structures with a plant replacement value of \$630 billion, and over 46,000 square miles of real estate. As you know, we have developed models and metrics to predict funding needs and have established goals and performance measurements that place the management of Defense infrastructure on a more data driven business basis. We accelerated our goal to eliminate nearly all inadequate housing from fiscal year 2010 to 2007. By the end of fiscal year 2005, we will reduce the number of inadequate housing units by 66 percent (61,000) from our fiscal year 2001 level of 180,000 inadequates. The Department’s facilities sustainment budget funds annual maintenance, predictable repairs and normal component replacements. We have increased funding for facilities sustainment consistently since fiscal year 2002, sustaining facilities at an average of 89 percent, and this year’s budget request raises that rate to 95 percent for each of the Military Services, TRICARE Management Activity and the Department of Defense Education Activity.

Restoration and modernization—i.e. recapitalization—funds unpredictable repairs, improvements and total facility replacements. We have continued to improve our management of the recapitalization of the inventory. The budget request improves the recapitalization rate to 107 years and we anticipate achieving our 67 year recapitalization goal in fiscal year 2008.

INFRASTRUCTURE INVESTMENT STRATEGY

The Department’s recent successes were made possible through effective management and prudent budgeting. Our investment strategy links the asset management plan to actual funding.

The traditional view of the Military Construction and Family Housing appropriation funding requests for fiscal years 2004 and 2005 shows a slight increase in this year’s request. The Military Construction and Family Housing top-line is but one indicator of the health of our program. However, it does not represent a comprehensive approach to our management practices for the infrastructure as a whole.

COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

[President’s Budget in Millions of Dollars—Budget Authority]

	Fiscal Year 2004 Request	Fiscal Year 2005 Request
Military Construction	4,574	4,877
NATO Security Investment Program	169	166
Base Realignment and Closure	370	246
Chemical Demilitarization	(¹)	82
Family Housing Construction/Improvements	1,251	1,625
Family Housing Operations & Maintenance	2,780	2,547
Homeowners Assistance		
Family Housing Improvement Fund	0.3	0.3
TOTAL	9,144	9,460

Note: Fiscal year 2004 Request column represents the fiscal year 2004 Amended Budget Submission.

¹ Chem-Demil included in Military Construction totals for fiscal year 2004. For fiscal year 2005 Chem-Demil has a separate Treasury code.

Facilities Support Investment and Operating Expenses

Managing our facilities assets is an integral part of asset management. Facilities are the “platforms” from which our forces deploy and execute their missions. The quality of our infrastructure directly affects training and readiness. In addition, from a purely financial perspective, it is more cost effective in the long term to fully fund the general upkeep of facilities than to allow them to deteriorate and replace them when they are unusable.

SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's Budget in Millions of Dollars]

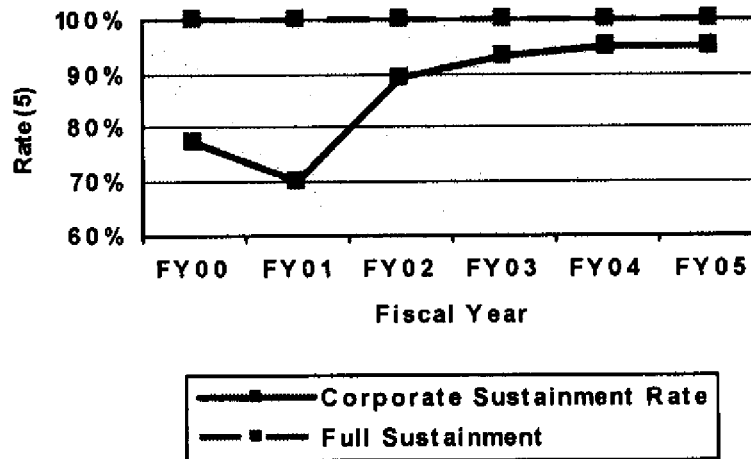
	Fiscal Year 2004 Request	Fiscal Year 2005 Request
Sustainment (O&M-like ¹)	6,382	6,531
Restoration and Modernization (O&M-like)	1,012	1,243
Restoration and Modernization (MilCon)	2,350	3,161
TOTAL SRM	9,744	10,935

¹Includes O&M as well as related military personnel, host Nation, and working capital funds.

Facilities sustainment, using operations and maintenance-like ¹ appropriations, fund the maintenance and repair activities necessary to keep an inventory in good working order. It includes regularly scheduled maintenance and major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. Sustainment prevents deterioration and preserves performance over the life of a facility.

To forecast funding requirements for sustainment, we developed the Facilities Sustainment Model (FSM). FSM uses standard benchmarks drawn from the private and public sectors for sustainment costs by facility type and has been used to develop the Service budgets since fiscal year 2002 and for several Defense Agencies beginning in fiscal year 2004.

Historic Sustainment Rates



Full funding of sustainment is the foundation of our long-term facilities strategy, and we have made significant progress in achieving this goal. The fiscal year 2004 budget request funded sustainment at an average of 94 percent of the FSM benchmarks across the Services, TRICARE Management Activity, and the Department of Defense Education Activity. The fiscal year 2005 budget request of \$6.5 billion improved this by standardizing sustainment funding at 95 percent for each of the Components, and we plan to achieve full sustainment in the near term.

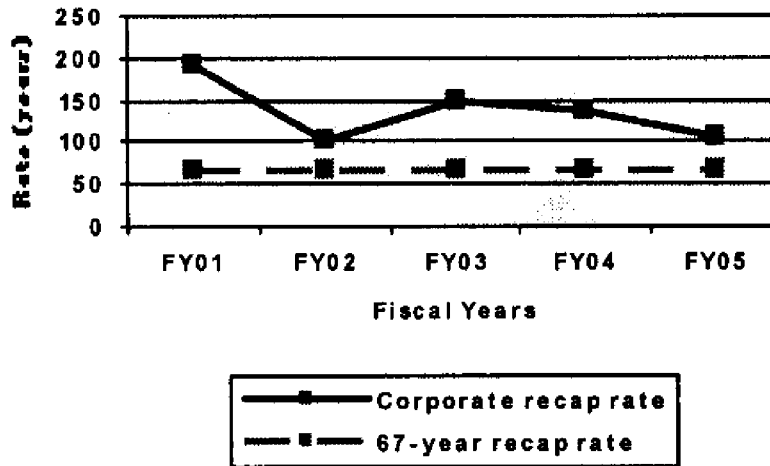
Restoration and modernization, together called recapitalization, provides resources for improving facilities and is funded with either operations and maintenance or military construction appropriations. Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident or other causes. Modernization includes alter-

¹Includes O&M as well as related military personnel, host nation, and working capital funds.

ation of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years.

Recapitalization is the second step in our strategy. Similar private sector industries replace their facilities every 50 years, on average. With the types of facilities in the Defense Department, engineering experts estimate that our facilities should have a replacement cycle of about 67 years on average.

Historic Recapitalization Rates



As with sustainment, we have improved the corporate recapitalization rate for the third straight year. The budget request includes funding of \$4.4 billion for fiscal year 2005. The request improves the recapitalization rate from 136 years last year to 107. When we began our focused attention on this matter, the Department's recapitalization rate stood at 192 years. Our out-year budget plan would realize the target rate of 67 years in fiscal year 2008.

Even with full sustainment and a 67-year recapitalization rate, it will take time to restore the readiness of our facilities from C-3 and C-4 status to C-2. Sustainment stops deterioration and a 67-year recapitalization rate stops obsolescence, but more is needed to restore readiness in the near term. Thus, the third step in our plan is to accelerate the recapitalization rate to restore existing facilities to at least C-2 readiness, on average, by the end of fiscal year 2010.

Improving Quality of Life

One of our principal priorities is to support military personnel and their families and improve their quality of life. Our Service members deserve the best possible living and working conditions. At the outset of this Administration, the President and Secretary Rumsfeld identified military housing and privatization of that housing as a central priority for the Department. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale. To that end, the Department is committed to providing quality housing using our ongoing approach—increasing the basic allowance for housing and eliminating the out-of-pocket expense for off-base housing (where over 60 percent of our Service members live); increasing the number of, and accelerating the pace of, housing privatization projects; and maintaining military construction funding for family housing where necessary.

The fiscal year 2005 budget keeps the Department on track to eliminate nearly all its inadequate military family housing units by fiscal year 2007, with complete elimination of some inadequate housing overseas in fiscal year 2009. The budget continues the Department's extensive use of privatization to advance this goal and to obtain maximum benefit from its housing budget.

As I noted earlier, in January 2001, the Department had about 180,000 inadequate family housing units (out of a total of 300,000 housing units worldwide). At the start of fiscal year 2004, through traditional construction and improvement

projects, housing privatization and demolition, we have reduced that number to roughly 120,000. The President's fiscal year 2005 budget includes funding to allow us to reduce that number further—by the end of fiscal year 2005, we will have reduced the number of inadequate housing units to roughly 61,000 inadequate.

The fiscal year 2005 budget request will eliminate the out-of-pocket housing costs for the average military member through changes in the basic allowance for housing, a key component of the Department's approach to quality housing. The fiscal year 2005 budget request includes necessary funding to ensure that the typical Service member living in the private sector, where approximately two-thirds of our members live, will have zero out-of-pocket housing expenses. Eliminating out-of-pocket expenses is good for military personnel, but also serves to strengthen the financial profile of the housing privatization program by providing members the ability to pay appropriate market rents.

Privatizing military housing is a priority for the President and the Secretary and is an integral part of the Administration's Management Plan. The Department has skillfully used privatization to advance this goal and obtain maximum benefit from its housing investment. Our housing privatization program is crucial to providing a decent quality of life for our service members.

We believe our housing privatization efforts have now achieved identified success, with installation commanders and Service members welcoming privatization efforts to revitalize their family housing. As of March 22, 2004, the Department has closed out awards on 29 projects, which include 58,503 military family housing units (a 50 percent increase over our privatized units as of January 2003). We project by the end of fiscal year 2005 DOD will privatize more than 136,000 family housing units.

We project 20 more privatization awards in fiscal year 2004, and over 25 in 2005—bringing our cumulative total end of year fiscal year 2005 to about 136,000 units privatized. We project by the end of fiscal year 2007 that we will privatize over 160,000 units or more than 70 percent of our domestic family housing.

During fiscal year 2005, we expect several other bases to have their renovations and construction completed or close to completion, including those at Fort Carson, Colorado. Our policy requires that privatization projects yield at least three times the amount of housing as traditional military construction for the same amount of appropriated dollars. Recent projects have demonstrated that leveraging is normally much higher. The 29 projects awarded thus far reflect an average leverage ratio of over 1 to 1. Tapping this demonstrated leveraging potential through our 29 awarded projects to date has permitted the Department, in partnership with the private sector, to provide housing for about \$550 million of military construction funding that would otherwise have required over \$6.7 billion for those awarded projects if the traditional military construction approach was utilized.

The Department has achieved privatization successes by simplifying the process, accelerating project execution, and institutionalizing best practices in the Services deals with the private sector. Many of our projects require use of appropriated funds when subsidies are provided to the projects, especially as investments, loans and limited loan guarantees. The amount of such appropriated funds was limited in Section 2883 of Title 10, United States Code, to \$850 million for military accompanied (family) housing and \$150 million for military unaccompanied housing. Due to the rapid acceleration of the program over the last three years, we are now in position where almost 70 percent (about \$600 million) of the \$850 million cap has been used. We project the remaining 30 percent of the cap will be used up by the beginning of fiscal year 2005; thus impeding the full implementation of the President's Management Agenda initiative to eliminate all inadequate military family housing by 2007. The Administration has requested that our budget authority for privatized family housing be increased by \$1 Billion so that we can continue to improve housing options for our military families. We ask your support for this proposal.

Military construction is another tool for resolving inadequate military housing. In fiscal year 2005, we are requesting \$4.1 billion in new budget authority for family housing construction and operations and maintenance. This funding will enable us to continue operating and maintaining the Department's family housing as well as meeting the goal to eliminate inadequate housing by 2007—three years earlier than previously planned.

We recognize that a key element in maintaining the support of the Congress and of the private sector is the ability to define adequately the housing requirement. The Department's longstanding policy is to rely primarily on the private sector for its housing needs. Only when the private market demonstrates that it cannot provide sufficient levels or quality of housing should we consider the construction, operation, and maintenance of government-owned housing.

An improved housing requirements determination process, following the Deputy Secretary's January 2003 memorandum, combined with increased privatization, is

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

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

Range Sustainment

Another key initiative is our effort to ensure access to needed test and training ranges and installations to support both current and future requirements. This involves mitigating the effects of encroachment around these facilities, and posturing our test and training infrastructure for sustainable operations.

Training provides our soldiers, sailors, airmen and marines the combat skills they need to win and return safely to their families. Experience has taught us that realistic training saves lives. Training, however, requires substantial resources; air, land and water where military forces can train as they would fight—replicating the challenges, stress, discomfort, physical and psychological conditions of actual combat.

Encroachment at installations, training ranges and test sites, however, interferes with the ability of our military to train and execute their missions. Encroachment comes from many sources—environmental, urban and suburban sprawl, airspace restrictions, and the frequency spectrum. Endangered species and their critical habitats in or near gunnery or bombing ranges also can reduce test and training access. As access is restricted due to encroachment, training opportunities for our men and women in uniform become increasingly limited in terms of time, scope, or realism with cumulative impact on military readiness.

The Department deeply appreciates the action of Congress in adopting key provisions in both the fiscal year 2003 and fiscal year 2004 National Defense Authorization Acts that were part of the Administration's Readiness and Range Preservation Initiative (RRPI). These provisions are key enablers of range sustainability. For example, one of the most useful provisions for countering physical encroachment due to incompatible development is Section 2811 of the 2003 Act. This provision allows the Services to take a proactive role in developing programs to protect installations and ranges from urban sprawl by working with states and non-governmental organizations to promote sound land use.

To assist the Services in implementing this authority and forming compatible land use partnerships at the state and local level, the President's fiscal year 2005 Budget request includes a new initiative of \$20 million targeted to our new authority—to assist in developing new policies, partnerships, and tools to assist communities and other interested stakeholders in executing compatible land use partnerships around our test and training ranges and installations. The new request is intended to build upon on-going efforts—innovative win/win partnerships with our neighbors to enhance conservation and compatible land use on a local and regional basis.

Last year, the National Defense Authorization Act for fiscal year 2004 included important clarification of the Marine Mammal Protection Act's (MMPA) definition of harassment. This action allows the Navy to continue to test and train with active sonar, by clarifying regulatory criteria that were previously based on imprecise statutory language in the Act's definition of harassment. The Congress also added a national security exemption to the MMPA for military activity in time of national emergency, an exemption provided in other major environmental legislation that was not present in the original and reauthorized versions of the act. The fiscal year 2004 National Defense Authorization Act also authorized the use of Integrated Natural Resource Management Plans (INRMPs) in lieu of Critical Habitat designation, if approved by the Secretary of the Interior, thereby allowing ranges and installations to effectively manage their natural resources while supporting military readiness.

Another significant environmental accomplishment is in the area of natural resources, where we are working to ensure continued access to our critical test and training ranges, supporting our readiness mission. The Department currently man-

ages more than 30 million acres of lands which are important to military training and readiness. We have completed integrated natural resource management plans (INRMPs), as required by the Sikes Act, at 95 percent of our installations. INRMPs provide a management framework for our resources for no net loss of test and training opportunities. Legislation in The National Defense Authorization Act for fiscal year 2004 authorized the use of INRMPs to substitute for critical habitat designation under the Endangered Species Act, if those plans meet certain preparation and implementation requirements and the Secretary of the Interior determines that the DOD INRMP provides a benefit to the relevant species. DOD is preparing an INRMP strategic plan to ensure that its installations coordinate with all interested stakeholders, complete in a timely manner the next round of updates to our existing INRMPs due in 2006, and fund all required projects.

Clearly, to protect our military we must also protect our all important test and training ranges. Substantial urban growth and other “encroachment” around previously isolated ranges have strained our ability to conduct necessary testing and training essential to maintaining readiness. In response to this challenge, we are working to expand efforts to sustain our training mission and protect the valuable natural resources entrusted to our care. Both are required as we endeavor to ensure that our men and women in uniform get the best training available. Our troops deserve the best.

Improving Environmental Management

The Department continues to be a leader in every aspect of environmental management. We are proud of our environmental program at our military installations and are committed to pursuing a comprehensive environmental program.

ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST ¹

[President’s Budget in Millions of Dollars—Budget Authority]

	Fiscal Year 2004 Request	Fiscal Year 2005 Request
Environmental Restoration	1,273	1,305
BRAC Environmental ²	412	322
Compliance	1,603	1,665
Pollution Prevention	173	168
Conservation	153	169
Technology	190	186
International	3	4
TOTAL	3,807	3,819

¹ Includes operations and maintenance, procurement, RDT&E, and military construction funding.

² Funding levels reflect total BRAC environmental requirement planned for execution. Funding levels are higher than the PB request (see page 4 chart) as a portion will be financed with BRAC land sale revenues.

In fiscal year 2005, the budget request includes \$3.8 billion for environmental programs. This includes \$1.3 billion for cleanup, \$0.3 billion for BRAC environmental, \$1.6 billion for compliance; about \$0.1 billion for pollution prevention, and about \$0.1 billion for conservation.

By the end of fiscal year 2003, we reduced the number of new Federal and State Notices of Violations (NoVs) by 80 percent from the 1992 baseline. The Department’s success is due to an aggressive self audit program, which includes root cause analysis and corrective action plans. While the number of new NoVs decreased, the number of regulatory inspections increased by 12 percent in fiscal year 2003. Even as regulators are increasing their oversight, they are finding more installations in full compliance. In fiscal year 1994, every 100 inspections resulted in 37 new enforcement violations. In fiscal year 2003, every 100 inspections resulted in only 8 new enforcement violations.

In calendar year 2002, we provided drinking water for over 2 million people worldwide and less than 5 percent of the population received notices that the water exceeded a drinking water standard at some point during the year. To further protect people, assets, and mission, DOD is conducting vulnerability assessments and developing emergency response plans for all systems serving 25 consumers or more; far beyond the requirement in the Safe Drinking Water Act to assess systems serving a population greater than 3,300 persons.

We reduced the amount of hazardous waste we dispose of by over 68 percent since 1992, reducing the cost to manage these wastes. The Department diverted over 41 percent of all the solid waste generated from landfills to recycling; thereby avoiding over \$138 million in landfill costs. These pollution prevention techniques continue

to save the Department needed funds as well as reduce pollution. We increased the number of alternative fueled vehicles that we acquire to 77 percent of all non-tactical vehicles acquired, exceeding the requirement in the Energy Policy Act of 75 percent.

The Department's commitment to its restoration program remains strong as we reduce risk and restore property for productive use by future generations. We are exploring ways to improve and accelerate cleanup with our regulatory and community partners. Achieving site closure and ensuring long-term remedies are challenges we continue to face. Conducting environmental restoration activities at each site in the program requires accurate planning, funding, and execution of plan.

The Department must plan its activities years in advance to ensure that adequate funding is available and used efficiently. As an example, instead of waiting for Federal and State regulation to determine cleanup standards before beginning planning for perchlorate restoration, in September 2003 the Department required the Military Components to assess the extent of perchlorate occurrence at active and closed installations, and Formerly Used Defense sites. We will use the data collected to determine priorities and funding requirements for our cleanup responsibilities. As soon as perchlorate standards are determined, the Department will be ready to request the appropriate funding and begin execution. In addition, the Department has invested \$27 million to research potential health effects, environmental impacts, and treatment processes for perchlorate. The remediation technologies we are testing in several states continue to increase the effectiveness of treatment. We are putting ourselves in the best possible position to respond to any new requirement established by regulatory agencies.

The Defense Environmental Restoration Program goals assist the Components in planning their programs and achieving funding for activities. We achieved our goal to reduce 50 percent of high risk sites at active installations by the end of fiscal year 2002 and are on track to achieve 100 percent by the end of fiscal year 2007. At the end of fiscal year 2003, 83 percent of BRAC sites requiring hazardous waste remediation have a cleanup remedy constructed and in place, and 78 percent have had all necessary cleanup actions completed in accordance with Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) standards.

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

To address UXO problems at locations other than operational ranges, Formerly Used Defense Sites, some BRAC installations, and closed ranges on active installations—we have the Military Munitions Response Program (MMRP). We are currently developing goals and metrics for the program to track our progress to completion and finishing the prioritization protocol that will allow us to sequence sites by risk. We have an inventory of our munitions response sites, which we shared with the states and EPA, and have made available to the public. This inventory is being updated as we reconcile our list with the states. Even though the UXO cleanup program is in the early stages of development, considerable progress has been made in cleaning up MMRP sites at our BRAC installations and Formerly Used Defense Sites (FUDS). As of the end of fiscal year 2003, DOD has fulfilled its cleanup obligations at over 120 of the approximately 195 identified MMRP sites at BRAC installations, and has cleanup actions underway at 27 sites. These sites were identified prior to fiscal year 2001 as having UXO contamination and the Department has been making steady progress to eliminate their hazards—almost 65 percent of the BRAC MMRP inventory has been addressed. A similar situation can be found at FUDS sites, where 45 percent of the MMRP sites identified have had all cleanup actions completed. Over, 790 of the 1,753 FUDS sites with currently identified UXO contamination have been addressed, and another 36 are undergoing cleanup actions.

In addition, we are developing new technologies and procedures through the Environmental Security Technology Certification Program and the Strategic Environmental Research and Development Program. Over 60 percent of the investments in these programs focus on projects to sustain ranges and range operations. These, along with the Army and Navy's Environmental Quality Technology Programs, have helped us make tremendous strides for realizing our goal to reduce current and future environmental liability.

Across the Department, we are actively implementing environmental management systems based on the "plan-do-check-act" framework of the international standard for environmental management systems (ISO 14000). Our objective is to transform

environmental management in the Department of Defense from an activity external to the mission to a systematic process that is fully integrated with mission planning and execution. This transformation is essential for the continued success of our operation at home and abroad. Our new management systems target reduction in our day-to-day compliance costs and long-term environmental liabilities by increasing environmental awareness and mobilizing all Defense organizations and employees to reduce environmental impacts through improved control of day-to-day mission activities. The Military Departments and Defense Logistics Agency reported plans to implement environmental management systems at roughly 625 installations. Over 50 percent of these installations have environmental management system policies in place—the first step toward full scale implementation. To date, 33 installations have fully implemented environmental management systems.

Utilities Privatization and Energy Management

The Department seeks to reduce its energy consumption and the associated costs, while improving utility system reliability and safety. To accomplish this, the Department of Defense is developing a comprehensive energy strategy that will continue to optimize utility management by conserving energy and water usage, improve energy flexibility by taking advantage of restructured energy commodity markets when opportunities present themselves and modernize our infrastructure by privatizing our deteriorated and outdated utilities infrastructure where economically feasible.

With approximately 2.2 billion square feet of facilities, the Department is the single largest energy user in the nation. Conserving energy in today's high-priced market will save the Department money—money that can be better invested in readiness, facilities sustainment, and quality of life. Our efforts to conserve energy are paying off; in fiscal year 2003 military installations reduced consumption by 1 percent resulting in a 2.7 percent decrease in the cost of energy commodities from fiscal year 2002. With a 26.1 percent reduction in fiscal year 2003 from a 1985 baseline, the Department has, thus far, maintained a positive track to achieve the 2005 and 2010 facility energy reduction goals stipulated by Executive Order 13123.

The comprehensive energy strategy will support the use of meters to manage energy usage at locations where the monitoring justifies the cost of installing, maintaining and reading the meter. Metering in itself does not save energy, however use of meters can be beneficial to determine accurate billing, perform diagnostic maintenance, and enhance energy management by establishing baselines, developing demand profiles, ensuring accurate measurement for reporting, and providing feedback to users.

The Department has a balanced program for energy conservation—installing energy savings measures using appropriated funding and private-sector investment—combined with using the principles of sustainable design to reduce the resources used in our new construction. Energy conservation projects make business sense, historically obtaining about \$4 in life-cycle savings for every dollar invested. The fiscal year 2005 budget contains \$60 million for the Energy Conservation Investment Program (ECIP) to implement energy saving measures in our existing facilities. This is a 20 percent increase from the fiscal year 2004 congressionally appropriated amount of \$50 million, partly because of the performance of the program to date and because of the focused management effort for continued success. The Department will also continue to pursue renewable energy technologies such as fuel cells, geo-thermal, wind, solar, and purchase electricity from these renewable sources when it is life-cycle cost-effective. In fiscal year 2003 military installations used 3.2 trillion British Thermal Units of renewable energy, and project an increase in fiscal year 2004. The pursuit of renewable energy technologies is critical to the Department's and Nation's efforts in achieving energy flexibility.

The Department has reaffirmed its preference to modernize military utility systems through privatization. Following on revised guidance signed by the Deputy Secretary of October 2002, the DOD Utilities Privatization Program has made solid progress. The Services have greatly simplified and standardized the solicitation process for obtaining industry proposals. The Request for Proposal templates have been clarified to improve industry's ability to obtain private sector financing and manage risks. Of 2,602 utility systems serving the DOD, 435 systems have been privatized and 739 were already owned by other entities. Over 900 systems are currently under solicitation as each Service and the Defense Logistic Agency continue aggressive efforts to reach privatization decisions on all systems by September 2005.

BASE REALIGNMENT AND CLOSURE

In accordance with the authorizing legislation, the Secretary certified on March 23, 2004, that the need exists for the closure or realignment of additional military

installations and that the additional round of closures and realignments authorized for 2005 will result in annual net savings for each of the Military Departments, beginning not later than fiscal year 2011. This certification is contained in the report that was provided to Congress last week.

The Secretary's certification of the need for BRAC is a direct result of the changed world in which we live. The conclusion that an additional round of BRAC is needed is shared not just by the Department's civilian leadership but also by the Chairman and Joint Chiefs. Changes in the threats we face, how we prepare for those threats, and changes in technology require that we reconfigure our force structure to most effectively and efficiently support our forces. Our force structure and the way we employ it is already transforming and this will continue. BRAC has proven to be the most effective and comprehensive tool to position our base structure to accommodate and facilitate this transformation. Therefore, an additional base realignment and closure (BRAC) round is essential to the Department's efforts to transform the Armed Forces to meet the threats to our national security and to execute our national strategy.

The Secretary's certification that there is a need for BRAC also reflects the fact that the Department retains excess infrastructure capacity, even after the previous four BRAC rounds. Excess capacity diverts scarce resources from recapitalization. The report we have provided includes a "discussion of the categories of excess infrastructure and infrastructure capacity" as required by the legislation. Elimination of excess capacity is an important goal of BRAC because it is important to the Department's stewardship of the taxpayer's dollar and to its application of taxpayer resources to achieve their maximum effect. I must note, however, that the Department is focused on the elimination only of truly excess capacity—that which is not important to preserving military value. The Secretary has not established any quantitative capacity reduction targets for BRAC and the Department will not eliminate assets, even if only used marginally, wherever these assets are important to the preservation of the capabilities the Department must retain and enhance. This was a key consideration in the previous rounds and is even more important now.

BRAC 2005 will be a capabilities-based analysis. The Department recognizes that the threats our Nation now faces are difficult or even impossible to forecast through conventional analysis. That realization compels us to review our facilities in BRAC within the context of the capabilities they offer instead of viewing our facilities against definitive requirements. Because it is critically important for the Department to retain the infrastructure necessary to accommodate its ability to "surge", the Department is gauging its installations against the range of threats faced by our Nation so that it can differentiate among and capitalize on those that offer needed capabilities, and reconfigure, realign or close those that do not. The previous BRAC rounds demonstrated that DOD has, in fact, focused on the elimination of assets that are "reconstitutable," that is, available through construction or purchase in the private sector, while retaining difficult to reconstitute assets like land maneuver areas and airspace for training.

The Secretary has directed that BRAC must: further transformation by rationalizing infrastructure to force structure; enhance joint capabilities by improving joint utilization; and convert waste to war fighting by eliminating excess capacity. I know that you share the Department's goal that BRAC 2005 must result in a base structure configured to most effectively and efficiently support the capabilities necessary to meet the threats of today and tomorrow. I also know that this Subcommittee appreciates the fact that every dollar wasted on unnecessary infrastructure is a dollar diverted from improving Defense capabilities. That is why Congress authorized BRAC 2005—it is the only process that uses a rigorous, objective process rooted in military value to rationalize the Department's infrastructure.

CONCLUSION

The Department is transforming its installations and business practices through an asset management strategy, and we are beginning to see the results of that transformation. We are achieving the President's goal to provide quality housing for our service members and their families, and we have made positive progress toward our goal to prevent deterioration and obsolescence and to restore the lost readiness of our facilities. We also are transforming our environmental management to become outcome oriented, focusing on results. We are responding vigorously to existing encroachment concerns and are putting a long-term installation and range sustainment strategy into effect.

The Base Realignment and Closure effort leading to the delivery of the Secretary's recommendations to the independent Base Closure Commission in May 2005 is a key means to transform our infrastructure to be more flexible to quickly and effi-

ciently respond the challenges of the future. Together with the Global Defense Posture Review, BRAC 2005 will make a profound contribution to transforming the Department by rationalizing our infrastructure with Defense strategy.

In short—we have achieved significant accomplishments over the last 3 years, and we are well on our way to achieving our goals across the Installations and Environment Community.

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

Senator HUTCHISON. Well, thank you, Mr. Secretary, let me just start right there with your last point and ask you again to clarify. First of all, apparently you're looking at a May deadline for the global imprint to know where we're going to be bringing troops home, where we're going to keep them, where we're going to add.

Tell me again your time table for getting that information to the requisite Secretaries for the determination of where those troops will be deployed back.

Mr. DUBOIS. Uh-huh.

Senator HUTCHISON. And in conjunction with the BRAC, will there be plenty of overlap for the BRAC to be able to consider where the recommendations are for the returning troops to return?

Mr. DUBOIS. As I indicated——

Senator HUTCHISON. You said May of next year, but——

Mr. DUBOIS. No, no, May of this year.

Senator HUTCHISON. I was talking about——

Mr. DUBOIS. May of this year would be—excuse me, I'm sorry. May of this year would be the time that the Secretary would finalize his decisions as to what force structure would return from overseas.

That gives us a year to plan for where that force structure would go in the United States.

Senator HUTCHISON. Well, what is the time table for the Base Closing Commission to start its deliberations in 2005?

Mr. DUBOIS. The President of the United States must nominate, and I believe the Senate must confirm by March 17th of 2005, the members of the nine member commission. The Secretary of Defense must report to that commission no later than May 16th.

Now, I would predict that as soon as the Senate confirms the nine members, the Secretary is going to be very close to making his final and formal recommendations. So the timing, while this President must do it no later than March, and the Secretary must report no later than May, I suspect that the report of the Secretary will come prior to that deadline of May 16th.

Senator HUTCHISON. Well, let me just try to firm that up and say, will you make it your goal to assure that before the first BRAC beginning organizational meeting that you will have in place the plan for where the troops will go so that can be part of their deliberations, as well as your own recommendations for what is to be closed?

Mr. DUBOIS. Many of the meetings that we've had to date, internally at the Pentagon, of the infrastructure steering group, and the joint cross steering groups, and the military services themselves, has focused principally on process. Principally on how we would apply the selection criteria which has been published, as you know.

The issues pertaining to specific deliberations of which infrastructure would be needed to accept or receive overseas force structure will happen beginning, as I indicated, in May of this year. Now, it is true that, in terms of Europe, the Army is facing the largest potential, potential return of force structure. And I know that the Army, the Vice Chief of Staff of the Army, the Assistant Secretary of the Army for installations and environment, and the Deputy Assistant Secretary of the Army for infrastructure issues have already begun to lay out a process by which if—sort of the what-if situations, where the Secretary and the President decide that a given force structure is to return, what is the implications for our analytic process.

So I feel very confident that in this case, the Army has established a process and they are poised, if you will, to accept the Secretary and the President's decision on the return of force structure in order to insert those decisions into their domestic BRAC deliberations.

Senator HUTCHISON. Okay. I'm taking that as a yes, it will be our goal to—

Mr. DUBOIS. Yes, ma'am.

Senator HUTCHISON [continuing]. Make sure those time tables meet. Okay, I'm going to finish this, and then I'm going to let my colleagues question. Then I do have a number of other questions, but I want to try to give everyone a chance.

But again, on this overseas re-stationing, in your testimony you referred to the bases that will be on the recommendation list for being maintained, our domestic bases. It must have a surge capacity, because I think you rightly point out that we now know that we're probably going to add maybe 30,000 more Army troops, maybe 40 for a short period of time. That's a surge. Then likely they would be able to be winnowed back.

My question is, how are you going to determine the keeping of bases with surge capacity. What are the factors that go into that as one of the points that you're going to have as your criteria for maintaining a base?

Mr. DUBOIS. The issue of surge, is in our view encompassed in criteria number 3, under the Military Value Selection Criteria, and I quote, the ability to accommodate contingency, mobilization, future total force requirements at both existing and potential receiving locations to support operations and training.

It is absolutely critical that in this BRAC in particular that the rationalization of our infrastructure, the realignment and in some cases the closure of infrastructure, in no way diminishes our capability to train. That is to say that you cannot get rid of impossible to reconstitute assets. And what falls into that category? Unrestricted airspace, maneuver training areas, land. These are very much in the forefront of the minds of those individuals in the Defense Department who have to wrestle with the notion of what to rationalize, what to realign and what not to.

Senator HUTCHISON. Let me just ask you to add into your factors that if you're going to have surge capacity in bases, we're going to need to look at the traditional military housing construction, as opposed to the privatized housing that requires then the lease-back through stipends for people to be there.

I would think that you'd be looking at that—if we're going to have the ability to house people on a quick basis off and on, it can't be privatized housing that has to pay leases to keep our commitments. It's going to have to be more of the traditional MILCON. So I would hope you would be considering that.

Mr. DUBOIS. It is certainly a consideration, Madam Chairman. I want to point out, though, an oftentimes overlooked factor today. The United States Army today, has on active duty, in terms of active duty forces, Reserve components, Army National Guard, Army Reserves, almost 645,000 people. We have surged for Operation Enduring Freedom, and Operation Iraqi Freedom. Now we have surged to the battlefield. We have taken care of our infrastructure needs in the battlefield.

The question is, and you have raised an important issue, what do we need to maintain within CONUS, within the United States, in terms of surge and contingencies.

Well, we're living that right now, we're in many ways getting lessons learned right now, as to what kinds of infrastructure need to be maintained in this surge that we're living through. So it is something that we take into consideration.

Senator HUTCHISON. Okay. One last question on this, and then I'm going to turn to my vice chairman. The budget request for BRAC is \$246 million. But it does not reflect an additional \$115 million of land sales which the Navy intends to obligate for BRAC this year. So you've basically taken about a third off last year's request for BRAC, but probably are trying to compensate for that with what the Navy expects to get in land sales.

My question is, is that the case and what assurances then do we have that money will go for the other third of BRAC costs that I assume we are going to need for cleanup. And if the land sales result in more money, will that also accrue to the BRAC account?

Mr. DUBOIS. Madam Chairman, the—any funds derived from public sale of BRAC properties must go into the BRAC Environmental Remediation account. It cannot be stripped away, stolen from or otherwise diverted. My understanding and I would defer to H.T. Johnson, the Secretary of the Navy for I&E, but I will certainly talk to him after this hearing is over.

My understanding is a substantial amount of that money is already in the BRAC Environmental account, coded to the Navy. In other words, the BRAC Environmental account is a DOD wide account, but we actually have three separate accounts for each of the military departments. And my understanding is that much of that money is already sitting in that account.

Therefore on both of your questions, can we be assured that monies that enter into it will be spent, the answer is yes. Can we be assured that the monies yet to enter into it will in point of fact enter into it? My understanding is that those are conservative estimates, on the basis of GSA's appraisal of the value of the land and what would happen under an auction.

Senator HUTCHISON. Thank you, I will have further questions.

Mr. DUBOIS. Yes, ma'am.

Senator HUTCHISON. But I would like to give my colleagues a chance to pursue their interests. Senator Feinstein?

Senator FEINSTEIN. Thank you very much, Madam Chairman. Just on that subject.

Mr. DUBOIS. Yes, ma'am.

PERCHLORATE

Senator FEINSTEIN. It's my understanding that the Air Force took a big hit and still is with respect to environmental cleanup, and particularly McClellan Air Force Base, a major problem that I'd like to talk to you a little bit about separately if I might. Twenty-nine States have perchlorate contamination. This has been a major interest of mine now for the last 3 years. Perchlorate is now showing up in fresh produce. Reports are now surfacing where produce grown in California, and particularly dairy products sold in Texas has perchlorate in it. The State has just passed its regulation of six parts per billion.

In the last 2 years, in the MILCON Appropriations Report, we directed the Department of Defense to provide two reports to the Congressional Defense Committees regarding perchlorate. The first encompassing the activities of the Department's Perchlorate Steering Committee was due December 31, 2003. We have not received it.

The second report which requires the Defense Department to identify sources of perchlorate on BRAC properties and to develop a plan to remediate perchlorate contamination on BRAC sites is due April 30th. Now, the fact that the Committee has not received the December report, doesn't seem to bode well for the April report. Can you give me the status of each report and let the Committee know when we can expect to receive them?

Mr. DUBOIS. Yes, ma'am, on the issue of perchlorate, just let me say in—as an introduction. You made me extremely aware of the issue of perchlorate almost within months of getting this job 3 years ago. And quite frankly it had not been on my radar screen. I took your involvement and concerns very seriously.

We have, we think, made some substantial investments in perchlorate remediation and cleanup, perchlorate detection, as well as the science of perchlorate health. And I can get into that in a minute.

But I do want to answer specifically your questions about those reports. It is true that under the NDAA for fiscal year 2004 you required the DOD to provide a report of activities on the Interagency Perchlorate Steering Committee by December 31, 2003.

My understanding was that we had discussions with your staff, quite frankly, Senator, to say that that was in our view a little bit of an unachievable deadline. Having said that, last—yesterday in preparation for this hearing I asked the question, that I presumed that you would ask and I said, all right, where is the report? Recognizing that we couldn't meet the December 31 deadline.

It is now prepared in draft form, and we are about to send it to OMB. As you know, we have to go through our own OMB clearance process, for the interagency review before submission to Congress.

This like other issues, but in particular perchlorate. As you know, there are a number of Federal agencies that have serious equities here, not the least of which is EPA. We're going to send it to OMB very shortly within a few days I am told. And how long

that interagency clearance process—comment process takes is, as you appreciate, something that's totally out of my control.

However, I am in—a week doesn't go by when I don't talk about perchlorates with OMB and EPA. In fact Governor Leavitt of EPA came over to visit with the Secretary of Defense recently at my request and this is one of the issues that they discussed. They know about your concerns, and many Americans' concerns.

Senator FEINSTEIN. And it's getting worse, Mr. Dubois. The contamination is spreading and the levels in many places are now higher, and it's permeating the food chain. And that makes it serious.

Can you give me a—I mean, if—you couldn't make the December date, are you going to have it to us within weeks, or is it going to take months?

Mr. DUBOIS. I would—cannot answer that question definitively, Senator, the only answer—

Senator FEINSTEIN. Well, could I get an answer from—

Mr. DUBOIS. I will call OMB tomorrow, or when I get back to the office today and I will say, we're going to submit this report to you for clearance, can you give me some indication as to how long it might take. It's the best I can—

Senator FEINSTEIN. All right. How about the report due April 30th?

Mr. DUBOIS. The report—wherein Congress required the Department of Defense to provide data collected from BRAC installations, the report is being consolidated by our lead executive agency, the Department of the Air Force, and we expect to have that report to Congress by it's due date of April 30, 2004.

Senator FEINSTEIN. April 30th, could you—I missed that.

Mr. DUBOIS. The report I believe is due on April 30th.

Senator FEINSTEIN. April 30th.

Mr. DUBOIS. And we anticipate being able to provide that report by April 30th.

Senator FEINSTEIN. Good. Good. That's some good news. Now, in the background—a GAO report published in December, recommended that DoD revise its plans, first, on the deadlines for completing its site inventory and initial evaluations. Secondly, reassess the time table proposed for completing its reevaluation of sites using the new risk assessment procedures, and third establishing interim goals.

What I'm interested in, is what progress has been made on the identification of perchlorate contaminated sites, and how is DoD planning and prioritizing cleanup activities?

Mr. DUBOIS. The Department has undertaken what we believe, and in no small measure because of your resolute position on this issue, the Department has undertaken an aggressive environmental sampling program wherein we require—as I say, the office of Secretary of Defense requires the services, the Military Service, to sample for perchlorate anyway—anywhere that there is a reasonable expectation that perchlorate may exist and there is—and this is critical and there is a pathway to a human receptor. That is to say, into drinking water. Now, we have invested approximately \$20 million to do that through fiscal year 2005.

In particular, in California, we formed an ad hoc working group, with the California regulatory officials, to jointly prioritize the sampling activities in the State. We've also directed that our Munitions Action Plan, which you and I have talked about, the Defense Planning Guidelines, that the Secretary signs, that components, Military Services, assess the hazards of off range migration of munitions constituents, including perchlorate, in their range assessments.

There is, in addition to that sampling, we have invested approximately \$25 million in the development of potential ground water treatment technologies for perchlorate through our SERDP and ESTCP programs. Now, these demonstration and certification treatment projects for perchlorate are in several key places in California, as well as in other places around the country. Edwards Air Force Base being one of them.

There's another issue here. In fact, it's something that you brought up I think last year in this very hearing, and I looked into it, that is to say what are possible alternatives to perchlorate. It's one thing to address the perchlorate issues today. It's another thing to look down the road. And the Department of Defense has invested so far \$9 million into possible alternatives to perchlorate.

And finally, as you know, the Department along with EPA, NASA and the Department of Energy have with the Office of Science and Technology advisor to the President, and OMB asked the National Academy of Sciences to assess the science to date and where possible, either certify or comment on the varying standards quotes.

And remember what California did recently was to publish a public health goal of six parts per billion. And that goal—but they also said we—we the State of California as well as the Department of Defense await the results of the National Academy of Science panel study to determine what is the proper scientific basis for contaminant limits.

EPA and the Department of Defense and others have a disagreement as to what those levels are, based on scientific evidence. And we hope that the NAS, an objective independent body, will bring us to conclusion in that regard.

Senator FEINSTEIN. Are you aware that it is entering the food chain? Specifically in dairy, and lettuce?

Mr. DUBOIS. I have read in—I have read in the papers that the—that they're finding perchlorate traces in lettuce and—but again—

Senator FEINSTEIN. And dairy.

Mr. DUBOIS. Dairy products.

Senator FEINSTEIN. And California's the largest dairy State. The milk goes all over the country. And the particular population at risk are small children, and pregnant women. And some of the studies have shown substantial levels in milk, substantial levels being over six parts per billion.

So I'm sending out an alarm to you. I believe that the Department of Defense has a responsibility here and that we really have to get cracking and get this stuff cleaned up and out of our water supply.

And I'm sorry, Madam Chairman, this has been, as you know, 3 years now of trying to push and I'm running out of patience. I can

tell you the concern in my State is very broad. Drinking wells are contaminated. Certain cities are without half to three-quarters of their water supply.

Mr. DUBOIS. Again, Senator, if—when the State of California, when the Federal Government determines the maximum contaminant levels for perchlorate in other constituents, the Department of Defense intends fully to abide by—by the way, whichever is lower, EPA can come out with—

Senator FEINSTEIN. So in other words, California's standard, you're not going to abide by that, I recognize it's a goal. But that—you're not going to abide by that in the interim.

Mr. DUBOIS. We are awaiting, as is EPA and the State of California, the NAS—the completion of the NAS study, which I have been told will be early fall of this year. But whatever contaminant level is lower, that is what the DoD will abide by, as is legally required as you know under the Safe Drinking Water Act.

This is clearly an important issue, and I don't mean in anyway to diminish our intense focus on this and the amount of money that we've put behind this. We would only ask that the interested parties, not the least of whom are the Congress of the United States and Governor Schwarzenegger's staff in Sacramento with whom I have discussed this, let—and we all agree that is a determination that must be made by an independent body, an NAS study.

We don't know what the contaminant level is that will impact varying segments of the population. It is something that is of importance to us.

Senator FEINSTEIN. Well, I've taken this as far as I should, at this time. But perhaps we can sit down separately, and I can perhaps use my other questions in the second round. Thank you, Madam Chairman.

Mr. DUBOIS. I would like to add, if I might, Madam Chairman, the importance of this issue. I became seized with it some time ago. I searched quite frankly around the Federal Government for experts in water remediation and perchlorates in particular, water remediation in general. And I have just hired one of the leading experts from the Department of Interior to our staff at Defense and she and Alex Beeler on my right here, the new Environmental Deputy at the Department have this clearly on the top of their agenda.

Senator FEINSTEIN. I really appreciate that, Mr. Dubois, this is really serious. And I think you know that now, and we've really got to work fast so that those levels do not build up. That's one of the problems that we're finding is the buildup of the level of contamination. Now two States are the largest in terms of contamination, one is Texas, and one is California. So we both have a very serious interest in seeing that you take some aggressive steps.

Senator HUTCHISON. Thank you, Senator Feinstein. Senator Burns.

STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. Thank you very much. I was interested in your comments today, Mr. Secretary, on the ability to train, especially within the Air Force. Urban sprawl yes, airspace, yes, spectrum, yes, and so on. And the infrastructure on the ground. Hang a shingle out there and put Montana on it, would you?

Mr. DUBOIS. Yes, sir.

Senator BURNS. I've got a—I was going to bring that chart this morning, and I just turned everything over in my office trying to find it. It is a chart of 5 hours of air traffic activity in this country. And it illustrates that, wherever we've got installations where we're training both tactical and everything else you're out of airspace, you've got little bitty holes down there in the southwestern part of this country and—which commercial uses of airspace, spectrum and this type of thing, and we just happen to have a lot of airspace and we've got spectrum, and we've got the infrastructure on the ground to do that kind of stuff.

ENVIRONMENTAL WORK

I hope to hear your thoughts on this. And I like 40 percent of this appropriation in environmental work. Forty percent of \$9 billion appropriation, and you've almost got \$4 billion appropriated to deal with environmental issues. I'm interested in that because whenever we start talking about going into another BRAC round, how many installations are we now still in the process of environmental cleanup before it's ready for sale, or to do something else with?

Mr. DUBOIS. The cost to complete is currently estimated for environmental remediation to the standards with the local redevelopment authority and the military service have agreed to, for BRAC properties, BRAC to date properties, but not yet disposed, is approximately \$3.9 billion. That's a significant amount of money, I don't deny it.

But it is—remember, too, that the Department of Defense even when we close a property, and we've disposed of the property, we do retain the legal liability to clean it up if something happens that we were not aware of. It's not like we push this off on the State, or we push this off on the local redevelopment authority or the developer who might take it over, or another Federal agency for that matter.

It's an issue that we live with, and one could ask do we put enough money behind this every year, it is going down year, over year, over year.

Senator BURNS. I would just like to say that, in the past, the BRAC Commission has underestimated the cost of cleanup whenever they made their recommendations of closure or realignment.

I don't want history to repeat itself because I used to chair this committee and I know what we had to go through when that happens. And sometimes I think it's good money thrown after bad to be honest with you, in some of these activities.

But I just come this morning, I wanted to look at the housing thing, and I know that they've got more concerns than I have, but environmental cleanup is something that's very important to me. I—perchlorate is a problem to those States, should be looked at very seriously, and of course as we move down this next round of BRAC, I think we better have some pretty realistic figures on our obligation in the area of environmental remediation, once we decide to close a facility.

And I thank you this morning for your report.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Thank you for coming to brief this subcommittee on military construction, and for your service to our great Nation. Your work is critical to developing and maintaining the facilities for our soldiers, sailors, airmen, and marines around the world. I intend to honor our men and women serving and those who have made the ultimate sacrifice for our country by ensuring that our active, reserve, and national guard have the resources they need to support current and future requirements.

I am encouraged to learn that our services remain strong in this time of extended deployments to austere and often hazardous bases around the world. It speaks well of the character of our airmen, who accept this duty, who often choose to continue their voluntary service to our Nation. We must ensure that we provide the resources they need for their installations while deployed overseas as well as here in the states.

I am convinced that replacing dangerous and outdated facilities improves morale for our forces worldwide, contributing to better-trained service members who can complete the mission more effectively and safely. Investing in facilities to support the fielding, training, operations, and quality of life of our forces pays great dividends in combat effectiveness and lives saved.

This commitment must not end with the active forces. We will also continue to support essential infrastructure improvements for our National Guard forces, which have shouldered an increasingly significant role in the security of our Nation, alongside our active duty forces.

While not engaged in our current operations against terrorists worldwide, our strategic forces remain a critical component of national security. I strongly encourage the investment in training and quality of life improvements we need to maintain the proficiency, readiness, and morale of these airmen, whom this Nation relies on to steward the strategic deterrence capability.

I urge you to judiciously execute the efforts appropriated by this subcommittee. We must ensure the facilities we invest in overseas are aligned with our long-term defense posture, and that those investments in shorter-term bases are balanced against our overall posturing strategy.

I have seen that the Department of Defense intends to re-align our forces deployed overseas, and can see the relation between the realignments overseas and the closures in this country. While I contend that it may be premature to consider closing bases in this country until our strategic repositioning overseas is completed, I support efforts to eliminate excess infrastructure where we are sure we see no requirement for these facilities in the future. Again, I thank you for being here today and look forward to the discussion this morning. Thank you.

Mr. DUBOIS. Thank you, sir.

Senator HUTCHISON. Thank you, Senator Burns. Follow-up questions. Housing privatization is moving obviously more of our military families off base. Now, in some cases I know privatization is being done on base. But the bottom line is the impact on local school districts is an issue that we also have to keep in mind.

We asked for a report from the Department of Defense by March 15 of this year on the impact of privatization on local school districts. We haven't gotten that report, but I think again it should be very much a factor in our overall military budgets and our support for school districts that are in our military base towns. Could you look into that, and determine if we are going to get that report shortly?

Mr. DUBOIS. Yes, ma'am, I certainly will.

Senator HUTCHISON. Thank you. The Central Command installations. Earlier this month General Abizaid testified to the House Appropriations Committee that he had \$531 million in urgent unfunded MILCON requirements in theater, plus \$340 million in MILCON which Congress has already provided. The conference report accompanying last year's supplemental appropriations bill required a report to this Committee on CENTCOM's master plan for facilities in its area of responsibility.

General Abizaid has also said that he wants to move U.S. troops out of Saddam's palaces and consolidate the 44 installations that we have in Iraq in the Baghdad area to 11. So I have two questions, one is: we were supposed to have a report again on the CENTCOM master plan due last December which we haven't received. When could we expect to see that?

Secondly, how are you going to propose the MILCON for the consolidation that General Abizaid is suggesting that he would like to do?

Mr. DUBOIS. The so-called CENTCOM master plan has been in the works for sometime, it is overdue I recognize that, Madam Chairman. It is a plan that I'm not—I'm not directly responsible for.

However, the—the Undersecretary of Defense for Policy, the Joint Chiefs, or the Joint Staff, OSD installations and Enviro—my portfolio, and General Abizaid's command all hold a piece of this report, and we owe it to you. Needless to say it has been somewhat difficult given the situation, the emerging—the evolving situation in Iraq in particular as to what kinds of infrastructure was going to be needed, and for how long.

O&M BUDGET

I read recently a remark by a brigadier general out there that unfortunately he used the term enduring, which has meaning to you and me and apparently it has a different meaning to the brigadier general. This also pertains to the issue that has been discussed between Congress and the Executive Branch on contingency construction. And what parts of—so called contingency construction ought to be in the military construction budget and what parts are legitimately an emergency compelling need now. And therefore, in the O&M budget.

As you know, the Comptroller of the Department, Dr. Zakheim, laid out some pretty strict guidelines when the Congress pointed out that certain O&M dollars were being spent on arguably, and I underline that word, installations that were for a longer term use than a short term use. And I've been to Iraq, I've actually spent the night in a palace, I've also spent the night in a tent, with the troops. I am not certain quite frankly exactly where our installations are going to end up in Iraq, it is as you pointed out a continuing—as I pointed out a continuing discussion.

The important thing that we owe you, it seems to me, that General Abizaid, and the Secretary of Defense owe you is, if we predict that we're going to remain in Iraq for a period of time, 2, 3 years, with a substantial level of infrastructure, what does that mean in terms of the kind of infrastructure we're going to need.

Now, it gets back to what's temporary and what's not temporary. I don't think anyone would argue with the fact that if we build something that clearly has a life for the next year or two, that's temporary. Should that then be a military construction appropriation? If we can predict it, and in place certain, I would agree with you that it ought to come before this committee.

When General Abizaid, however, says, I've got \$500-plus million of immediate construction requirements, new—repairing runways, or laying concrete slabs for field hospitals. I think that one has to

conclude that that's probably a construction, or contingency construction requirement that he legitimately can pull from the O&M accounts of the services. I don't know how we end off on this.

I do know this, however. That Dr. Zakheim has been very clear, that when the combat commander, in this case General Abizaid, can predictably state I need the following infrastructure for the foreseeable future, something in excess of several years, then we've got to—we have the obligation to come back to the MILCON committees.

But there is also probably a substantial amount of contingency construction. I need it today. It's temporary, I won't need it 3 years from now, that's probably an O&M related matter. But it is a matter of discussion between your staff and my staff.

Senator HUTCHISON. Well, you're talking about a significant portion of overseas MILCON budgeting. I for one favor temporary as long as we can do it so that we have lower costs, and can reuse much of that temporary equipment. On the other hand, we also need some way to budget rather than just supplemental and emergency appropriations.

So we're looking at a huge number there, and the sooner you can get us something that we can plan with the better, because that would be a mighty big supplemental if that's the way you were going to go, which I really don't think is as responsible.

Mr. DUBOIS. Yes, ma'am.

Senator HUTCHISON. On sustainment. Your testimony says and you said that you're going to fund at a 95 percent rate. However, some of the services are indicating that a significant amount of those funds are going to be diverted from facility sustainment to base operation support and that sustainment will be significantly lower.

Now, I think—your priority is exactly right, on sustainment. I see us tearing down buildings and building new ones when just basic maintenance would have made these buildings last a longer time. As you know, we're in old buildings all over our government, and I think we should be in old buildings longer than just tearing things down and rebuilding them when they're perfectly good buildings. So I like your priority. However, is it realistic?

Mr. DUBOIS. When the Army established the Installation Management Agency, and the Navy has a similar agency, it recognized the fact that sustainment dollars are often stolen. Let's face it. Diverted.

Senator HUTCHISON. Sure.

Mr. DUBOIS. To use another term, a nicer term, in order to give appropriate visibility into how sustainment dollars are budgeted, and how they're actually spent, the Army and the Navy took this management action. Air Force in a similar fashion watches it carefully but I don't defend taking dollars out of that account and using them for other things.

But when it comes to base operating services, when you have the notion that I've got a roof that just started leaking, and I've got so many dollars to sustain the infrastructure on my installation, and I'm the installation commander, I've got to use the dollars where they're immediate—the immediate need is required.

Now, interestingly enough, I am the installation commander of a place called the Pentagon Reservation, a 280-acre campus if you will. A building that has in excess of 6 million square feet. We are re-capitalizing the Pentagon today, 60 plus years after it was originally built. It was reasonably well maintained over those years.

But what has happened? The building itself as the national command center of the United States military has become obsolete, in terms of electronics, in terms of computers, in terms of communications, and in terms of how best to use that space. That's an example of why sustainment is important but recapitalization is also important.

In any event, I do watch, and continue to watch carefully, as do my three colleagues in the Military Departments, the three assistant service secretaries for I&E, how those dollars are being spent well.

Senator HUTCHISON. Well, I thank you, and I would hope that your services would look at the fact that you're operating out of a 60 year old building and you're going to upgrade it rather than tearing it down and starting all over. I think that could be well used in the Services as well.

SPECIAL OPERATIONS FORCES

Last question, for me, and this will be my final question. Special Operations Forces. Our staff has been visiting several of the facilities this year, and found them overflowing with equipment, seriously short on space, and yet with all of the added requirements and the proposals to add more in Special Operations Forces, there doesn't seem to be anything in the budget that indicates you're asking for military construction to house the added needs. Are you addressing this segment, or—

Mr. DUBOIS. Let me address—I'm sorry.

Senator HUTCHISON [continuing]. Do you have plans that we don't see? How are you going to meet these demands?

Mr. DUBOIS. The Special Operations Forces worldwide are a special focus of the Secretary's integrated global presence and basing strategy work.

As a matter of fact, this very issue, not just where SOF Forces are positioned, but how to appropriately support them in terms of infrastructure has been teed up by—in particular, Admiral Fargo in the Pacific Command, and General Jones in the European Command. I've been present at meetings with those two gentlemen and the Secretary of Defense, it is—it always comes up in no small measure because of some of the things, and some of the observations that your staff has made, as well as I have made in my travels around the world to now in excess of 100—nearly 120 installations some of which are the SOF installations.

It is a concern, we believe, that the SOF infrastructure needs to be rationalized and realigned with the SOF Force presence.

And again, if we're going to bring back some of that SOF Force structure to the United States, we want to make sure that we've made the appropriate investments—military construction investments in bases in the United States to accept and receive it.

It's also true about overseas, we're looking at consolidation. Those small bases that your staff and I have gone to look at are

crowded and they are—and we're trying to figure out does this make the most sense, is this the best expenditure of our dollars, both MILCON and O&M dollars. We have kind of concluded that it probably isn't and that's why it's been put on the table with respect to this global presence, and this global basing study.

Senator HUTCHISON. Okay. Well, we need to address that, and provide for it if in fact it's as bad as we think it is.

Mr. DUBOIS. Uh-huh.

Senator HUTCHISON. Well, thank you very much. Senator Feinstein.

Senator FEINSTEIN. Thanks very much, Madam Chairman. While you were speaking about the CENTCOM request I was reading General Abizaid's testimony to the House MILCON Committee, which he said and I quote, "CENTCOM has prioritized another 44 projects at an estimated cost of \$531 million, in urgent and unfunded contingency construction requirements. We submitted these requests to the Joint Staff in January 2004, we expect that other requirements will emerge due to changes in the situation, new missions and the evolution of our basing strategy."

And so he's saying that there will be additional ones, and this \$531 million appears nowhere. Now you say you'll take it out of O&M in the Defense budget, in other places, is that correct?

Mr. DUBOIS. Well, when a combat commander such as General Abizaid comes to the Secretary of Defense and the Joint Chiefs and the Joint Staff with a request in January, clearly it couldn't have entered into our 2005 budget request. The extent to which these projects are prioritized by CENTCOM, and yet to be prioritized, and I have to underline this, yet to be prioritized by the Military Services, there is a shared responsibility overseas for installations and infrastructure, it is not entirely the combat commander's priorities.

Senator FEINSTEIN. So you're saying, and I don't want you to spend a lot of time on this.

Mr. DUBOIS. Yes, ma'am.

Senator FEINSTEIN. But you're saying it will not be in the O&M of the Defense budget this year, is that correct?

Mr. DUBOIS. I see—

Senator FEINSTEIN. It means we leave it for another supplemental?

Mr. DUBOIS. I suspect that some will, but there will be the question—the question is on the table, will there be a supplemental and if so, when? I think the Secretary of Defense has indicated that he believes because of the uncertainties of OIF and OEF that there will be a supplemental. The question is timing, as you know, and the question is size.

We're dealing with a set of uncertainties. Abizaid himself—General Abizaid, while he comes in with his wish list, that wish list has already been adjusted by virtue of what's happened in the last 60 to 70 days.

Senator FEINSTEIN. Well, this was his testimony as of March 3rd, of this year, before the House MILCON Committee, it appears on page 40 of the—

Mr. DUBOIS. Yes, ma'am, I'm aware of it.

Senator FEINSTEIN. Well, I think one of the problems that I have, is when you can include projects in the budget, they're not there, and therefore the cost of the war has essentially been taken up by a supplemental appropriation which I find not the most optimum situation.

EUROPEAN BASES

But let me go into the issue of our European bases. The request includes \$428 million for MILCON in Europe and I think it's based on the assumption that several existing bases Grafenwoehr, Ramstein, Spangdahlem, Vicenza, Aviano, Lakenheath, and Mildenhall will be enduring bases.

So my question is, has a final decision on the future of these bases been made, and has the Secretary of Defense designated these specific bases to be enduring installations?

Mr. DUBOIS. I'm not sure that the Secretary has actually stated it in such definitive terms, Senator, but let me say on his behalf that the military construction requests for those European bases that you mentioned in our view reflect critical military requirements. And yes, we believe those bases are enduring in the sense that they may not—the force structure on those bases today may not be—the same force structure on those bases today, may not be the same force structure on those bases in a year or two or three.

But clearly bases like Ramstein, bases like Vicenza, bases like Sigonella, bases like Rota in Spain, are bases that are in our plan for the future.

Senator FEINSTEIN. Okay. So the intent is to make them enduring bases. Has the President approved the designation of these bases as enduring installations?

Mr. DUBOIS. I'll have to just say I don't know whether the President has used the term enduring. All I know is that the Secretary in his discussions with me and my understanding is with the President, although the final, final decision has not been made, clearly has set aside, places as I mentioned like Ramstein, that you mentioned Grafenwoehr, as places where we will remain, we the United States Military will remain. I don't know whether the President's—

Senator FEINSTEIN. So the answer is no, he has not approved the designation at this point?

Mr. DUBOIS. I would have to say you're correct in that regard.

Senator FEINSTEIN. Okay. Has the Defense Department calculated the overall cost of the proposed overseas basing realignment and when will you have a comprehensive cost estimate for the Congress?

Mr. DUBOIS. The—we have looked at various alternatives should the Secretary and the President decide that they'll bring back, shall we say force package A, what would be the cost to not just bring it back, but to build to bring it back. We're looking at various alternatives in this regard.

But as it is the case with BRAC, domestic BRAC, there must be an upfront investment in building—military construction investment in building facilities at the receiving locations. We as you know, are very forthright in what we estimate that cost to be. But we also are forthright in saying the savings derived from that

BRAC adjustment, realignment, and closure will also in our view—the estimates, we have made those estimates too.

Senator FEINSTEIN. Could you give us the cost estimate, you said you're very forthright in those cost estimates.

Mr. DUBOIS. When we—yes, ma'am.

Senator FEINSTEIN. What is the cost estimate of the overseas base—

Mr. DUBOIS. I have not finished that calculation at this time. Now, it is—please remember it is dependent upon what decisions the Secretary and President ultimately make. If they say bring back one division, that has a cost estimate. If they say bring back another division that has another cost estimate. If they say bring back an F-16 squadron, that has a cost estimate.

We are building—I use the term building blocks. We are trying to assess the individual building block estimates so that when the Secretary and the President make those final determinations, which as I indicated I anticipate to be in May, we will be able to bring to you those cost estimates.

Senator FEINSTEIN. As you know, we spent a lot of time last year on these European bases, and Grafenwoehr and Ramstein and Vilseck, and Aviano there new ones added this year, but you're asking essentially for \$218,553,000 for the German bases, and we don't know whether they're going to be enduring bases. And this is the second year now that we still don't know. And yet we'll most likely appropriate the money, and I guess the problem is, do we appropriate the money and then the plans change?

Mr. DUBOIS. I think that the discussion that we've had over certainly beginning last year—and what I—I don't want to mislead this Subcommittee in any way shape or form. My view is the Secretary has indicated that these bases which we have asked for a military construction appropriation are enduring. You've asked me a question, since I haven't talked to the President whether he has said, oh yes they are enduring, I believe that the Secretary of Defense has concluded that they are enduring.

Senator FEINSTEIN. Can we therefore—well, I guess we can't conclude they're enduring.

Mr. DUBOIS. Well, as I said, he intends to make that final—you know, there are a lot of moving parts here, Senator. And he wants to make that recommendation to the President ultimately and discuss it with the Congress.

Senator FEINSTEIN. The frustration we have is there were moving parts last year too.

Mr. DUBOIS. Right. And we also cut back—

Senator FEINSTEIN. It took us a long time to come together on this.

Mr. DUBOIS. We cut back seriously on what we've asked for in terms of Europe.

Senator FEINSTEIN. I know you did.

Mr. DUBOIS. Because of these very reasons.

Senator FEINSTEIN. All right. So we're no further—we're no clearer.

Mr. DUBOIS. Well, I wouldn't—I don't think I can agree with that. I think we are substantially clearer. The question is will the Secretary of Defense make decisions and discuss them with Con-

gress prior to your markup? That's the question at hand, and my understanding is depending upon when your markup is, that is his intention. He knows that you will have a difficult time making these appropriations and decisions absent a certainty to the extent that we can be, on these overseas bases. He appreciates that.

KOREA

Senator FEINSTEIN. No, I think you know, we don't want to waste money. I went to Korea and saw some new facilities, but the plan for Korea proposed essentially to do away with them. And we don't want to get into that.

Mr. DUBOIS. But as you well know many of those new facilities that you saw were MILCON appropriations from several years ago. And rightly so, Korea had suffered for a number of years with not very many dollars for—

Senator FEINSTEIN. I understand that, I don't want to belabor it. We've spent \$15 million on a community center expected I think to last for a while.

Mr. DUBOIS. Uh-huh.

Senator FEINSTEIN. And that's the point I want to make. And the new housing as well.

Mr. DUBOIS. In terms of Korea of course, we've only asked for military construction on bases and land that we control in concert with our announced strategy with respect to our reconfiguring force structure on the peninsula.

Senator FEINSTEIN. Well, can you, give us a progress report on moving out of Seoul and moving south. Where is that?

Mr. DUBOIS. The two governments, our government and the Korean government have concluded that we will move out of the Yongsan Garrison to Camp Humphrey, the Camp Humphrey Osan footprint. South of the Han. The question quite rightly is, how long will it take, and does the Korean government agree that the monies derived from their use of Yongsan, no longer the use of the United Nations command, and the United States—the Eighth Army. And the United States forces of Korea to be reinvested in infrastructure in the Camp Humphreys Osan footprint. The decision has been made we're moving out.

Senator FEINSTEIN. Is there an approved agreement?

Mr. DUBOIS. My understanding is there is.

Senator FEINSTEIN. That has been approved by the legislature? Or by the Korean government?

Mr. DUBOIS. That's my understanding and I will clarify that for you when I get back to the Pentagon.

Senator FEINSTEIN. I appreciate that very much.

Mr. DUBOIS. Now, with respect to the land purchases as we discussed this last year, around Camp Humphreys and around Osan, that has been approved by the Korean legislature, and the monies have been appropriated and they're in the process of actually buying the parcels, because they were owned by 150 different farmers, but we didn't ask for military construction on those properties, until they are assembled and transferred to our use.

Senator FEINSTEIN. But there is agreement on Yongsan, and the price?

Mr. DUBOIS. There is agreement on Yongsan and the concurrent cost to build new for that garrison and our troops, headquarters troops to move south.

Senator FEINSTEIN. Well, I would certainly, and I think the Chairman would certainly be very interested in knowing the details of that agreement. I notice there's nothing in this budget.

Senator HUTCHISON. Madam Vice Chairwoman, I would agree with you totally on wanting to know how much of the agreements have been made on costs and cost sharing, but there's one little semantic thing, we don't need the permission of Korea to leave a base or any other country.

Senator FEINSTEIN. No, I understand. I understand.

Senator HUTCHISON. But the terms certainly do require agreements and I would be interested in that as well.

Senator FEINSTEIN. Thank you, Madam Chairman, Mr. Dubois.

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. Mr. Secretary, we do appreciate your time, and the updates that you have given us along the way. I think we are moving in the right direction, but there's still a lot to be done on both of our parts. Thank you very much.

Mr. DUBOIS. Thank you very much, Madam Chair.

[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 KAY BAILEY HUTCHISON

OVERSEAS BASING/BRAC

Question. Mr. Dubois, have decisions been made on redeployment of specific units and/or numbers of forces to the United States? If so, of what size?

Answer. Decisions have not been made. The Department of Defense is formulating a set of recommendations based on Combatant Commander and Service input. Per the President's instruction, the State and Defense Departments are consulting closely with our allies and conducting site surveys to determine feasibility of initial proposals. The Department has frequently briefed members of Congress and their staffs on the proposals under consideration. A report to Congress will be provided during Summer 2004.

Question. Mr. Dubois, to what extent do you envision that costs associated with redeploying any forces from overseas to stateside locations (movement, military construction, etc.) would be paid for out of the designated BRAC account or provided for separately?

Answer. The BRAC statute limits how the Department may spend money in the BRAC account. Basically, the BRAC account can only be used to fund the implementation of approved closure and realignment recommendations. To the extent that redeploying forces from overseas to stateside locations is part of an approved BRAC closure and realignment recommendation, the Department may fund that action from the BRAC account.

Question. Mr. Dubois, what is the restationing of overseas forces going to cost? If we don't yet know, when will we know?

Answer. Current working cost estimate is continually being updated, but represents less than half of 1 percent of the FYDP. As a rough estimate, it will be refined as more detailed plans are developed. This reflects the worldwide scope of global reposturing and the evolving nature of this initiative due to the relatively large number of locations and the diplomatic, cost and savings variables involved.

Question. Mr. Dubois, if the return of forces to the United States will be accomplished as part of the BRAC process, and we don't know how much that restationing effort will cost, how can the Secretary have certified this month that BRAC will result in a savings by 2011? Do the calculations on which the Secretary's certification was based include the costs of accommodating troops returning from overseas? Other Due Outs: Perchlorate Report; School Impact Report; CENTCOM Master

Plan; Land and Cost-Sharing Agreements with Korea; and Information on C-17 Basing decisions, specifically with reference to Dyess AFB and Kelly USA.

Answer. As required by statute, the Secretary's certification was based on the force structure plan, infrastructure inventory, and economic analysis provided to Congress pursuant to Section 2912 of the BRAC statute. That economic analysis was based on the experience of previous BRAC rounds, which suggests that each military department will achieve annual net savings beginning not later than fiscal year 2011, the 6 year of implementation. The actual costs and savings from BRAC 2005 actions will depend on the specific recommendations adopted.

Perchlorate (BRAC) Report and Land and Cost Sharing Agreements with Korea will be submitted to Congress in July 2004. The Department is in the final stages of report development on the CENTCOM Master Plan and School Impact Report and plans to submit a final report to Congress in August 2004.

QUESTION SUBMITTED BY SENATOR TED STEVENS

UTILITY PRIVATIZATION

Question. Mr. Dubois, what is the status of utility privatization within the Department? What problems do you see in the future with utility privatization?

Answer. Through the Utilities Privatization (UP) Program, the Department of Defense (DOD) will take advantage of industry innovations, efficiencies, financing and economies of scale to obtain safe, environmentally sound and reliable utilities services. The Defense Components are actively pursuing a privatization evaluation of the utility systems at every Active Duty, Reserve, and Guard installation, within the United States and overseas, that is not already designated for base closure.

Of the 1,867 DOD utility systems that are eligible for privatization, the Defense Components have privatized 446 systems and exempted 244 systems for economic or security reasons. Within a 5 percent range DOD is on track to complete evaluations on the remaining systems by September 30, 2005. Of those systems with active solicitations, RFPs have been issued and are pending closure on 95 systems; and RFPs have closed and are under evaluation on over 860 systems.

The ongoing solicitations are normally receiving adequate interest to achieve competition. This follows a successful effort by the Services to share lessons learned and industry feedback to improve solicitation templates and better align the program with industry practices.

Many systems included in earlier solicitations, which closed prior to March 2003 did not receive adequate interest. Most of these systems were located on small Reserve or National Guard sites. Utilities had not been interested in participating in the privatization of these systems for a variety of reasons. In general, they perceived that the cost of developing a proposal in a competitive arrangement did not provide a cost effective business opportunity. With the improved templates and engagement with industry representatives, interest has improved. The Services are continuing discussions with industry to identify barriers and develop resolutions.

QUESTIONS SUBMITTED BY SENATOR CONRAD BURNS

BRAC

Question. Mr. Dubois, what role will the availability of training ranges play in determining realignment at Air Force installations?

Answer. The BRAC process is the means by which the Department can reconfigure its current infrastructure into one in which operational capacity maximizes both warfighting capability and efficiency. The BRAC 2005 process is intended to ensure a comprehensive analysis of all military installations in the United States and Territories, on an equal footing. Training ranges are an important part of this installation inventory, and will be evaluated using the final selection criteria published in the Federal Register on February 16, 2004. As required by law, military value will be the primary consideration in analyzing and making recommendations for the closure or realignment of military installations. Training capabilities, as reflected in criteria two (one of the four military value criteria), are essential to maintaining military capability.

Question. Mr. Dubois, there has been discussion of placing Air Guard units within the boundaries of active installations for cost savings and security purposes—to what extent will this be considered by the Department in the upcoming closure and realignment process?

Answer. The Department will analyze all installations by the same process, to include consideration of movement of National Guard forces to active bases and active duty people to National Guard bases. Military value will be the primary consideration for making recommendations for base closures and realignments, as required by statute.

Question. Mr. Dubois, what steps will be taken in the base closure and realignment process to ensure consistency with the Strategic Capabilities Assessment (SCA)? Will the current policy be adjusted to reflect the Department's closure and realignment needs or is it the intent to continue the policy of retention of 500 land-based missiles?

Answer. The Strategic Capabilities Assessment is a periodic review of progress in implementing the December 2001 Nuclear Posture Review (NPR). The NPR recommended that the planned strategic nuclear force in 2012 would comprise 14 Trident II SSBNs, 500 Minuteman III ICBMs, 76 B-52H bombers, and 21 B-2 bombers. The Strategic Capabilities Assessment was recently completed and the results are being reviewed within the Department. At this time there is no action underway to change the planned strategic nuclear force structure for 2012.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BRAC ENVIRONMENTAL CLEANUP

Question. Mr. DuBois, the fiscal year 2005 budget request for BRAC environmental cleanup is \$246 million, down nearly 36 percent from the \$370 million requested in fiscal year 2004. No funding has been requested for the cleanup of Navy BRAC installations because the Navy is expected to finance its fiscal year 2005 BRAC cleanup requirements out of the revenue from land sales.

Can you explain why the Department has chosen to reduce its request, rather than using the proceeds from land sales to supplement funding and accelerate necessary cleanup?

Answer. The Navy opted to finance its prior BRAC fiscal year 2005 program with land sales revenue in lieu of seeking appropriated funds because it believed that proceeds from the sale of El Toro and Oak Knoll properties would be available in sufficient time to pay for caretaker and environmental cleanup costs, thus allowing the Navy to use appropriated funds for other needs. The Navy used conservative estimates in its fiscal year 2005 land sale revenue projection, and has successfully sold a number of prior BRAC properties in the last few years that have generated \$230 million in revenue that is being used to accelerate cleanup at prior BRAC locations.

Question. Could the Services execute a larger BRAC environmental cleanup program in fiscal year 2005 if additional funds were made available?

Answer. We believe the Services can execute a larger program if additional funds were made available by Congress. However, we have sufficient funds to meet our legal/regulatory obligations and believe the requested level of funding is an appropriate balance between environmental and other DOD mission requirements.

Question. Did the Navy request any funding from the Office of the Secretary of Defense in its fiscal year 2005 budget submission? Was it a Navy decision or an OSD decision for the Navy to self-finance its entire BRAC cleanup program out of land sale revenues?

Answer. The Navy did not request any funding from the Office of the Secretary of Defense for its fiscal year 2005 budget submission. It was a Navy decision to self-finance its BRAC cleanup program out of land revenue.

As you know, I am extremely concerned about the BRAC environmental cleanup program because so many communities in California are impacted by environmental contamination on closed bases that will take many years and cost many millions of dollars to remediate.

Question. Can you assure me that the fiscal year 2005 BRAC round will not delay or in any way divert resources from the environmental cleanup of installations closed under previous BRAC rounds?

Answer. Based on resources currently available, the Services have sufficient capacity and capability to execute a new round of BRAC while finishing requirements associated with the previous rounds. The 2005 round of BRAC will not divert funds specifically appropriated for restoration projects supporting previous BRAC rounds.

Question. What lessons have you learned from the previous BRAC rounds that you plan to apply to environmental cleanup associated with the 2005 round?

Answer. We are evaluating lessons learned over the past four round of BRAC and developing options associated with environmental processes. Some considerations are:

- Should cleanup be done by DOD or the new owner?
- How do we maximize property value?
- Use of early transfer authority (ETA) should be optimized to get property in the hands of new owners faster.
- Use of environmental services cooperative agreements (ESCAs) should be encouraged to help the Military Components fulfill their environmental cleanup responsibilities and integrate cleanup with redevelopment. For example, at Bayonne Military Ocean Terminal in New Jersey, the Army transferred both property and the responsibility for cleanup to the Bayonne Local Reuse Authority under ETA and an ESCA. The ESCA effectively put the local reuse authority in charge of their own destiny in terms of both cleanup and property reuse. This action saved the Army approximately \$5 million and successfully defused ongoing frustrations over the pace and scope of cleanup actions and changing reuse plans. The action was a win-win for all parties.
- The environmental condition of the property could be documented early in the process for potential transferees.
- Work closely with Local Reuse Authorities (LRAs) and developers earlier in the process to return property to productive reuse faster.
- Increased use of performance-based contracting will contribute to improved cleanup and property transfer. The Department currently has 15 BRAC installations where performance-based contracting is setting the pace for cleanup.
- Increased use of the Conservation Conveyance Authority where it presents the best option for transfer and reuse. For example, Honey Lake, a section of Sierra Army Depot in California, was DOD's first land transfer using the conservation transfer authority. Over 57,000 acres were transferred to four public and private entities which make up the Honey Lake Conservation Team. The team is completing the restoration and conservation efforts.

RESERVE COMPONENTS

Question. The Department is finally showing that it is concerned with the infrastructure needs of the reserve components. Although this year's overall request is 15 percent less than last year's enacted amount, as compared to the requested amount, the reserve components request amount has increased by 67 percent.

Several facilities for the National Guard and Reserves are considered Federal facilities—rather than state-owned facilities. It is my understanding that these federally designated reserve component facilities may be subject to the upcoming BRAC consideration. Is this true—and if so, will criteria such as distance to training ranges, jointness, and community need be considered?

Answer. The Department is approaching BRAC with an eye toward the Total Force—Active, Reserve, and Guard. This approach reflects the importance of accommodating Guard and Reserve training, basing, and quality of life needs by incorporating them into the comprehensive analyses of all military installations. This comprehensive analysis will use the final selection criteria published in the Federal Register on February 16, 2004, for making closure and realignment recommendations.

RENEWABLE ENERGY RESOURCES

Question. Mr. DuBois, the fiscal year 2002 Military Construction Appropriations report mandated an assessment of renewable energy resources, including solar, wind, and geothermal, on U.S. military installations. As I have watched gasoline prices climb steadily in recent weeks, I am becoming increasingly concerned that spikes in electricity costs cannot be far behind. I have not for a moment forgotten the energy crisis of 2002 that hit California so hard, and that in part prompted this subcommittee's requirement for an assessment of renewable energy resources.

I am interested in how OSD views the importance of this assessment, to what degree OSD supports the study, and whether OSD is actively requiring each of the Services to participate fully in the assessment. Can you assure me that this assessment is in fact a priority of OSD and that no foot-dragging or lack of cooperation will be tolerated?

Answer. OSD considers the renewables assessment very important. We are fully committed to developing and executing an action plan with Congress's help, according to the requirements set forth in the Department's May 2002 Interim Report to Congress. This action plan will address the full range of issues for instituting a renewable energy program at DOD.

Under the Air Force lead, we are moving forward now, trying new and different approaches to acquiring renewable energy and developing institutional approaches to simultaneously serve the military mission, reduce costs to the Services and the

taxpayer, educate the military about renewable products and services, and streamline procurement.

Question. The Committee earmarked \$2.5 million in the fiscal year 2004 Senate report to continue the renewables assessment. Can you tell me when this funding will be released?

Answer. The Air Force, designated as the renewable study program lead, is in the process of drafting an investment plan for the fiscal year 2004 \$2.5 million Energy Conservation Investment Program (ECIP) appropriation consistent with the Congressional intent to continue the renewable study effort. Once their plan is finalized, it will be coordinated with the other services and OSD will release the funding.

MINOR CONSTRUCTION THRESHOLDS

Question. Mr. DuBois, in discussions with the Services, we have heard strong support for increasing the minor military construction ceiling from \$1.5 million to \$3 million for all minor construction projects, not just those involving life, safety and health.

Would OSD support raising the limit on minor construction projects to \$3 million, and if so, do you intend to submit proposed legislation to Congress to achieve this change?

Answer. This year's fiscal year 2005 legislative proposals' submission includes language to raise the limit of minor construction projects to \$3 million.

DEPARTMENT OF THE AIR FORCE

STATEMENTS OF:

**HONORABLE NELSON F. GIBBS, ASSISTANT SECRETARY OF THE
AIR FORCE, INSTALLATIONS, ENVIRONMENT, AND LOGISTICS
MAJOR GENERAL DEAN FOX, CIVIL ENGINEER, UNITED STATES
AIR FORCE**

ACCOMPANIED BY:

**BRIGADIER GENERAL DAVID BRUBAKER, DEPUTY DIRECTOR, AIR
NATIONAL GUARD
BRIGADIER GENERAL WILLIAM M. RAJCZAK, DEPUTY TO THE
CHIEF, AIR FORCE RESERVE**

Senator HUTCHISON. Now we have the Honorable Nelson Gibbs, the Assistant Secretary of Air Force for Installations, Environment and Logistics, Major General Dean Fox, the Air Force Civil Engineer, Brigadier General David Brubaker, the Deputy Director of the Air National Guard, Brigadier General Rajczak, the Deputy to the Chief of Air Force Reserve. I understand there is a joint statement that will be given by Mr. Gibbs.

While you all are getting seated, I'll just tell you a little story that I came away with from Albania in the early stages of our presence there.

Several years ago we went to the two sides of the airfield in Tirana, and we visited with the Army side first where they were just beginning to set up the airfield and I talked to the soldiers and the Army guys. I asked, how are things going here? They said, "well except for the mud, the bugs, the food, taking showers with hoses, everything's really pretty good."

I go to the Air Force side, where they have air conditioned tents for food, and they have really nice setups with air conditioned tents for the soldiers. We said, "well how are things going." They said, "well, you know, it's rough over here. We don't even have cable TV."

So with that, I welcome all of you from the Air Force, and welcome your testimony, Mr. Secretary.

Mr. GIBBS. Thank you very much, Madam Chairman, Mrs. Feinstein, it's a pleasure to appear before you to talk about the Air Force military construction program for fiscal year 2005. I have with me, the Air Force Civil Engineer for his first appearance before this Committee, General Fox. Generals Brubaker and Rajczak have been here before so they're prepared to answer any of your questions

But we've made one slight modification. I've asked General Fox to do the opening statement to give him at least a minute or two to be able to speak and therefore feel comfortable with the Committee. But then when he's completed, we look forward to your questions.

Senator HUTCHISON. So he will be giving the only statement, you will not be giving a statement.

Mr. GIBBS. That's correct. You have a copy—

Senator HUTCHISON. Just questions.

Mr. GIBBS [continuing]. Of my prepared statement.

Senator HUTCHISON. I do.

Mr. GIBBS. I think that was submitted for the record.

Senator HUTCHISON. Yes, I do have that.

Mr. GIBBS. But he'll make the general opening remarks on behalf of the Air Force.

Senator HUTCHISON. Thank you very much, General Fox.

STATEMENT OF MAJOR GENERAL DEAN FOX

General FOX. Madam Chairman and Senator Feinstein, good after—good morning. I appreciate this opportunity to appear before you to discuss the Air Force fiscal year 2005 military construction program. We sincerely thank you for the support you've given the Air Force missions, and our people around the world.

MILITARY FAMILY HOUSING

Our military construction and military family housing programs are absolutely essential to the Air Force mission whether it's on the flight line, in the workplace, or in the home.

Although higher priorities have not always allowed us to address all our facility needs, the Air Force certainly recognizes the importance of investing in our facilities. We fight from our bases, whether from expeditionary locations as has been previously discussed, or otherwise, which makes our facilities critical to our mission.

The importance our senior leaders place on our facilities is seen in recent budget submissions. Our military construction and housing facility budget has increased in fiscal year 2003, and 2004, and increased further in this year's program request. We sincerely appreciate your great support for our programs.

In addition to the military construction and the housing request, we're continuing an upward trend in our operations and maintenance sustainment, restoration, and modernization accounts. The Air Force is committed to taking care of our people and their families. Quality of life projects such as our dormitories, and military family housing help support them.

As our members are more frequently deployed away from home, knowing their families are well taken care of, helps our airmen keep focused on the Air Force's and our Nation's task. With a \$1.7 billion request for military family housing we're able to maintain our good housing and continue on our path to eliminate inadequate housing in the Air Force by 2007 in the Continental United States (CONUS), and 2009 overseas.

PRIVATIZATION

Through privatization initiatives and traditional housing construction funds, we plan to invest in more than 10,000 housing units in fiscal year 2005 alone.

Providing adequate housing does not stop with families. We're investing over \$128 million to provide 1,104 rooms this fiscal year in

our dormitories, keeping us on track to eliminate our inadequate dorms for our junior enlisted personnel both in the United States and overseas. The quality of our overseas installations remains a priority. Our airmen are sent to foreign lands from their homes in the United States to protect our Nation's interest. It is essential we provide them with the right tools and facilities for them to carry out their role.

With 20 percent of our airmen stationed overseas, it is extremely important to make sure we continue to invest in those installations supported as enduring locations by our combat commanders.

Our budget request of \$140 million for these locations consists of the most essential facility needs to ensure our airmen can efficiently perform their task and we ask for your support of both the operational and quality of life projects.

Our military construction budget also consists of projects to support the Air Force's new weapons systems which will provide our combatant commanders the capabilities to meet our security needs.

In conclusion, Madam Chairman, we thank the committee for its strong support of Air Force military construction and family housing. As Mr. Gibbs mentioned, this is my first year I've had the honor and privilege of bringing our program before your committee and I look forward to appearing before you again in the future. We'll be happy to address any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF NELSON F. GIBBS

Madam Chairman and distinguished members of the committee, the strength and flexibility of airpower and our joint warfighting success in the Global War on Terrorism is directly enabled by three interdependent factors; outstanding men and women in uniform, superior weapons platforms, and an agile support infrastructure. The Air Force fiscal year 2005 military construction (MILCON) budget request reflects our commitment to ensuring the Air Force's continued ability to execute the full range of air and space missions. In turn, the Air Force continues to maintain the commitments made last year to invest wisely in installations from which we project air and space power, take care of our people and their families with adequate housing and quality of life improvements, and to sustain the public trust through prudent environmental management.

INTRODUCTION

Air Force facilities, housing, and environmental programs are key components of our support infrastructure. At home, bases provide a stable training environment and a place to equip and reconstitute our force. Overseas bases provide force projection platforms to support combatant commanders.

As such, the Air Force has developed an investment strategy focused on sustaining and recapitalizing existing infrastructure, investing in quality of life improvements, continuing strong environmental management, accommodating new missions, optimizing use of public and private resources, and reducing infrastructure wherever we can.

Total Force military construction, family housing, sustainment, restoration, and modernization programs each play vital roles supporting operational requirements and maintaining a reasonable quality of life for our men and women in uniform.

While the Air Force has always acknowledged the importance of proper funding for facility sustainment and recapitalization, too often competing priorities have not permitted us to address all the problems we face with our aging infrastructure. Despite competing priorities, you supported our request last year. The Air Force sincerely appreciates your support.

Continuing a positive trend into fiscal year 2005, the Air Force military construction program included in the Presidents Budget request is approximately the same as last year with an increase in the military family housing program. The requested \$2.6 billion for Total Force military construction and Military Family Housing is a \$200 million increase over last year's request. This request includes \$664 million for

Active military construction, \$127 million for Air National Guard military construction, \$84 million for Air Force Reserve military construction, and more than \$1.7 billion for Military Family Housing.

The Air Force has also increased Operations and Maintenance (O&M) sustainment, restoration, and modernization (SRM) funding. This year, the amount dedicated to SRM is more than \$200 million greater than in the 2004 request. With the fiscal year 2005 budget request, more than \$2.2 billion will be invested in critical infrastructure maintenance and repair through our O&M program. This year's request is up almost 11 percent from last year, to continue to move to the Air Force goal of a facility recapitalization rate of 67 years by 2008.

Considering the level of effort across the entire infrastructure spectrum (military construction, MFH, and O&M SRM), the overall Air Force fiscal year 2005 budget request is more than \$4.8 billion.

Overseas Military Construction

Even though the majority of our Air Force personnel are assigned in the United States, 20 percent of the force is permanently assigned overseas, including 29,000 Air Force families. Old and progressively deteriorating infrastructure at these bases requires increased investment. While a new Global Basing Strategy is under development by the Office of the Secretary of Defense, the Air Force fiscal year 2005 military construction request invests in overseas installations supported as enduring locations by the combatant commanders. The request for overseas construction in the Pacific and European theaters of operation is \$140 million for 13 projects. The program consists of infrastructure and quality of life projects in the United Kingdom, Germany, the Azores, Italy, Spain, Japan, and Korea. I also want to thank you for the essential overseas MILCON funding you approved in the fiscal year 2004 Supplemental Appropriations Bill for construction projects in Southwest Asia as well as at critical en route airlift locations, needed to directly support ongoing operations in that region.

Planning and Design / Unspecified Minor Construction

This year's request includes planning and design funding of \$160 million. These funds are required to complete design of the fiscal year 2006 construction program, and to start design of the fiscal year 2007 projects so we can be prepared to award these projects in the year of appropriation. This year's request also includes \$24 million for the unspecified minor construction program, which is the primary means of funding small, unforeseen projects that cannot wait for the normal military construction process.

SUSTAIN, RESTORE, AND MODERNIZE OUR INFRASTRUCTURE

Operations and Maintenance Investment

To sustain, restore, and modernize infrastructure, there must be a balance between military construction and Operations and Maintenance. Military construction restores and recapitalizes facilities. O&M funding is used to perform facility sustainment activities necessary to prevent facilities from failing prematurely. Without proper sustainment, facilities and infrastructure wear out quickly. O&M funding is also used to directly address many critical restoration and less-expensive recapitalization needs. These funds enable commanders in the field to address the facility requirements that impact their near-term readiness.

INVEST IN QUALITY OF LIFE IMPROVEMENTS

The Air Force recognizes a correlation between readiness and quality of life. Quality of life initiatives acknowledge the sacrifices our Airmen make in support of the Nation and are pivotal to recruiting and retaining our country's best and brightest. When Airmen deploy, they want to know their families are safe, and secure. Their welfare is a critical factor in our overall combat readiness. Family housing, dormitories, and other quality of life initiatives reflect the Air Force commitment to provide the facilities they deserve.

Family Housing

The Air Force Family Housing Master Plan provides the road map for our Housing military construction, O&M, and privatization efforts, and it is designed to meet the goal of ensuring safe, affordable, and adequate housing for our members. The fiscal year 2005 budget request reflects an increase of more than \$180 million over the fiscal year 2004 budget for family housing. With the exception of four northern-tier locations, inadequate housing will be eliminated in the United States by 2007. The inadequate units at those four northern-tier locations will be eliminated by 2008. For fiscal year 2005, the \$847 million requested for housing investment will

provide over 2,200 units at 16 bases, improve more than 1,300 units at six bases, and support privatization of over 6,800 units at six bases. An additional \$864 million will be used to pay for maintenance, operations, utilities and leases to support family housing.

Dormitories

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

The total Air Force requirement is 60,200 dormitory rooms. The Air Force Dormitory Master Plan achieves the Office of the Secretary of Defense's (OSD) fiscal year 2007 goal to replace all inadequate permanent party dormitory rooms and the Air Force goal to replace all inadequate technical training dormitories by fiscal year 2009. This fiscal year 2005 budget request moves us closer to those goals. The fiscal year 2005 dormitory program consists of seven dormitory projects, 1104 rooms, at both stateside and overseas bases in direct support of unaccompanied personnel, for a total of \$128 million.

Fitness Centers

Fitness centers are a critical component of the Air Force quality of life program. The growing expeditionary nature of our activities requires that Airmen increasingly deploy to all regions of the world, in extreme environments and therefore must be physically prepared to deal with the associated challenges. In other words, Airmen must be "fit to fight." Our new fitness program directs Airmen to devote more time and energy to being physically fit, and the use of our fitness centers has dramatically increased to support this reorientation in our culture. The fiscal year 2005 military construction program includes three fitness centers: Lajes Air Base, Azores; Hill Air Force Base (AFB), Utah; and Elmendorf AFB, Alaska.

CONTINUE ENVIRONMENTAL LEADERSHIP

The Air Force continues to ensure operational readiness and sustain the public trust through prudent environmental management. As part of the overall military transformation program, we actively seek and employ smarter solutions to longstanding environmental challenges. We are applying lessons learned in terms of how, and the extent to which, pollution can be prevented and contamination can be controlled. We are investing in more efficient contracting methods as a key element in our approach to future environmental restoration. Additional use of performance based contracting will focus on cleanup performance goals and thereby reduce process requirements. Finally, we are establishing systems to better identify the equity value of our installations' environmental resources to the surrounding community. For example, land that provides habitat for an endangered species may be valuable as open space in a community's redevelopment plan. That value should be identified and understood.

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

The \$3.3 million environmental project in the fiscal year 2005 military construction program will allow Shaw AFB to meet current Environmental Protection Agency (EPA) standards for wastewater discharge.

ACCOMMODATE NEW MISSIONS

As indicated earlier, joint warfighting success in the Global War on Terrorism has been possible in part due to superior weapons capabilities. New weapon systems are the tools of combat capability that enable our combatant commanders to respond quickly to conflicts in support of national security objectives. The fiscal year 2005 Total Force new mission military construction program consists of 45 projects, total-

ing more than \$403 million. These projects support a number of weapons systems; two of special significance are the F/A-22 Raptor and the C-17 Globemaster III.

The F/A-22 Raptor is the Air Force's next generation air superiority and ground attack fighter. F/A-22 flight training and maintenance training will be conducted at Tyndall AFB, Florida, and Sheppard AFB, Texas, respectively. Our fiscal year 2005 military construction request includes two F/A-22 projects at Tyndall AFB for \$19 million, and one F/A-22 project at Sheppard AFB totaling \$21 million.

The C-17 Globemaster III aircraft is replacing the fleet of C-141 Starlifters. C-17s will be based at Elmendorf AFB, Alaska; Travis AFB and March Air Reserve Base (ARB) in California; Dover AFB, Delaware; Hickam AFB, Hawaii; Jackson Air National Guard Base, Mississippi; McGuire AFB, New Jersey; Altus AFB, Oklahoma; Charleston AFB, South Carolina; and McChord AFB, Washington. Thanks to your support, construction requirements for Charleston and McChord were funded in prior-year military construction programs. The request for fiscal year 2005 includes two projects for \$15 million at Elmendorf AFB, two facility projects for \$15 million at Travis AFB, two projects for \$10 million at March ARB, and five facility projects for \$26 million at Hickam AFB.

Other new mission requirements in fiscal year 2005 include the Global Hawk bed-down at Beale AFB, California; Predator force structure changes at Indian Springs Air Force Auxiliary Field, Nevada; Combat Search and Rescue aircraft beddown at Davis-Monthan AFB, Arizona; C-130J simulator facility at Little Rock AFB, Arkansas; F-35 Joint Strike Fighter test facilities at Edwards AFB, California; and various projects supporting Homeland Defense, such as the Air Sovereignty Alert missions flown by the Air National Guard at Andrews AFB, Maryland; Duluth International Airport, Minnesota; Atlantic City International Airport, New Jersey; and Truax Field, Wisconsin.

OPTIMIZE USE OF PUBLIC AND PRIVATE RESOURCES

In order for the Air Force to accelerate the rate at which we revitalize our inadequate housing inventory, we have taken a measured approach to housing privatization. We started with a few select projects, looking for some successes and "lessons learned" to guide the follow-on initiatives. The first housing privatization project was awarded at Lackland AFB, Texas, in August of 1998, and all 420 of those housing units have been constructed and are occupied by military families. Since then, we have completed three more projects (Elmendorf AFB, Alaska; Robins AFB, Georgia; and Dyess AFB, Texas) and have three more under construction (Wright-Patterson AFB, Ohio; Patrick AFB, Florida; and Kirtland AFB, New Mexico). Once these three projects are complete, there will be nearly 5,500 privatized units. We are on track to privatize 60 percent of our U.S. based family housing by 2007. The fiscal year 2005 budget request includes \$83 million to support the privatization of nearly 7,000 units at six bases: Tyndall AFB, Florida; Scott AFB, Illinois; Columbus AFB, Mississippi; Keesler AFB, Mississippi; Holloman AFB, New Mexico; and Fairchild AFB, Washington.

CONTINUE DEMOLITION OF EXCESS, UNECONOMICAL-TO-MAINTAIN FACILITIES

For the past 8 years, the Air Force has pursued an aggressive effort to demolish or dispose of facilities that are unneeded and no longer economically feasible to sustain or restore. From fiscal year 1998 through fiscal year 2003, we demolished 15.5 million square feet of non-housing building space at a total cost of \$200 million. This is equivalent to demolishing more than three average size Air Force installations. For fiscal year 2004 and beyond, we will continue to identify opportunities for demolition and facility consolidation. In general, the facility demolition program has been a success, enabling us to reduce the strain on infrastructure funding by getting rid of facilities we don't need and can't afford to maintain.

CONCLUSION

The near and long term readiness of our fighting force depends upon this infrastructure. We will continue to enhance our installations' capabilities, remain good stewards of the environment, and ensure Air Force infrastructure is properly distributed to maximize military readiness.

Senator HUTCHISON. Well, thank you, and thank all of you for being here. I want to start, General Fox, or Mr. Secretary, with the issue of privatization. I think we discussed it fully with Mr. Dubois and the need to raise the cap. And I have certainly a great interest in the Air Force privatization projects at Lackland and Sheppard

Air Force Base. There are others. And I will be working to lift the cap so that those can stay online.

BUILD-TO-LEASE HOUSING OVERSEAS

But my question is really on build-to-lease housing overseas. The Air Force is requesting \$44 million for family housing this year at RAF Lakenheath, and an additional \$131 million would be requested over the next four years, it obviously will be an enduring base. And it includes \$58 million for family housing at Ramstein this year, with another \$10 million in the out years.

The state of Rheinland-Pfalz has proposed a build-to-lease program for military family housing in the Ramstein AB area, an approach which has met with success in other places in Germany. My question is, are you aware of this and have you considered build-to-lease in lieu of traditional family housing at Ramstein and could this be a more prominent part of your building housing overseas at other bases including Lakenheath where you're going to make a substantial investment.

GERMANY

Mr. GIBBS. Yes, I am aware of those proposals in Germany for the build-to-lease. That is a potential solution. We have had other build-to-lease projects in Germany previously. But they currently have a—they have not reached resolution with the Federal Government. The difficulties there is—

Senator HUTCHISON. Federal government of Germany?

Mr. GIBBS. Federal government of Germany. Their proposals there would be to build on the—on Federal land, and they don't currently have permission to do that. So they have some more work to do internally within their governments, federal and state level, to allow those projects to move forward.

To my knowledge, and this was through last week, they hadn't made any proposals to do any of those activities on private land at this point. But certainly—

Senator HUTCHISON. He said that, however—

Mr. GIBBS. Certainly.

Senator HUTCHISON. Is it something that you would consider?

Mr. GIBBS. Oh, absolutely.

Senator HUTCHISON. Are you really looking at it seriously. I'm sure that they will get over the hump and there would be other options to look at if it's working so well in the United States, is it something that we ought to be looking at overseas?

Mr. GIBBS. Absolutely. We would encourage them to go beyond the build-to-lease, to go into—to what effectively would be a private—more closely—would look more similar to the privatization that we do here. Which would be for them to construct housing and effectively put it at our disposal in exchange for the allowance for quarters over there. Which would not give us a long-term commitment as a build-to-lease does.

We have had some preliminary discussions with them about that. They've been a little apprehensive because of the increased risk. One of the things that we want to talk with them further about is the success it has enjoyed here. Try to convince them to consider that in addition to the build-to-lease.

Senator HUTCHISON. Well, since you are making commitments to enduring bases, which I certainly support because it will mean that we can do no military construction at bases that will not be designated right now as enduring, I hope that you will factor that in as quickly as possible as we are looking at some pretty substantial investments in traditional housing. And perhaps prioritize the traditional housing that you know would be best on base whether it's general, officer, or—

Senator HUTCHISON [continuing]. Or whatever would be right. So that we can save any dollars that might be able to be saved down the road.

Mr. GIBBS. Absolutely.

GUARD AND RESERVE

Senator HUTCHISON. I'd like to ask General Brubaker and General Rajczak. In past Base Realignment and Closure (BRAC) rounds our Guard and Reserve forces have not been treated as well, and perhaps you can say, well, we haven't used them to the extent that we are now using Guard and Reserve units. However, would you just make a brief statement about where you think we are now in the planning for BRAC and in military construction ongoing, as it relates to assuring that our Guard and Reserve units have the capacity and the military construction that they need.

AIR NATIONAL GUARD

General BRUBAKER. If I may start, I would just say that first of all we are, I think, very fairly and well represented in the BRAC process. From the National Guard perspective we are a sitting member of the Air Force Base Closure Executive Group (BCEG). And I'm very pleased with our interaction and our ability to express any concerns from the National Guard perspective.

As far as how we will play in BRAC and whether or not that will be considered, I think again we will be equally represented in that process as the Air Force works its way through the BRAC and makes its formal recommendations.

RESERVE

General RAJCZAK. I agree with General Brubaker's comments. We are also a representative, or also a member of the Base Closure Executive Group, for the Air Force. And to address your second point about new construction, or being able to get adequate support for our construction requirements, most of the new construction that is in our fiscal year 2005 budget request as a matter of fact is for new mission support. Including installations and activities in Texas and California both, as well as in Ohio, and in Oregon.

Again, we compete very well through the Air Force budgeting process and I think we're very fairly represented both in the BRAC and in new construction requirements.

C-17

Senator HUTCHISON. Mr. Gibbs, I read in your testimony the commitment and the military construction that you're asking for to support the F/A-22 and the C-17. And I just wanted to ask you

and perhaps you can answer this for the record, because it's somewhat parochial.

C-17 BASING

But in looking at all of the places that there would be basing for the C-17, I would just like to ask you to look at a couple of places in Texas, where there might be some savings in military construction. Either Dyess, where there is excess capacity still, ramp space. And of course for the B-1s, and Kelly where there is significant space, hangar space still available and could take C-17s. If any of those would be able to save military construction in the other basing, I would appreciate your just looking at that.

Senator FEINSTEIN. You know they're going to California.

Senator HUTCHISON. Well, some aren't.

They're going to California, Alaska—

Senator FEINSTEIN. I'm shocked at you, Madam Chairman.

Senator HUTCHISON. California, Alaska, Delaware, Hawaii, Mississippi, New Jersey, Oklahoma, South Carolina, and the State of Washington. I'm not suggesting that we mess with California, but I'm just wondering if with all of the bases that are in the works here, if there would be some savings. That's what I'm asking you to—

Senator FEINSTEIN. Texas doesn't have enough—no, never mind.

Senator HUTCHISON. Well, we have capacity that is unused. And particularly Dyess, and then for repairs and maintenance would be the only place that Kelly would work. But there is significant space—hangar space there because of the losses.

Mr. GIBBS. The short answer to your question is yes. The longer answer, if I could take about 2 or 3 minutes. What you just described to a great extent is the beauty of the BRAC round. There are a lot of numbers that are thrown around as to excess capacity and what it is and it's obviously in the eye of the beholder.

But in the eye of this beholder it's a substantially different environment that we have today, than we had in all of the preceding rounds that considered Base Closure and Realignment. In all of those previous periods, what we had were a number of bases that were significantly underused. They were using only 20 or 30 percent of their capacity. So the BRAC was approached at, well, if we have this base that's 30 percent used and this space that's 30 percent used, let's just close one and move that mission to the other one, and that was easily done.

We don't have that condition existing today to any substantial extent. Certainly not in the Air Force. What we have is a lot of bases that are 60 to 90 percent used. When we come out of this BRAC round, the task, the goal to be achieved here is to get the utilization on the remaining bases up into the 85 to 90 percent range.

So we will no longer have the luxury of keeping bases, all bases at a mission unique category. We cannot afford to have a 70 percent utilized base. We have to find a mission to take it up to 85 or 90. So that's exactly what we are attempting to do in the analysis leading up to the BRAC round, to make sure that we as effectively use as we possibly can, making allowances—to respond to a question you asked to the previous panel—for the ability to surge

and also to look out for the unknown unknowns that will be occurring over the next 20 years, the time period that the Congress has directed that we look to for sizing this base structure.

Senator HUTCHISON. Well, certainly placement is a big part of it. The facilities that you are looking at for this year's MILCON would be Alaska, Hawaii and California. But there are a lot of other smaller bases that you're saying are going to take C-17s, and I would hope that you might look at an enduring base which would be Dyess as a possible recipient of some the C-17s when there is that excess capacity.

GENERAL OFFICER QUARTERS

Just a last question. On the general officer quarters. The Air Force rating for adequacy apparently according to the Defense Department IG is different from the other services. And therefore there's a significant difference in the Air Force declaration that 82 percent of its general officer quarters are inadequate, while Army and Navy deem all of theirs adequate.

My question is, should everybody be coming up to your standards, or should you be looking at it in a more uniform way, and are you addressing those issues that the IG has raised?

Mr. GIBBS. I'll ask General Fox to answer it both from an Air Force, and a personal perspective, I think.

General FOX. Madam Chairman, I would tell you that we have set goals for family housing, military family housing of 2007 across the continental United States, and 2009 overseas and we're meeting those goals. We're doing a terrific job through privatization and our housing MILCON program of upgrading quarters for our troops.

Since Mr. Gibbs said, let me give you the personal anecdote. I can tell you that at Bolling Air Force Base here in Washington we are well along with taking care of quarters for our airmen and our non-commissioned officers. And we're developing those quarters to commercial standards, the same thing that they would be able to rent or buy downtown. That's the standard.

Similar for senior officers, the goal is commercial standards. What we live in at Bolling Air Force Base is 70 year old quarters, that are very rundown. We have put those quarters at the end of the cycle to upgrade taking care of our troops first. As we get towards the goal of 2007, the people who will be left remaining to have quarters fixed to a commercial standard, to a decent standard that they would rent or buy downtown will be the senior officers.

Senator HUTCHISON. Thank you. Senator Feinstein.

Senator FEINSTEIN. Thanks very much, Madam Chairman, and thank you gentlemen for your service. I just want to assure that the bed down costs for the C-17 and the C-5 transformation are in the FYDP, aren't they?

Mr. GIBBS. To the extent that we know them, yes, ma'am.

BEDDOWN FOR C-17 AND C-5

Senator FEINSTEIN. Okay. To the extent that you know them, right. So the commitment is to put them in the Future Years Defense Program (FYDP). I recognize that in the 2005 bill we have two facility projects, two at Travis for \$15 million, and two projects

for \$10 million at March. So I think that California is going to be very happy about that, and we thank you for that.

Mr. GIBBS. That's one of the earlier locations.

Senator FEINSTEIN. Pardon me?

Mr. GIBBS. That's one of the earlier locations from the list that the Chairman read.

General FOX. Senator Feinstein, if I can answer. The way that we prioritize our military construction program, when we bring in a new weapon system like the C-17 to California we will ensure that those requirements are funded up front in our President's budget submission.

VANDENBERG AIR FORCE BASE

Senator FEINSTEIN. Good, that's what I really wanted to hear. Thank you very much. Appreciate it very much, General. Last year we were unable to fund the consolidated fitness center requested by the Air Force for Vandenberg. However, we included language in the conference report supporting the project and urging its inclusion in the 2005 budget request. And it's not in the 2005 budget request. Could you tell us what the reason is? It's not even in the future, in the FYDP, any longer.

Mr. GIBBS. I think it's—

Senator FEINSTEIN.—and it was requested.

Mr. GIBBS. I think it's out about 4 years, 3 or 4 years.

General FOX. 2008.

Mr. GIBBS. 2008. It's a—I'll give you an answer that I know when I give it to you before I start, it's going to be inadequate from your perspective. Putting together the military construction budget for the Air Force, since there are always needs, and there are always more needs than there are resources to fill them. So we plan out over a period of time, and the military construction funds are held quite dearly and the competition is severe within the Air Force to obtain those.

When the Congress eliminates something that the Air Force had put into its budget, it makes it very difficult to get that thing back into the budget in the near term. Because there are too many people that have the competing needs and say the Congress has already told you you don't need it, if you put it again, you stand the chance of losing it again.

So it—it becomes very difficult to get those back in shortly after they're taken out.

Senator FEINSTEIN. Well, let me just say what the signal was, we had some major problems fitting in the European basing towards the end. And we had many protracted negotiations and it turned out that I had to give up a project, so we gave up Vandenberg with the commitment that it would be funded this year. And we put the report language in the bill saying that we would fund it this year. So—

Mr. GIBBS. Ma'am, I'm not aware of any discussions like that.

Senator FEINSTEIN. Well, you should be aware, respectfully, of the report language.

Mr. GIBBS. Yes, ma'am, I am.

Senator FEINSTEIN. It was in the bill which says that we would fund it. So you're saying it isn't a necessity any longer, or you would have submitted it to us.

Mr. GIBBS. No, ma'am, I think I said it the way I believe it, that in fact when the Congress takes something out of the budget, it's very difficult to get it back within the process.

Senator FEINSTEIN. So that is for all the overseas basing? Several were eliminated last year, and they were included in the President's 2005 budget. I think that's somewhat disingenuous. I mean, we deleted things in Europe last year.

So how can you come back and say, you know, it's—true, it is a fitness center. But that also was a priority in your opening statement, the commitment to fitness.

Mr. GIBBS. Absolutely.

Senator FEINSTEIN. Let me just ask you—

Mr. GIBBS. The same amount of money is going into fitness centers in 2005 as was—if you'll go back and look at the 2004 plan for 2005, those projects are still there and the same amount of money is committed to fitness centers as we had said there would be the previous year.

Senator FEINSTEIN. But you just are putting them somewhere else?

Mr. GIBBS. No, they're the ones that were in for 2005. They're the same ones.

Senator FEINSTEIN. But you're not applying the same standards to the fitness center that you apply in Europe, where a project denied last year comes back this year.

Mr. GIBBS. No, I think what I just said was that the same amount of money is included in 2005 request for fitness centers as we told you in the 2005 plan would be applied to fitness centers. And without looking at each one individually and I will go back and confirm that for you, but I think it's the same ones we said a year ago were going to be in 2005.

Senator FEINSTEIN. Well, in my view, Mr. Secretary, you're splitting hairs. You clearly didn't put the money in for the Vandenberg fitness center, right?

Mr. GIBBS. That's correct.

Senator FEINSTEIN. And we clearly said in our report language that if you did, we'd fund it this year.

And—okay. I have no other questions, Madam Chairman.

VANDENBERG AIR FORCE BASE

Senator HUTCHISON. Okay. Well, I would just like to follow-up and ask General Fox, would you say that Vandenberg is still a priority, as it was last year?

General FOX. Madam Chairman, we have a lot of priorities that we weren't able to get into the fiscal year 2005 President's budget. I would tell you even from Secretary Dubois' comments about how the Department of Defense is beginning to build back its military construction program, we believe that the Secretary of Defense, the Secretary of the Air Force are very committed to building back the military construction program, such that we'll be able to bring a healthier MILCON program to you in following years after this submittal in fiscal year 2005.

To answer your question specifically, I believe the Vandenberg fitness center is a very viable project. There were actually three projects that we were unable to have headroom in our military construction submittal to get into the fiscal year 2005 program. When we buy our new mission requirements for C-17, and other aircraft, then buy the must do legal requirements for environmental compliance, and look at the dormitories as a priority, we were constrained in 2005.

ADDITIONAL COMMITTEE QUESTIONS

But I believe the major command that owns the requirement for the Vandenberg fitness center will push it very very hard in the near term.

[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 KAY BAILEY HUTCHISON

FITNESS CENTERS

Question. Your written testimony notes the Air Force's new emphasis on fitness. Our staff just visited a number of Air Force bases in Europe and found that even brand new fitness centers, such as the one that just opened at Aviano, are overcrowded because of the new fitness emphasis. Is the Air Force adjusting its design guidelines for fitness centers to account for the increased demand, and are the three fitness centers in this year's budget adequately sized to accommodate that demand?

Answer. Yes, the Air Force is changing the Fitness Center Facility Design Guide to accommodate the impact of the "Fit to Fight" initiative; increased use of fitness centers by both individual users and larger groups. Proposed changes include the addition of indoor running lanes, adjustments in size requirements for locker rooms, group exercise areas, and equipment areas, and the addition of parent-child workout area.

The three fitness center projects in the fiscal year 2005 President's Budget (Elmendorf AFB, AK; Hill AFB, UT; and Lajes AB, Portugal) all are currently under design based on the current guide. Elmendorf AFB is developing a companion O&M project to improve their facility. The combination of MILCON and O&M work will meet immediate needs. Hill AFB's only major scope concern is an indoor running track, which they identified as an optional bid item. If construction bids are favorable, they will include the indoor running track in the fiscal year 2005 project. The Lajes fitness center project will provide an additional 1,300 SM of space to greatly improve their existing conditions.

GENERAL OFFICER HOUSING

Question. The Air Force has an elaborate system for rating the adequacy of its General Officer Quarters and is to be commended for establishing a systematic approach to this question. However, the system has resulted in the Air Force declaring 82 percent of its General Officer Quarters as "inadequate" while the Army and Navy deem all of theirs to be adequate. The Defense Department Inspector General issued a memorandum in January noting significant issues in the Air Force's approach and suggesting steps to improve it. What are you doing to address the issues raised by the IG?

Answer. The Air Force uses the Condition Assessment Matrix (CAM) to assess/rate the condition of its Military Family Housing (MFH) inventory, including the existing General Officer Quarters (GOQ) inventory. This system rates the condition of each component of the house and evaluates its functional adequacy with regard to Air Force standards. The goal of these standards is to construct and maintain housing that is comparable to what Airmen can rent or buy downtown.

Through this systematic approach, the Air Force developed the GOQ Master Plan. This plan identifies 82 percent of the GOQ inventory as requiring a one-time MILCON project. These whole-house improvement projects would address all deficiencies, conditional and functional. For the remaining 18 percent of the GOQ inventory, deficiencies can be addressed through routine MFH operations and maintenance cycles.

The Air Force non-concurred with the Department of Defense Inspector General (DOD IG) memorandum regarding the GOQ Master Plan, stating: "We appreciate the efforts of the DOD IG during the past 4 years regarding the Air Force GOQ Master Plan and agree that there are minor administrative procedures that may warrant improvements. However, in reviewing the assumptions and findings contained in the audit memorandum, Air Force policy is misstated and there are factual errors that warrant a response." The Air Force provided a 45-page, detailed response, which addressed assertions contained in the DOD IG memorandum.

Prior to the completion of the DOD IG audit, the Air Force independently took action to refine and improve the Condition Assessment Matrix (CAM) definitions. The Air Force also proactively corrected administrative errors found within the GOQ Master Plan.

The Air Force fully supports the Condition Assessment Matrix (CAM) process and the GOQ Master Plan as excellent planning tools for managing its GOQ inventory. The GOQ Master Plan methodology is supported by the Office of the Secretary of Defense (OSD AT&L). The OSD AT&L Housing and Competitive Sourcing director endorsed the GOQ Master Plan methodology in a November 20, 2003 memorandum to the DOD IG. Furthermore, the American Planning Association Federal Division recognized the GOQ Master Plan as the "Outstanding Federal Program of the Year" for 2004.

C-17 BASING DECISION

Question. Information on C-17 Basing decisions, specifically with reference to Dyess AFB and Kelly USA

Answer. The Air Force briefed a comprehensive Mobility Roadmap to Congress on 15 April 2002. The roadmap was part of a detailed force structure plan that included 33 states and 53 bases and identified the beddown plan for 180 C-17s, 112 C-5s, and the remaining C-130 fleet following the reduction of 56 C-130s. The roadmap development considered numerous options while building a plan that balanced requirements and fiscal constraints.

Given the current and authorized mobility force structure, the Air Force plan is to maintain the C-130 mission at Dyess AFB and the C-5 mission at Lackland AFB (Kelly Field). Additionally, the Air Force will transfer the C-5 Flying Training Unit mission to Lackland AFB in fiscal year 2007.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

REDUCED REQUEST

Question. When comparing the active component military construction funding requests, the Air Force, by far, asked for much less funding this year than in previous years. For example, this year's request is 20 percent less than last year's requested amount, and 36 percent less than the enacted amount. With the recapitalization rate of your infrastructure climbing, how do you justify this reduced request?

Answer. The Air Force has a balanced program and we continue to concentrate on our backlog and achieving OSD's 67-year recap rate goal by 2008.

Although the active portion of the Air Force's fiscal year 2005 military construction request (\$664 million) is 14 percent less than the fiscal year 2004 request (\$773 million), the total force (active, Guard, and Reserve) request of \$876 million is \$89 million greater than our fiscal year 2005 projection in the fiscal year 2004 President's Budget (PB) request and near the same level as the fiscal year 2004 PB request of \$878 million. Also, our fiscal year 2005 recapitalization rate of 148 years is better than the 180 years of last year's budget request, putting us on track to achieve and maintain a 67-year rate by 2008. Although we are taking some near-term risk in our facilities, we expect our outyear investment increases will help us make significant improvements.

FAMILY HOUSING REQUESTS

Question. This year your request for funding family housing is 16 percent greater than last year's request. Conversely, the Navy's request has decreased by almost 19 percent from last year's requested amount. It is my understanding that the Navy attributes this decrease to family housing privatization. As your testimony states, the privatization concept allows the services the opportunity to leverage through contractors, private funds, that will get military families into modern, adequate housing more quickly.

Initially, the Air Force was more reluctant to use privatization to fill this housing deficit. However, now, at least in the continental United States, the Air Force pro-

gram is well underway. Could you describe the Air Force's current position on family housing privatization?

Answer. With over 40,000 housing units requiring revitalization, the Air Force recognizes housing privatization as a key part of OSD's three-pronged strategy of using local community housing, privatization, and MILCON to provide adequate housing for our Airmen. Privatization allows the Air Force to attract private sector capital and expertise to provide quality housing for Air Force members, thereby leveraging our construction dollars. As of March 2004, the Air Force has privatized 6,092 units by contributing \$122.3 million for a total development cost of \$647.3 million—a leverage of 6.28:1. Eight more projects are planned for award by June 2004 to privatize 10,027 units for a leverage of 22.85:1. With housing privatization providing quality housing sooner and at less cost, the Air Force has budgeted \$39.1 million in fiscal year 2005 to develop privatization concepts and acquire 48 projects valued at over \$5.6 billion. Besides leveraging Air Force construction dollars, housing privatization is proving to be more cost effective than traditional MILCON. Of seven awarded projects, privatization is 6.5 percent less costly than traditional MILCON over the 50-year life cycle; and of six projects pending award, privatization is 14.5 percent less. Succeeding with housing privatization, the Air Force is considering every base with housing areas not yet privatized for privatization during updates to the Family Housing Master Plan (FHMP) to revitalize remaining inadequate housing units. Currently, feasibility studies are on going at 25 separate installations. Privatization will be selected when payback meets OSD criterion and the life cycle cost analysis indicates privatization to be cheaper than continued government ownership. With continued support from the budget authority for military family housing privatization and on-going successes in housing privatization, the Air Force's FHMP will meet the Secretary of Defense's 2007 goal.

DERF FUNDS USE

Question. The Committee has become extremely frustrated by the poorly planned use of Defense Emergency Response Funds (DERF) to implement physical security measures. It appears that neither the Air Force, nor any of the other services for that matter, has adopted a standardized plan regarding certified and tested physical security measures and the products used to ensure these measures.

The Department of State has a long-standing physical security program including product testing and certification. Time-proven security measures could be adopted immediately by each of the services. Has the Air Force made efforts to explore standardized measures for security enhancement and to immediately adopt products and measures that are proven?

Answer. The Air Force employs a multi-pronged approach to the acquisition of physical security technologies. This approach includes capitalizing on Research and Development (R&D), and operational testing efforts, as well as tapping into existing governmental and commercially available solutions. Several entities including the Electronic Systems Center at Hanscom AFB MA, the Force Protection Battlelab at Lackland AFB TX, and the DOD Physical Security Equipment Action Group (PSEAG) are integral to this effort.

The PSEAG is a Joint-service R&D program that supports the Physical Security Equipment requirements of the four Services. The PSEAG selects or designs, evaluates, and acquires the most efficient and productive security equipment at the most reasonable cost to ensure the effective protection of DOD resources, including personnel, classified information, material, and readiness assets. The PSEAG provides programming, planning, and funding support for both near and long term requirements, and eliminates duplication of R&D while ensuring interoperability between essential elements of security systems fielded by the DOD components to ensure Joint Interest/Joint Capability. The acquisition of SmartGate technology is an example of a successful product and operational development.

In addition, the Air Force is fully engaged with the Technical Support Working Group (TSWG). The TSWG, the U.S. national forum that includes the Department of State, identifies, prioritizes, and coordinates interagency and international R&D requirements for combating terrorism. The TSWG rapidly develops technologies and equipment to meet the high priority needs of the combating terrorism community, and addresses joint international operational requirements through cooperative R&D with major allies. Since 1986, the TSWG has pursued combating terrorism technologies in the broad context of national security by providing a cohesive interagency forum to define user based technical requirements spanning the Federal interagency community.

The Air Force recently fielded the Integrated Base Defense Security Systems (IBDSS) contract which provides a critical line of defense for all critical assets, fixed,

temporary or mobile by way of electronic detection, alarm assessment, access control, communications and command, control and display capabilities to support an effective response. The intent of this effort is to provide security personnel with standardized and integrated security systems that neutralize or mitigate anticipated threats while reducing manpower levels wherever possible.

IBDSS acquisition is a contract vehicle for satisfying all of the Force Protection Command and Control Directorates acquisition requirements for the next 5 years. This contract supports quick reaction temporary and permanent fixed site deployments as well as multiple installations at different locations in parallel throughout the world. It will also be the vehicle of choice for providing standardized material solutions to combat mission need statements in support of the global war on terrorism, after appropriate approvals are obtained, if required.

From a MILCON standpoint, construction guidance supports security operational and acquisition development. The Air Force recently fielded an Antiterrorism/Force Protection (AT/FP) Facility Investment Strategy (FIS) to effectively manage AT/FP facility requirements. To get the most for our AT/FP facility investment, FIS assigns highest priority to securing our perimeters. Once perimeters are secure, we can "move in" to take care of critical and mass gathering facilities. Combined with new Air Force entry control facility design standards and SmartGate acquisition, FIS succeeds making the most of our construction funds to protect our installations.

AIR FORCE BRAC

Question. The Air Force's budget request for BRAC environmental cleanup took a \$53 million (-27 percent) cut. Only 2 years ago, under my Chairmanship, the Air Force was desperately short funding for BRAC environmental remediation, and Senator Hutchison and I added an additional \$25 million to assist you. Now, only 2 years later, the request is on a downward glide slope while the needs are equally, or maybe even more pressing.

Six of the Air Force's National Priority list sites are in California. With cleanup at McClellan AFB estimated to continue until 2034, it's inconceivable to me that 27 percent less funding is required. How do you justify this greatly reduced request?

Answer. The fiscal year 2005 Air Force BRAC environmental President's Budget request was not a result of a program cut. As our overall program matures, we move from high cost construction projects to lower cost system operation and maintenance projects. The shift to system operation and maintenance requirements will be reflected in more level funding requests in this and in future years.

As the BRAC environmental program moves forward, we are taking advantage of remedial system optimization efforts to reduce our overall program long-term costs in order to deal with our challenges and meet our commitments at McClellan and other bases.

MC CLELLAN AFB

Question. Air Force representatives, and representatives of McClellan Park met the week of March 22nd to negotiate the early transfer of McClellan. I was happy to add funding to the Defense Bill last year to advance to sewer replacement which I understand will begin construction this summer. Could you please describe the progress that has been made in these negotiations and which items remain open?

Answer. Regarding the sewer project, we have budgeted \$3.0 million in fiscal year 2004 to augment the OEA grant of \$4.9 million to begin the replacement project. The Air Force portion of the sewer project is the removal of contaminated soil encountered during the sewer trenching operation. The Air Force, Sacramento County, along with McClellan Park are working to finalize an Environmental Services Cooperative Agreement. Project is on track to begin July 2004.

Regarding privatization, the Air Force, County, California State regulators, EPA Region IX, and McClellan Park met on March 25, 2004 to initiate the project. The meeting was considered a success by all attendees; agencies committed to completing general action items and agreed on delivery dates, and to move ahead on the privatization proposal. The County is preparing a project for a specific parcel of land for the agencies to consider. This project, which is due by the end of April 2004, will provide the basis for developing the required agreements and documents to execute privatization.

SUBCOMMITTEE RECESS

Senator HUTCHISON. Okay. Well, we'll work with you and with Senator Feinstein. Thank you very much for your time, we appreciate it. Thank you.

Mr. GIBBS. Thank you very much, Madam Chairman.

[Whereupon, at 12:05 p.m., Tuesday, March 30, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

**MILITARY CONSTRUCTION APPROPRIATIONS
FOR FISCAL YEAR 2005**

WEDNESDAY, APRIL 7, 2004

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

The subcommittee met at 2:51 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison and Landrieu.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE ARMY

STATEMENT OF GEOFFREY G. PROSCH, ACTING ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS AND ENVIRONMENT

ACCOMPANIED BY:

MAJOR GENERAL LARRY J. LUST, ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT, DEPARTMENT OF THE ARMY
MAJOR GENERAL WALTER F. PUDLOWSKI, SPECIAL ASSISTANT TO THE DIRECTOR, ARMY NATIONAL GUARD
BRIGADIER GENERAL GARY M. PROFIT, DEPUTY CHIEF, ARMY RESERVE

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. First, I apologize for being late for this hearing. We just finished our second vote and so I was detained on the floor. I talked to Senator Feinstein on the floor and because of the delay she is not going to be able to make it to this hearing; she had an emergency briefing in the Intel Committee that was just called so she is not going to be able to make it. She had intended to come and then leave, but I told her I certainly understood and I knew that you would.

But we do have quite a bit to discuss and I appreciate very much the Army and the Navy coming in today to talk about Military Construction. And I would like to start with the Army budget and say that in the remarks that you have put forward, Mr. Prosch, the Army Military Construction is 15 percent above last year's request and National Guard is 75 percent above last year's request and Reserve is up 27 percent. However, even though Guard and Reserve are up they are still below the levels that we enacted last year, and I am concerned that we are getting further and further behind in Guard and Reserve Military Construction. I am very hopeful that you will talk about the Residential Communities Initiative. I have

seen some of those at Fort Hood, I think it is a wonderful concept, and I know that this is a priority for you, which I totally support; it's what we ought to be doing for our military families, and I hope we can work together to raise the privatization cap so that you will have the opportunity to do that.

I think the fact that it has been announced that we are bringing mostly Army troops back from Germany and Korea in the next 5 to 6 years is very important for the Military Construction issue but I also am concerned, and I hope you will address this, that with the numbers that we are looking at, roughly half what we have in Europe today in the Army are going to be coming home, when will we start seeing the Military Construction affects of this? When will we start seeing what you're going to need for those bases to which these people will be coming? In addition, General Abizaid has testified before Congress that he has 44 unfunded MILCON projects with a price tag of \$531 million, most of which will be in Army support. I said last week that we really need to start looking at that because that's a major part of any Military Construction funding that we would be looking at.

So with that let me say welcome. I am glad we've been able to visit. I look forward to hearing the summary of your statement, and then I will have some questions. Thank you.

Mr. PROSCH. Thank you very much, Madam Chairman. I am pleased to appear before you with my Army Installation partners—Major General Larry Lust from the Active Army; Major General Walt Pudlowski from the Army National Guard and Brigadier General Gary Profit from the Army Reserve—to discuss the Army's fiscal year 2005 Military Construction budget. We have provided a detailed written statement for the record but I would like to comment briefly on the highlights of our program.

We begin by expressing our deep appreciation for the great support that the Congress has provided to our soldiers and their families who are serving our country around the world. We are a Nation and an Army at war and our soldiers would not be able to perform their mission so well without your support.

We have submitted a robust Military Construction budget of \$3.7 billion, 13 percent over fiscal year 2004 amended budget request, that will fund our highest priority, Active Army, Army National Guard and Army Reserve facilities, along with our family housing requirements. This budget request supports the Army vision encompassing current readiness, transformation and people. As we are fighting the global war on terrorism we are simultaneously transforming to be a more relevant and ready Army. We are on a path with the transformation of installation management that will allow us to achieve these objectives.

We currently have almost 250,000 soldiers mobilizing and demobilizing, deploying and redeploying. More troops are coming and going on our Army installations than in any era since World War II. Our soldiers and installations are on point for the Nation.

The Army recently identified key focus areas to channel our efforts to win the global war on terrorism and to increase the relevance and readiness of the Army. One of our focus areas is installations as flagships, which enhances the ability of our Army installations to project power and support families. Our installations

support an expeditionary force where soldiers train, mobilize and deploy to fight and are sustained as they reach back for enhanced support. Soldiers and their families who live on and off the installation deserve the same quality of life as is afforded the society they are pledged to defend.

Installations are a key ingredient to combat readiness and well-being. Our worldwide installation structure is critically linked to Army transformation and the successful fielding of the future force. Military Construction is a critical tool to ensure that our installations remain relevant and ready. Our fiscal year 2005 Military Construction budget will provide the resources and facilities necessary for continued support of our mission. Let me summarize what this budget will provide for the U.S. Army: new barracks for 4,200 soldiers; adequate on-post housing for 14,200 Army families; increased MILCON funding for the Army National Guard and the Army Reserve over last year's request; new readiness centers for over 3,000 Army National Guard soldiers; new Reserve centers for over 2,800 Army Reserve soldiers; a \$287 million military construction investment and training ranges; a battalion-size basic combat training complex and facilities support and improvements for four Stryker brigades.

With the sustained and balanced funding represented by this budget our long-term strategies will be supported. With your continued help we will be able to improve soldier and family quality of life while remaining focused on the Army's transformation to the future force.

In closing Madam Chairman, we thank you for the opportunity to outline our program. As I have visited Army installations I have witnessed progress that has been made and we attribute much of this success directly to the long-standing support of this committee and your able staff. With your continued assistance the Army pledges we will use fiscal year 2005 MILCON funding to remain responsive to the Nation's needs.

Thank you for the opportunity to appear before your subcommittee. Me and my partners here will be happy to answer any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF GEOFFREY G. PROSCH

INTRODUCTION

Madam Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss the Army's Military Construction budget request for fiscal year 2005. This request includes initiatives of critical importance to the Army and this committee, and we appreciate the opportunity to report on them to you. We would like to begin by expressing our appreciation for the tremendous support that the Congress has provided to our Soldiers and their families who are serving our country around the world. We are a Nation and an Army at war, and our Soldiers would not be able to perform their missions so well without your support.

OVERVIEW

The Army has begun one of the most significant periods of transformation in its 228-year history. We are "An Army at War—Relevant and Ready." This maxim will define how we meet the Nation's military requirements today and into the future. As we are fighting the Global War on Terrorism, we are simultaneously transforming to be a more relevant and ready Army. We are on the road to a transformation that will allow us to continue to dominate conventional battlefields and provide the ability to deter and defeat adversaries who rely on surprise, deception,

and asymmetric warfare to achieve their objectives. To accomplish our objective, our operational force will temporarily increase by 30,000 soldiers. We currently have almost 250,000 soldiers mobilizing and demobilizing, deploying and redeploying—more troops are coming and going on our installations than in any era since World War II. Military Construction is an important tool to our network of installations to meet our challenging requirements.

As part of this transformation, the Army is fielding and equipping six Stryker Brigade Combat Teams (SBCT) to meet Combatant Commanders' requirements and to continue the Army's commitment to the Global War on Terrorism. These SBCTs allow the Army to continue modernizing and transforming the Current Force. The rapid development and fielding of six SBCTs is leading the transformation of the Army—physically and culturally.

To meet the challenges of today's missions, the Army must sustain a force of high quality, well-trained people; acquire and maintain the right mix of weapons and equipment; and maintain effective infrastructure and deployment platforms to generate the capabilities necessary to sustain a lethal force. We must ensure that a trained and qualified force will be in place to support the Future Force of a transformed Army. To meet that goal and ensure continued readiness, we must take care of Soldiers and families. Our installations are a key component in this effort.

INSTALLATIONS AS FLAGSHIPS

The Army recently identified 17 Army Focus Areas to channel our efforts to win the Global War on Terrorism and to increase the relevance and readiness of the Army. One of the Focus Areas—Installations as Flagships—enhances the ability of an Army installation to project power and support families. Our installations support an expeditionary force where Soldiers train, mobilize, and deploy to fight and are sustained as they reach back for support. Soldiers and their families who live on and off the installation deserve the same quality of life as is afforded the society they are pledged to defend. Installations are a key component in the tenets of the Army Vision. Our worldwide installations structure is inextricably linked to Army transformation and the successful fielding of the Future Force.

INSTALLATION STRATEGIES

There is much work to be done if all installations are to be flagships with the ability to both project power and support families to an equitable standard. We are a world-class combat ready force being supported by substandard facilities that impair our ability to meet the mission. To improve our facilities posture, we have specific initiatives to focus our resources on the most important areas—Barracks, Family Housing, Focused Facilities, Ranges, and Transformation.

Barracks.—The Army is in the 11th year of its campaign to modernize barracks to provide 136,000 single enlisted permanent party Soldiers with quality living environments. This year's budget request includes 19 barracks projects providing new or improved housing for 4,200 Soldiers. The new complexes provide two-soldier suites, increased personal privacy, larger rooms, walk-in closets, new furnishings, adequate parking, landscaping, and unit administrative offices separated from the barracks. With the approval of \$700.4 million for barracks in this request, a significant portion of our requirement will be funded. We are making considerable progress at U.S. installations and the Army funded two barracks projects, based upon the Combatant Commander's request, for Grafenwoehr, Germany.

Family Housing.—This year's budget continues our significant investment in our Soldiers and their families by supporting our goal to have funding in place by 2007 to eliminate inadequate housing. We have included funding in this year's budget request to privatize 11,906 houses. In addition we will replace 1,313 houses, build 100 new houses to support Stryker Brigade Combat Team deployment, and upgrade another 875 houses using traditional Military Construction. For families living off-post, the budget request for military personnel increases the basic allowance for housing to eliminate out of pocket expenses. Once overseas basing decisions are made, we will adjust our plans for new housing construction overseas.

Focused Facilities.—Building on the successes of our housing and barracks programs, we are moving to improve the overall condition of Army infrastructure with the Focused Facility Strategy. The Installation Readiness Report is used to determine facilities quality ratings of C-1 to C-4 based on their ability to support mission requirements.

- Installation Readiness Report—Facilities Quality Ratings
- C-1 facilities fully support mission accomplishment
 - C-2 facilities support the majority of assigned missions
 - C-3 facilities impair mission performance

—C-4 facilities significantly impair mission performance

We are a C-1 Army living and working in C-3 facilities. Our goal is to reach an overall Army average of C-2 quality by 2010 by concentrating on seven types of C-3 and C-4 facilities. These focus facilities are general instruction buildings, Army National Guard Readiness Centers, Army Reserve Centers, tactical vehicle maintenance shops, training barracks, physical fitness centers, and chapels. We are requesting \$207 million in fiscal year 2005 to support this initiative.

Army Range and Training Land Strategy.—Providing ranges and training lands that enable the Army to train and develop its full capabilities is key to ensuring that America’s forces are relevant and ready now. The Army’s Deputy Chief of Staff G-3 developed the Army Range and Training Land Strategy to support the Department of Defense’s Training Transformation, Army Transformation, and the Army’s Sustainable Range Program. It identifies priorities for installations requiring resources to modernize ranges, mitigate encroachment, and acquire training land. The strategy serves as the mechanism to prioritize investments for these installations and seeks to optimize the use of all range and land assets. The result is a long-range plan that provides the best range infrastructure and training lands based on mission and training requirements.

Current to Future Force.—The Army is undergoing the biggest internal restructuring in the last 50 years. As part of this transformation effort, we are fielding and equipping six Stryker Brigade Combat Teams throughout the Army. This transformation will drive our efforts to ensure that our “training battlefields” continue to meet the demands of force structure, weapons systems, and doctrinal requirements. Providing ranges and training lands that enable the Army to train and develop its full capabilities is crucial to ensure that America’s forces are relevant and ready now. Our fiscal year 2005 Military Construction budget requests \$305 million for projects for operations and training facilities, training ranges, maintenance facilities, logistics facilities, utilities, and road upgrades in support of the Stryker Brigade Combat Teams.

The former Army Strategic Mobility Program ended in fiscal year 2003 with the capability of moving five and one-third divisions in 75 days. We must improve current processes and platforms so intact units arrive in theater in an immediately employable configuration.

The new Army Power Projection Program (AP3) is a combat multiplier for Army transformation and a catalyst for joint and Service transformation efforts related to force projection. AP3 is a set of initiatives and strategic mobility enabling systems, including infrastructure projects, that ensures we are able to meet Current and Future Force deployment requirements. AP3 funding began in fiscal year 2004. AP3 ensures the capability to deploy Army forces in accordance with Regional Combatant Commanders’ operational plans.

MILITARY CONSTRUCTION

The Army’s fiscal year 2005 request has increased over fiscal year 2004 and includes \$3.7 billion for Military Construction appropriations and associated new authorizations.

Military Construction Appropriation	Authorization Request	Authorization of Appropriation Request	Appropriation Request
Military Construction Army (MCA)	\$1,535,400,000	\$1,771,285,000	\$1,771,285,000
Military Construction Army National Guard (MCNG)	N/A	295,657,000	295,657,000
Military Construction Army Reserve (MCAR)	N/A	87,070,000	87,070,000
Army Family Housing (AFH)	636,099,000	1,565,006,000	1,565,006,000
TOTAL	2,171,499,000	3,719,018,000	3,719,018,000

MILITARY CONSTRUCTION, ARMY (MCA)

The active Army’s fiscal year 2005 Military Construction request for \$1,771,285,000 (for appropriation and authorization of appropriations) and \$1,535,400,000 (for authorization) is for People, Current Readiness, and Transformation to the Future Force. These funds are critically needed to provide new barracks, invest in training ranges and land, recapitalize existing facilities, and support three Active Army Stryker Brigade Combat Teams in Alaska, Hawaii, and Louisiana. The request also includes funds for planning and design for future projects, along with Unspecified Minor Military Construction.

The Department of Defense continues to assess its global stationing strategy. We have included only minimal, but critical, overseas projects in the fiscal year 2005 Military Construction budget request. These projects are required to provide the infrastructure necessary to ensure continued Soldier readiness and family well-being that is essential throughout any period of transition.

People.—We are requesting \$798 million to improve the well-being of our Soldiers, civilians, and families. Approximately 50 percent of our MCA budget request will improve well being in significant ways—providing 19 unit barracks complexes for 4,200 Soldiers (\$700 million), a basic trainee barracks complex (\$50 million), a physical fitness center (\$18 million), a chapel (\$10 million), two child development centers and a youth center (\$20 million).

Current Readiness.—Our budget request includes \$504 million to keep our Soldiers trained and ready to respond to the Nation's needs. Current readiness projects include operational and training instructional facilities (\$92 million), training ranges (\$122 million), logistics facilities (\$31 million), utilities and land acquisition (\$27 million), maintenance/production and tactical equipment facilities (\$82 million), communication/administration facilities (\$104 million), a research and development facility (\$33 million), and community support facilities (\$13 million).

Current to Future Force.—Our budget request also includes \$298 million for projects to ensure the Army is trained, deployable, and ready to rapidly respond to national security requirements and support transformation for the Stryker Brigade Combat Teams. Projects include operations and training facilities (\$63 million), training ranges (\$79 million), a maintenance facility (\$49 million), logistics facilities (\$19 million), and utilities and roads (\$88 million).

Other Worldwide Support Programs.—The fiscal year 2005 MCA request includes \$171 million for planning and design, along with Unspecified Minor Military Construction. Planning and design funds (\$151 million) are used to accomplish final design of future projects and oversight of host Nation construction. As Executive Agent for the Department of Defense, the Army uses planning and design funds for oversight of construction projects funded by host Nations for use by all Services. Finally, the fiscal year 2005 MCA budget contains \$20 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

The Army National Guard's fiscal year 2005 Military Construction request for \$295,657,000 (for appropriation and authorization of appropriations) is focused on Current Readiness and transformation to the Future Force.

Current Readiness.—In fiscal year 2005, the Army National Guard has requested \$116.1 million for nine projects. These funds will provide the facilities our Soldiers need as they train, mobilize, and deploy. They include one Readiness Center, one Armed Forces Reserve Center, three Army Aviation Support Facilities, two Ranges, and two Training projects.

Current to Future Force.—This year, the Army National Guard is requesting \$144.2 million for 23 projects needed to transform from Current to Future Force. There are 16 projects for the Army Division Redesign Study, three for Aviation Transformation, two for the Range Modernization Program, and two for the Stryker Brigade Combat Team initiative.

Other Worldwide Support Programs.—The fiscal year 2005 MCNG budget request contains \$30.8 million for planning and design of future projects, along with \$4.5 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

The Army Reserve's fiscal year 2005 Military Construction request for \$87,070,000 (for appropriation and authorization of appropriations) is for current readiness and other worldwide unspecified programs.

Current Readiness.—The Army Reserve will invest \$72.9 million in current readiness projects. We will invest \$58.6 million to construct four new Reserve Centers, and one military equipment park; invest \$7.9 million to modernize and expand one Reserve Center, invest \$3.9 million to construct two ranges; and invest \$2.5 million to acquire land for a future Armed Forces Reserve Center.

Other Worldwide Unspecified Programs.—The fiscal year 2005 MCAR budget includes \$11.2 million for planning and design. The funds will be used for planning and design of future projects. The fiscal year 2005 MCAR budget also contains \$2.9 million for Unspecified Minor Military Construction to address unforeseen critical

needs or emergent mission requirements that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING CONSTRUCTION (AFHC)

The Army's fiscal year 2005 family housing request is \$636,099,000 (for appropriation, authorization of appropriation, and authorization). It continues the successful and well-received Whole Neighborhood Revitalization initiative approved by Congress in fiscal year 1992 and supported consistently since that time, and our Residential Communities Initiative program.

The fiscal year 2005 new construction program provides additional housing in Alaska in support of a Stryker Brigade Combat Team and Whole Neighborhood replacement projects at nine locations in support of 1,413 families for \$394.9 million.

The Construction Improvements Program is an integral part of our housing revitalization and privatization programs. In fiscal year 2005, we are requesting \$75.4 million for improvements to 875 existing units at three locations in the United States and two locations in Europe, as well as \$136.6 million for scoring and direct investment in support of privatization of 11,906 units at six Residential Communities Initiative (RCI) locations.

In fiscal year 2005, we are also requesting \$29.2 million for planning and design in support of future family housing construction projects critically needed for our Soldiers. Privatization. RCI, the Army's Family Housing privatization program, is providing quality, sustainable housing and communities that our Soldiers and their families can proudly call home. RCI is a critical component of the Army's effort to eliminate inadequate family housing in the United States. The fiscal year 2005 budget request provides support to continue implementation of this highly successful program.

We are leveraging appropriated funds and Government assets by entering into long-term partnerships with nationally recognized private sector real estate development and management firms to obtain financing and management expertise to construct, repair, maintain, and operate family housing communities.

The RCI program currently includes 34 installations with almost 71,000 housing units—over 80 percent of the family housing inventory in the United States. By the end of fiscal year 2004, the Army will have privatized 19 installations with an end state of 42,000 homes.

ARMY FAMILY HOUSING OPERATIONS (AFHO)

The Army's fiscal year 2005 family housing operations request is \$928,900,000 (for appropriation and authorization of appropriations), which is approximately 59 percent of the total family housing budget. This budget provides for annual operations, municipal-type services, furnishings, maintenance and repair, utilities, leased family housing, demolition of surplus or uneconomical housing, and funds supporting management of the Military Housing Privatization Initiative.

Operations (\$150 million).—The operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. All operations sub-accounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate family housing.

Utilities (\$132 million).—The utilities account includes the costs of heat, air conditioning, electricity, water, and sewage for family housing units. While the overall size of the utilities account is decreasing with the reduction in supported inventory, per-unit costs have increased due to general inflation and the increased costs of fuel.

Maintenance and Repair (\$402 million).—The maintenance and repair account supports annual recurring maintenance and major maintenance and repair projects to maintain and revitalize family housing real property assets. While the overall account is smaller than fiscal year 2004, the reduced inventory allows for greater per-unit funding than has been possible in the recent past. This allows us to better sustain our housing inventory.

Leasing (\$218 million).—The leasing program provides another way of adequately housing our military families. The fiscal year 2005 request includes funding for over 13,600 housing units, including existing Section 2835 ("build-to-lease"—formerly known as 801 leases) project requirements, temporary domestic leases in the United States, and approximately 7,700 units overseas.

RCI Management (\$27 million).—The RCI management program funding includes procurement requirements, environmental studies, real estate requirements, management, operations, implementation, and oversight of the overall RCI program.

BASE REALIGNMENT AND CLOSURE (BRAC)

In 1988, Congress established the Defense Base Closure and Realignment Commission to ensure a timely, independent and fair process for closing and realigning military installations. Since then, the Department of Defense has successfully executed four rounds of base closures to rid the Department of excess infrastructure and align the military's base infrastructure to a reduced threat and force structure. Through this effort, the Army estimates approximately \$9 billion in savings through 2004.

The Army is requesting \$100.3 million in fiscal year 2005 for prior BRAC rounds (\$8.3 million to fund caretaking operations of remaining properties and \$92.0 million for environmental restoration). In fiscal year 2005, the Army will complete environmental restoration efforts at three installations, leaving 11 installations requiring environmental restoration. We also plan to dispose of an additional 8,000 acres in fiscal year 2005.

Fiscal year 2003 was a superb year! Using all the tools the Congress provided, including the Conservation Conveyance Authority and Early Transfer Authority, the Army transferred 100,957 acres of BRAC property. This is almost 40 percent of the total Army BRAC excess acreage, and almost as many acres as all prior years combined. To date, the Army has disposed of 223,911 acres (85 percent of the total acreage disposal requirement of 262,705 acres). We have 38,794 acres remaining to dispose of at 28 installations. The Army continues to save more than \$900 million annually from previous BRAC rounds.

OPERATION AND MAINTENANCE

The fiscal year 2005 Operation and Maintenance budget includes funding for Sustainment, Restoration, and Modernization (SRM—\$2.54 billion) and Base Operations Support (BOS—\$6.57 billion). The SRM and BOS accounts are inextricably linked with our Military Construction programs to successfully support Installations as Flagships.

Sustainment, Restoration, and Modernization (SRM).—The fiscal year 2005 budget for SRM is \$2.5 billion, of which \$2.42 billion funds sustainment at 95 percent of the requirement. SRM provides funding for the Active and Reserve Components to continue making positive progress towards our goal to prevent deterioration and obsolescence and restore the lost readiness of facilities.

Sustainment is the primary account in installation base support funding responsible for maintaining the infrastructure to achieve a successful readiness posture for the Army's fighting force. It is the first step in our long-term facilities strategy. Installation facilities are the deployment platforms of America's Army and must be properly maintained to be ready to support current Army missions and any future deployments.

The second step in our long-term facilities strategy is the recapitalization by restoring and modernizing our existing facility assets. In fiscal year 2005, the Active Army request for Restoration and Modernization is \$93.2 million. Restoration includes repair and restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration or modernization of facilities solely to implement new or higher standards, including regulatory changes, to accommodate new functions, or to replace building components that typically last more than 50 years, such as foundations and structural members.

Base Operations Support.—The fiscal year 2005 budget for Base Operations Support is \$6.57 billion (Active Army, Army National Guard, Army Reserve). This is 70 percent of the requirement. This funds programs to operate the bases, installations, camps, posts, and stations of the Army worldwide. The program includes municipal services, family programs, environmental programs, force protection, audio/visual, base communication services and installation support contracts. Army Community Service and Reserve Component family programs include a network of integrated support service that directly impact Soldier readiness, retention, and spouse adaptability to military life during peacetime and through all phases of mobilization, deployment, and demobilization.

HOMEOWNERS ASSISTANCE FUND, DEFENSE

The Army is the Department of Defense Executive Agent for the Homeowners Assistance Program. This program provides assistance to homeowners by reducing their losses incident to the disposal of their homes when military installations at or near where they are serving or employed are ordered to be closed or the scope of operations reduced. For fiscal year 2005, there is no request for appropriations

and authorization of appropriations. Requirements for the program will be funded from prior year carryover and revenue from sales of homes. Assistance will be continued for personnel at ten installations that are impacted with either a base closure or a realignment of personnel, resulting in adverse economic effects on local communities.

SUMMARY

Madam Chairman, our fiscal year 2005 budget is a balanced program that supports our Soldiers and their families, the Global War on Terrorism, transformation to the Future Force, and current readiness.

We are proud to present this budget for your consideration because of what this \$3.7 billion fiscal year 2005 request will provide for the Army:

- New barracks for 4,200 Soldiers
- Adequate housing for 14,200 families
- Increase in Army National Guard and Army Reserve funding over fiscal year 2004
- New Readiness Centers for over 3,000 Army National Guard Soldiers
- New Reserve Centers for over 2,800 Army Reserve Soldiers
- 80-year recapitalization rate for the Army
- \$287 million investment in training ranges
- A new Basic Combat Training Complex
- Facilities support for four new Stryker Brigades

Our long-term strategies for Installations as Flagships will be accomplished through sustained and balanced funding, and with your support, we will continue to improve Soldier and family quality of life, while remaining focused on the Army's transformation to the Future Force.

In closing, we would like to thank you again for the opportunity to appear before you today and for your continued support for our Army. This concludes my statement. Thank you.

Senator HUTCHISON. Thank you very much and thank all of you for attending. Let me start by talking about the housing privatization authority, the \$850 million cap. I am particularly focused on two areas, Fort Bliss and Fort Hood, that have major privatized housing in the works and I want to know what the \$850 million cap will do to those projects and others that you have planned for this year, for this year's budget.

HOUSING PRIVATIZATION—CAP

Mr. PROSCH. Madam Chairman, if the \$850 million cap is not lifted the Army estimates an additional \$2.2 billion would have to be programmed in Army family housing construction to eliminate the inadequate housing at the 12 installations that would be impacted when we believe that we will hit the cap in November of 2004. Now, that would otherwise be eliminated with our \$256 million of equity with our current program invested in privatization. The Army would not have a program in place to eliminate inadequate housing in the United States by 2007 as we had pledged to our soldiers. And as you stated, Fort Sam Houston and Fort Bliss are two of the installations that would be impacted; I can list the others.

Senator HUTCHISON. I would like for you to, yes.

Mr. PROSCH. Fort Drum, New York.

Senator HUTCHISON. Just for this year's budget, right? They're in the works?

Mr. PROSCH. These are RCI projects that would stop in November when the \$850 million cap is hit because we could not put the equity investment into all these future projects.

Fort Drum, New York; as we said, Fort Sam Houston, Texas; Carlisle Barracks, Pennsylvania; Picatinny and Fort Monmouth in

New Jersey; Fort Bliss, Texas; Fort Benning, Georgia; Fort Knox, Kentucky; Fort Rucker, Alabama; Fort Leavenworth, Kansas; Fort Gordon, Georgia and Redstone Arsenal, Alabama.

And General Lust, would you like to say anything about this important program?

General LUST. I would just add that realistically it would be folly to think we're going to get \$2.2 billion to put against housing when we could make that up with \$256 million of our equity put into it.

You mentioned Fort Hood. Fort Hood was in the first go-around; it has already been privatized and that project is done. And I know you visited there and I know you've been to Comanche Village.

Senator HUTCHISON. Yes.

General LUST. They used to have their ups and downs, but with \$51,000, that contractor has made that all one nice set of quarters. They used to have people not wanting to live in Comanche Village, now they have people standing in line to live there. The RCI partners have done just a wonderful, wonderful job.

Senator HUTCHISON. Well, I agree with you and I have never seen family housing that good anywhere on any base that I have visited, really anywhere in the world, certainly in our country. I do want that to be available to every family, every military family, every base where you are going to make it a priority, and we will work to lift that cap. I just hope you will keep putting that concept in place. In your testimony you talk about the areas of focus that you're going to have, and I'm glad you've said this should be one of them, because I love what General Schoomaker is saying he's going to do in letting our new entrants stay in one place longer to get a community support base for families. I think that's a very important new concept, and we need to have the nice places for them to be.

RETURNING OVERSEAS FORCES

I want to also ask about when you are looking at returning the forces from Europe and Korea. I'd like to ask you what your criteria are for where the people are going, particularly I want to say, again, Fort Hood and Fort Bliss have such a huge space for training, and one of the problems you have, even at Grafenwoehr, where you're going to still want Military Construction, but their training space is so limited compared to Fort Bliss, Fort Hood and some of the other places around the country, that I'd like to ask you, in your preparations for bringing those people home, will that space be a factor, and what are the other factors that you're going to consider?

Mr. PROSCH. Ma'am, Secretary of Defense has indicated that no later than early May he will publish his integrated global presence and basing strategy, which will tell us which units, which probably brigade-size units he would like to be sending back to the United States. We believe that the timing is perfect for this ongoing BRAC process to allow us to do the analysis to determine where the good capacity is, where the excess capacity is, posts that you mentioned that have good military value; that will assist us in doing that.

General Lust, would you like to expand?

General LUST. There are several criteria. First off, wherever we place them, there's got to be training space. I mean it doesn't make

any sense to put a unit somewhere where you've got a postage stamp, and then you'd automatically have to move them somewhere to train; so where we've got to have training space. It has not been lost on us that 68 percent of the Army's training land is at one particular post in your state, and we haven't got a maneuver unit there.

Senator HUTCHISON. Fort Bliss?

General LUST. Yes ma'am.

What installation's got facilities which wouldn't cause us to have to build more. And that will all be cranked into part of the BRAC process so as they go look at what we've got for space and facilities, that's what's important about having the overseas basing study completed so we can hand that requirement off to the BRAC people so when they do their analysis that's all been factored in. The other thing is what kind of housing we've got there, how quickly can we get it built. Obviously if I had RCI housing at an installation I could get it built quicker than I would if I have to go through the MILCON process. And also another part that plays on it, what can the community absorb? Because 60 percent of our people we plan to have live off-post, and also that community's got to be able to absorb those folks into the school system, etcetera. So all that's got to be taken into account as the BRAC people figure out we're going to position returning units.

Now, you would be naive to think we've got a place that fits all that. So what we'll try doing is identify the locations where we have the least amount of effect.

MILCON TO SUPPORT RETURNING OVERSEAS FORCES

Senator HUTCHISON. So when do you think you would start requesting the Military Construction to support those returning units?

General LUST. I believe that first request you'll see will be in the fiscal year 2007 budget because we will not have the BRAC announcement until May of 2005 the 2006 budget which will be locked in by that time. So we see fiscal year 2007 being the first year that we'll be able to have requirements in, ma'am.

Senator HUTCHISON. Let me just ask Mr. Prosch if it wouldn't make some sense to begin at least a year earlier than that. It just seems that if you're going to have by April of next year, at the very latest, an idea where you're going to move them, it surely would help if we could not wait for the whole BRAC process, just sitting stagnantly on Military Construction and losing a year. Because once you make the decision that you're going to leave a base, say in Germany, then you know that you're not going to add any Military Construction there. It's going to start deteriorating, so the more delay you have, the harder it's going to be to service the troops who are still there. You do not want to just bring them home and have something ongoing. You want something that would be perhaps a little more continuous. That's something I know you can't answer right now, but I would ask you to consider it.

Mr. PROSCH. Yes ma'am, we will consider that and we will try and we will get back with you and tell you our progress.

Senator HUTCHISON. Thank you. I do have more questions, but I'd like to defer to my colleague who has just gotten here. I'll let

her have a few minutes for your questions and then I'll come back with a second round.

JOINTNESS

Senator LANDRIEU. Thank you, Madam Chair, and welcome, thank you all for being here. I know that the Chair had spoken generally about the reorganization which we obviously generally support or just a realignment and the importance of refocusing our troop strength, saving money and doing some realignment from Europe and other places in the world and getting ready for this BRAC closing, which I've generally supported, sometimes hesitantly in the sense that you never want to see that happen in your own State but you do want to save money and so we can refocus it. And Louisiana as Texas has as well but Louisiana's been very cooperative in the sense that we've seen some of our bases added to and we've had some of our bases, you know, closed, but we think we've made lemonade out of lemons in those circumstances and look forward to the next couple of years to try to realign and save dollars. But we have been operating under a theory, which I want to ask each of you, if we are going to continue to operate under, the assumption that joint operations is better than individual operations. We've got several joint operations, obviously the one that would come to mind, General, you've served as our commanding general at Fort Polk in Louisiana. So my question would be to each of you and whomever wants to go first, Secretary Rumsfeld has stated that a high priority should be placed on the military value of joint bases in the upcoming BRAC round and generally. Do you share that vision? Is it the same operating principle that we'll be moving forward on, the jointness of these bases, both among Actives as well as Reserve units?

Mr. PROSCH. Yes ma'am, I'll start off. I think that this BRAC, more so than any previous BRAC rounds, is really going to get into the joint analysis piece. We have seven joint cross service groups that were put together that we didn't have in previous BRAC rounds and we have a flag-level official from each service on each one of these joint cross service groups that's going to analyze different functional areas such as headquarters, training and education, medical, supply, etcetera. And so I see a real effort this time to really take a look at the jointness. And this BRAC is going to enable us to have better joint cooperation and realignment. It's going to allow us in the Army to reshape. I really don't think we could do our transformation and reshaping to go from 33 to up to 48 modular unit of action brigades if we didn't have this opportunity with BRAC that will give us the legislative ability to do this and to put these units in the right locations. And it's proven over time that BRAC will save us some money in doing this. So yes ma'am, I believe we're really doing that. And I would ask General Lust to amplify.

General LUST. I agree with everything Mr. Prosch said and I would not be surprised, coming out of this BRAC, if we do not have an Army unit being positioned on another service's base if it will allow us to get a quicker deployment and it's got the training space and so forth. Because wherever I can have joint basing I don't have to pay the fixed cost of running two bases and that money can be

put somewhere else. So from my position as the ACSIM wherever I can get jointness and still be able to meet the training needs and other stuff for the units, absolutely.

Senator LANDRIEU. Now maybe this—could you just estimate for us, maybe you don't know but, what percentage of your bases, General, are in a joint situation now and what percentage aren't? I mean, just roughly.

General LUST. I wouldn't venture a guess but I do know when I was out at Fort Sam Houston about a month-and-a-half ago I was unaware we had all services represented on that base, yet we don't consider it a joint base.

Senator LANDRIEU. Because I think, Madam Chair, as we move forward I think that is a concept that I'm hoping there's some consensus and unanimity if we fight jointly we should train, you know, jointly. And I think there's a movement which I've been happy to see, and I think it's more effective. It's not what maybe we're used to over the last several decades but I can testify, actually representing a State that has two very strong joint Reserve bases here that it seems to be working and we're getting very positive feedback from the individual services. So as we move forward I just wanted to ask Mr. Prosch and the General, but General would you add your comments? And if you feel differently this would be a good time to discuss it because these are the issues that we're going to be dealing with.

General PUDLOWSKI. Yes ma'am, we're in agreement from the Army National Guard perspective. We currently have 164 of our facilities that are joint use and we share those facilities with all Reserve components

Senator LANDRIEU. Out of how many? One hundred sixty-four out of how many, I'm sorry.

General PUDLOWSKI. Out of almost 3,000 armories, looking at how we are organizing based across America with the number of armory facilities we have. And we're looking at increasing that for numbers of reasons. One, because of many that you had said but two, it does give us a better relationship with the other services as we step forward into the future. Currently in the fiscal year 2005 FYDP budget we have one joint use facility and we've got 14 others that are scheduled over the next 5 years. We're working to increase the number of those facilities. The Army National Guard is also working in conjunction with other Reserve components, and we participate in the Joint Service Reserve Component Facility Board. What those boards do is identify potential joint projects for the services that affect the Reserve components. Those boards review on a quarterly basis. They're facilitated by the Deputy Assistant Secretary of Defense for Reserve Affairs Office, and in this case we have seen some future benefits for our organizations in sharing that.

I would also add that in many of the armories across America and in the territories there's another portion that goes beyond joint between the services and that is working with some of the civilian organizations who are first responders in homeland defense and homeland security. So there's another style of jointness from the National Guard perspective and how we look at this.

Senator LANDRIEU. General.

General PROFIT. Ma'am, if I could add two things. First of all, as a part of the BRAC process we've chartered with the Army and the Army National Guard and the Army Reserve, a Reserve component process action team that will, I think, offer us some insight into opportunities that can be created to create jointness in establishing more of the joint Reserve bases that you've referenced and that's, I think, an initiative that's very useful at this point in the process.

The other thing I would say is we were privileged last Monday at Ellington in Texas to participate in an event that I think will produce a joint opportunity and we'd just like to thank the Chair for her leadership in helping us do that. So I think those are some of the kinds of opportunities that we see coming out of the process and we're trying to be as aggressive as we can be to find ways to make those things a reality.

Senator LANDRIEU. So the bottom line from all of you would be from the Garrison Commander and the Generals that jointness is a plus in this restructuring effort and that it's something that we are moving more aggressively to as we fight together, to train together and that's one of the underlying premises of our, you know, future plans. Does that generally summarize that?

General PUDLOWSKI. Absolutely, ma'am.

General PROFIT. Yes, I agree with that.

SCHOOLS

Senator LANDRIEU. One other question and then I have others but we'll switch back, the troops overseas, at least I've gotten back from individuals one of their not highlights but strengths of that overseas deployment, although it's difficult because you're away from the mainland, if you would, your families are usually with you but the quality of the schools—It's not something we talk about often in this committee but Madam Chair, quality of life issues are very important for military families, housing and general quality of life issues obviously schooling is part of that. Do we have any plans at all for the integration as these troops do move back? And I bring this up because we have a model program in Louisiana that I'd like to speak about, maybe not at length at this time, but we've created the first military charter school in the Nation, at the Bell Chase Academy. Have any of you given any thought to that particular quality of life issue as these troops are resettled and the quality of the military schools that are found abroad compare to what might be found in some areas in the country? I don't know who would want to make just a general comment about that.

Mr. PROSCH. Well, I'll talk a little bit then I'll turn it over to General Lust here. My spouse is a teacher and she taught overseas and in the continental United States in both DoD schools and local county schools. We really worked very hard to try to partner with the schools. When I was the Garrison Commander at Fort Polk I was a member of the Vernon Parish school board. And so I really had a chance to impact on that. I will tell you that we worked really hard with our RCI partners so that as we build our new houses on post that we make sure that the schools are there to support the additional population when they come onboard. You'll find quite frequently that the teachers on the post are spouses of the soldiers so that's another opportunity. The DoD schools overseas

are good; the DoD schools in the United States are good also. And we have to continue to support the DoD schools as we expand the population on post and partner with DoD for the Military Construction to make sure those schools are built. And likewise we have to work with our neighboring communities, like we have in Vernon Parish, to continue to ensure that the schools are supported. At Fort Polk we have three schools; they are Vernon Parish schools but the land was donated by Fort Polk and they're excellent schools. My two children attended them and my wife also taught in that school system. So we have to continue to focus and keep the emphasis on that.

General LUST.

General LUST. In reference to your question about consideration of schools, as the units return back from overseas it will definitely be one of the things that needs to be looked at. First and foremost is where do we position that unit so it can in fact be trained and ready and etcetera and so forth. But one of the things that will definitely have to be looked at is how many children do we think are going to go there, and there will be a team that will go get with the local school system to make sure that they're not surprised when so many kids show up. I will not say we've done that well in the past; I will tell you we've done it better each time. When we had the big drawdown in Europe, we got a lot better at the end of that than we did at the very beginning and those lessons are going to carry over here. But schools will definitely be something that's going to have to be addressed because there are three things I think a soldier owes his family: a good education, health care, and a good place to live. And those all three kind of go in tandem if you want to have a quality of life.

Mr. PROSCH. I might also add that we're going to strive when we move the units from overseas to do it in the summer so we don't disrupt the school year for the children.

Senator HUTCHISON. I think that is a very important point, and on jointness, which the Senator from Louisiana has focused on, the Ellington Field concept is just a wonderful one, and I appreciate so much the Army's support for moving to what is now an air base but will hopefully be a joint base in the near future because one of the things that you mentioned, General, and I want to emphasize and am going to especially emphasize with the Navy, is that I think the Coast Guard needs to be more of a factor here. The Coast Guard is at Ellington, there's a huge need for homeland security on these bases, particularly in the bases that are close to water, and I believe the Coast Guard should be an integral part of joint use as we are melding national security and homeland security and trying to make the best use of our dollars. So I think the Ellington concept is going to be everybody; it's going to be Navy, Marine, Army, Air Guard and Coast Guard and I can't think of a better combination.

But I also, I wanted to go back to something that General Lust said, and then I'm going to leave this concept. But when you said that the Army would be willing to move to a base that is another service base, if that made the most sense, it seems to me that we were just talking earlier about space and we have, seems to me, some huge Army bases that might be the host for other services to

move in and create more of a joint concept. Is that something that you also think?

General LUST. Absolutely. I could take Fort Huachuca. Fort Huachuca has, I think, the largest military controlled air space where you can fly UAVs without having to have a chase plane. And you know, there would be a place where you could move other services onto that location, if it was desired and met the other services' training needs and such.

Senator HUTCHISON. Or White Sands.

General LUST. We're not only looking to go somewhere else but also we're going places that people can move in. Again, first and foremost, so now you know it, wherever you put them it's going to meet the mission need. The last thing we want to do is jointness for jointness, just check the block there.

Senator HUTCHISON. Right.

General LUST. Because that doesn't do anybody any good. But yes, I can see it going the other way.

Senator HUTCHISON. I mentioned White Sands as well. That should be an opportunity with air space that is coordinated with big land space.

SUSTAINMENT

Well, let me move on to the sustainment subject. We are very interested on the Military Construction Subcommittee in sustainment. Everyone is saying they're going to have 95 percent sustainment so that we can make use of our facilities for a longer term. However, all of us know that sustainment funds are the ones that get raided when you've got the base operations support accounts that are must pay. So let me ask you to give me a realistic assessment of what you think you're going to be able to spend on sustainment and what you do to try to prevent migration of these funds away from sustainment.

Mr. PROSCH. Well ma'am, we applaud the initiative that OSD has done to try to come up with a model that funds sustainment initially at 95 percent. But as you accurately stated all too often that is used to migrate money to your base operations accounts, which are more and more becoming must fund accounts. It would make sense to develop a base operations support model for all the services along the lines for sustainment, and we have been working with DoD to develop such models. And once we had these models adopted it would permit us to effectively budget for the base operation support as we do the sustainment. When you look at the base support accounts, the base operations portion is the biggest for the Army, and it contains such things as salaries, contracts. And as we have more contracts to do services on our installations, and as we privatize utilities and as we privatize Army housing more of these base operation support things are going to be executed at about the 95 percent level. And so, when you're only funded at 70 percent you're going to have to find a bill payer and all too often it's been sustainment. So we would welcome an opportunity to try to fix that. General Lust.

General LUST. On the sustainment model, the military departments are given guidance by OSD to put 95 percent funding in sustainment, but with the other priorities and stuff we end up tak-

ing risk in the base ops area. And in the year of execution, we end up migrating money back. Now, part of your question says what are we doing about controlling that? You may recall in October 2001 we stood up an organization called Installation Management Agency, which took over control of the garrisons of our Army and the money now flows from Department of the Army to the Installation Management headquarters, then from there directly down to the installations. And this year they were given guidance, the garrisons were given guidance that they were to fund their base ops which were brought up to 85 percent and the SRM was brought down to 70 percent and no other migration could take place without coming back into the headquarters of IMA. They have done a very aggressive spending of their SRM money this year to get it committed, etcetera, and as we go back in a mid-year review, the Headquarters Army is very aware that there is a need now to move additional money back into base ops so we don't have to go in and take any money from SRM.

I think another part of your question is where do we think we'd eat if we have to? If we have to migrate any more money out of SRM, we believe we'll end up in the 65 to 68 percent of SRM, about 65 percent, to finish our must funds on base ops, which is better than we have been in the previous 4 years of spending money, being able to commit money to SRM. Please do not mistake, that is not where we want to be. But we had to take risks in those areas.

Senator HUTCHISON. Well, I understand and the point of the question is, just to make sure that we keep sustainment as a priority. I realize we're in a very tough time right now, and the Army is in the most transition of any of our services. So I'm just saying that should be a factor. I understand when it slips but we do pay a price down the road.

General LUST. Yes ma'am.

ARMY GUARD AND RESERVE REQUESTS

Senator HUTCHISON. I'm going to ask one more question and then turn it over to Senator Landrieu, but I'm not finished. But I want to give her opportunities as well. And that is to you, General Pudlowski. You have in the President's request about 18 percent of the Guard requirements, and I'm concerned about this. And General Profit also I'd like the Reserve perspective here because what we have is a budget that shortchanges Guard and Reserve in my opinion. You correct me if you think that I'm wrong, but I think we are shortchanging the Guard and Reserve and this is an area where members of Congress are going to step in, the members of Congress support the Guard and Reserve; we acknowledge and respect the incredible job that they are doing as a part of our war on terrorism. And I told Senator Stevens this morning that I wanted to have more than the President's request for Guard and Reserve, that I think probably the Department expects the Congress is going to plus that up, but it's going to have to come from something else. So Senator Stevens didn't give me an answer, I might add, about what my allocation would be, but I am trying to increase it to increase the amount of Guard and Reserve because I'm

very, very worried about the Army's submission. So please, General Profit, General Pudlowski.

General PUDLOWSKI. Here, let me take it first. Ma'am, the MILCON program for the Army Guard for the fiscal year 2005 to 2009 time frame is increasing dramatically. We went from \$265.6 million in fiscal year 2005 to \$819 million in fiscal year 2009. That has actually increased because of Commanche cancellation to plus up to \$30 million, which has taken our fiscal year 2005 figure to \$295.6 million. So there has been an increase. I would also add that if everything holds true with the current FYDP we will reduce our revitalization rate from 144 years down to 67 years by fiscal year 2008. So the program is becoming more conducive to what our needs are.

Senator HUTCHISON. You are increasing from your last year's request but it is a decrease from what we actually did last year. My question really is are you really satisfied that you have enough for the job you're being asked to do?

General PUDLOWSKI. There is opportunity for increased usage. Because of some of the capabilities that we have and the ability to contract all these at one given time we may not be able to handle it all at one point in time, thus the FYDP and thus the way we developed this program over a 5-year period. There is opportunity to take on more and to increase that.

Senator HUTCHISON. General Profit.

General PROFIT. Ma'am, I guess it would be—I would be disingenuous if I suggested to you that if resources were unconstrained that we couldn't buy down our recapitalization rate quicker. But having said all of that let me just suggest to you that, you raised the issue of global repositioning and let me just make that analogous to the transformation that I believe is going on within the Army Reserve. And I would just suggest to you that as we do that we believe that there are opportunities for us to create greater efficiencies with respect to facilitization that will enhance our ability to provide quality of service and quality of life for our soldiers, which is really what this is all about to us. And one of the pieces I would just add at this time that is important to us and we think we can leverage with your continued support is the Real Property Exchange Program in the Army Reserve and I think that it has great promise to further enhance that. And so we in fact have a legislative proposal on the Hill as a part of this budget that I think would even leverage that opportunity. So there are lots of ways I think to get at the quality of service and quality of life for our soldiers that we're looking at in the Army Reserve.

Senator HUTCHISON. Okay, thank you.

Mr. PROSCH. Madam Chairman, I'll just add that we will strive to ramp up the Army Reserve and the Army National Guard MILCON over this FYDP. That's our current plan.

Senator HUTCHISON. Okay, thank you. We'll be working on it. My hope is that we get more than we now have, but we have not gotten a final answer on that yet.

Senator LANDRIEU. I just want to support the comments that the Chair has just made about the Guard and Reserve and to add again for the record that it's my understanding, and if I'm wrong I would be corrected, but I think 40 percent, or 45 percent of our

troop strength today is from our Guard and Reserve. And I understand that there would be reasons why you wouldn't want to say well, if they are 40 percent of the frontline they should be 40 percent of the budget. And I understand that there are other factors that play into that but clearly being 45 percent of the frontline they warrant more than 8 percent or 10 percent or 15 percent or even 20 percent of the budgets that support their facilities, their equipment, their training, etcetera. And the reason that we feel this so strongly is not that we don't also represent Actives in our State but I just left Louisiana Monday, visiting with the 256 Army Reserve that's shipping out, 3,000 soldiers strong, one of the largest brigades in the—and they say and I believe the best trained and ready to go, and they're all saying yes and nobody's trying to stay home. And I mean, that's just kind of how those guys and gals are, and I just visited with them but you know, they're going right to the frontline and I think that the Chairman's remarks should be taken as really representing a broad feeling in the Congress that we'd like to see the resources in our budgets committed to that support, both for Active and Reserve that are carrying their more equal, seeming to us, share of the responsibilities. So, with that said I really don't have any additional questions on that subject so I'll—

Senator HUTCHISON. Did you have another round?

Senator LANDRIEU. Not at this time.

MILCON—FORT STEWART

Senator HUTCHISON. Okay. I do have a couple of other things. The Army has notified the committee that it intends to spend \$18.5 million in Military Construction funds for construction that is not now authorized at Fort Stewart to support the reorganization of the 3rd Infantry Division from two brigades into three units of action. Is it your view that this initiative justifies bypassing the normal authorization and appropriations process?

Mr. PROSCH. Yes ma'am. Let me start off and I'll turn it over to General Lust, who actually is our point of contact on the Army staff for working this action. Now the site work is being done right now for a temporary modular building complex for the unit of action, and Fort Stewart is the pilot program for where we are creating modular brigades, so the three brigades will become four brigade-size units of action. And the project includes connections to the utilities systems, it includes hard stand concrete for the motorpools, and as you stated, it was \$18.5 million. General Lust can you explain why we need this money now?

General LUST. Yes sir, I can. And to start off, let me make sure, we weighed very heavily about asking the Secretary of the Army to use emergency procedures; we did not use it lightly. We have a policy first in, first out. The 30th Division was the first deployed in support of Operation Iraq, Freedom-1, and they came back. Things we learned from that deployment, things we learned from the fight, and things that we knew on transition we had to get on with it. The Chief decided there was no time better than right now. To get the Division ready to deploy when needed is what has driven us to this timeline. The point I'm trying to get to is that if we want the 30th to be C-1 by July 1, I've got to start doing spade

work by the end of April, first week of May to start having things go. And that is what's driving this timeline. We tried every other way we thought we could get around it that was legal and it drove us to this path here. Like I said in the beginning, we did not take this lightly. The only option I had to be able to make this Division C-1 by July is to start having groundwork done by the end of April, first of May, ma'am.

REQUIRED MILCON TO SUPPORT TRANSFORMATION

Senator HUTCHISON. Thank you. Mr. Prosch, General Schoomaker has said we're going to have a 30,000 temporary increase in Army personnel. Is there any Military Construction that you're going to need to accommodate 30,000 more people plus 100,000 activated Guard and Reserve units? Are we sufficiently able to take care of that kind of an add without something more?

Mr. PROSCH. The 30,000, as you know, is needed for us to do our transformation.

Senator HUTCHISON. By the way, I support the 30,000 totally.

Mr. PROSCH. Yes ma'am.

Senator HUTCHISON. My question is just do we have the MILCON to accommodate them?

Mr. PROSCH. Well, at this time we're not using Military Construction for the same reason that General Lust was just explaining with our modular units. Downstream as we go through the BRAC process and we use these 30,000 soldiers to allow us to create and expand our number of brigades and as we know where we're going to bring the troops back from Europe, hopefully more in 2006 as you suggested, we will do that.

General Lust, would you like to add?

General LUST. I know of no MILCON plan to take care of the 30,000 because we only plan to have them for about a 4-year period and as you know by the time they go through the MILCON process I can't have it done. Where I need facilities and stuff the intent is to take care of them by temporary structures, etcetera, with the plan being that we spend our MILCON money against projects for the additional brigades we're going to create plus the way we are going to relook how we mobilize. The model we use to mobilize for the Cold War is not the model that's going to work in the future and I believe there will be some MILCON required to support that new model, ma'am.

Senator HUTCHISON. Okay, well we'll be looking for how that transpires.

ARMY RESERVE CENTER—PUERTO RICO

Now, my final question to you is something that I just want an explanation for. You've got \$26 million for an Army Reserve Center in Puerto Rico. After what happened in Vieques and losing a training place that we really had the right to keep, why are we investing more in Puerto Rico and are we concerned about losing training capabilities for a Reserve Center there as we lost Vieques?

Mr. PROSCH. Let me say something about that. Your question is very timely because General Profit and I last weekend were in Puerto Rico looking at what you are talking about. How do we make sure that we do smart things and have joint facilities? And

our vision would be to try to have Fort Buchanan, which is becoming a U.S. Army Reserve installation, as the Special Ops Command and the Army South moves up to Fort Sam Houston. It will be part of the Installation Management Agency, and we believe that it will have a useful purpose downstream for joint units in Puerto Rico.

General Profit, you want to comment on that?

General PROFIT. Yes ma'am. First of all, let me just say that we have reached what I believe with the Navy and with other joint partners an island-wide solution to our needs in Puerto Rico. It is, as Mr. Prosch suggests, with Fort Buchanan as an Army Reserve installation as of last October at the centerpiece and with, I'll call them subinstallations for lack of better, at Naval Station Roosevelt Roads and with the very important training areas that are actually run by the Puerto Rico Army National Guard at Camp Santiago. And then the final piece of that island-wide solution is really a plethora of joint installations that the Army Guard and the Army Reserve and other joint partners are entering into. And I would just tell you that it's our view right now, having reached that, I think final accommodation with the Navy that we have a very sound, very realistic and very executable program to recognize a very important part of the Army that is stationed in Puerto Rico.

Senator HUTCHISON. Well, that's a big investment.

General PROFIT. Yes ma'am.

Senator HUTCHISON. In a place that has not kept its commitments to our Services, and I just would like to have a little more explanation about why we're doing it there and making that kind of investment.

General PROFIT. With your concurrence we'd like to work with your staff on the Committee to explain it to you.

Senator HUTCHISON. Thank you.

Senator LANDRIEU. If I could just add something on Vieques too, I've had the opportunity to tour Roosevelt Roads before it was closed and to spend some time on the island. I was very disappointed to see the training facility close because I thought it was an opportunity that the Navy had but we've moved on. But my point, besides what the Chairperson brought up is, I mean, obviously to be fair to the island and to the men and women that serve in uniform from Puerto Rico and have for many, many decades honorably in our Armed Services, but also to raise the issue of the cost of that environmental cleanup. I hope we don't make the mistake of underestimating the cost of that environmental cleanup, and as we work with and through the regular routine of transferring and going through this transfer that we can minimize the cost to the American taxpayer for the cleanup that's going to occur. Now obviously we're responsible, the Navy is primarily responsible but this is very valuable, very valuable property and could be very valuable. And I've read the different versions and views of the hopefully new governor of Puerto Rico who I happen to admire a great deal and think he's been an extraordinary leader, hopefully the governor-to-be, but I just hope that whatever we do we can minimize the cost to the taxpayer as the value of that property is added to, as value is added. And I'm going to be following it pretty closely. Puerto Rico doesn't have a Senator so some of us have to take a little special interest in this issue, and because I serve on the En-

ergy Committee, Madam Chair, which is the authorizing committee for Interior, which does a lot of the regulations for our territories, I'm going to be following this very carefully to make sure that Puerto Rico gets a fair shake, but also that our taxpayers are spared some expense, hoping that maybe as we develop the island some of it can be offset. This is what I'm saying. And I don't know, Mr. Prosch, if you want to just say something briefly because I know we have another panel.

Mr. PROSCH. Yes ma'am. And I'm sure that my partner, Assistant Secretary of the Navy, H.T. Johnson, can comment on this in the next session. But he and I did sign a memorandum of agreement last week and I do believe the Navy has a good game plan to sell the valuable property with the wonderful port in the Moskrit portion of Roosevelt Roads that would address everything you just talked about. And I think that's exactly what we should be doing.

Senator LANDRIEU. Thank you.

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. Well thank you all very much. I appreciate it. It's been a good exchange, and I appreciate that very much. As I said earlier, you are in the most transformation of any of our Services and, we want to work with you to anticipate your needs and make sure that the people who are brought back from overseas do have the housing and you have a good place to put them and also keep up with the present day needs that you have. So we'll be working with you. Thank you.

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

QUESTIONS SUBMITTED TO GEOFFREY G. PROSCH

QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

INSTALLATIONS IN IRAQ

Question. Secretary Prosch, soon, the United States will no longer maintain bases in Saudi Arabia. We will have to look elsewhere for basing opportunities in the Middle East. DOD has said Iraq will soon become a new locus for U.S. troops in the Middle East. In some cases, DOD plans to upgrade military installations used by Saddam Hussein for future use by American armed forces. What plans does the Army have for long-term basing in Iraq?

Answer. The Army is constantly assessing courses of action to enhance support to the Joint Force Commanders worldwide, to include within this region, with trained and ready Army forces to support the Defense Strategy and Joint and Combined operations. Currently, our focus is on near-term combat operations and related activities in support of the Coalition objectives in and around a free and sovereign Iraq. There are no current Army plans for long-term basing in Iraq.

Question. How many soldiers does the Army intend to station in Iraq?

Answer. The number of units and Soldiers in Iraq will vary based on Combatant Commander requirements.

Question. When will the Army begin to budget for the military construction needed to house the U.S. Army in Iraq?

Answer. There are no current plans for long term basing in Iraq.

Question. Thru a Supplemental Appropriation?

Answer. We currently budget only for temporary projects in Iraq that support our troop rotations. Some of these projects are being funded with Military Construction, but we are only building the minimum necessary to support the mission. The only billeting type projects are relocatable facilities. We anticipate the military construction needs in Iraq to remain temporary in nature.

Question. If not Iraq, what other countries within Central Command might the Navy and Army seek to expand their presence?

Answer. In the context of a Department of Defense review of worldwide posture and presence, the Army is working with the Department of Defense, the Joint Staff and the commanders within the Central Command Area of Responsibility to determine the requirements for forward-presence forces. The long-term plans for both the presence and the posture footprint in that region are still under review. Consultations are on-going with congressional, inter-agency and diplomatic leaders to review the key strategic principles and implementation concepts.

DOD REALIGNMENT OF FORCES IN EUROPE

Question. Secretary Prosch, nearly 2 years ago, DOD began discussions on the realignment of forces in Europe. In that time, Congress has not received any concrete details for what DOD has in mind. We have seen reports that DOD plans to move some personnel and infrastructure out of Old Europe and into New Europe and the Former Soviet states. When asked for elaboration on these plans, DOD has provided little. I am pleased to see this Subcommittee will hold a hearing on Europe's realignment on April 21st. Can you shed any light on how many Army soldiers within Europe may be realigned from current installations to new installations?

Answer. The Army and its Component Command to U.S. European Command (EUCOM) are full participants in the Defense Department review of Global Posture, and will transform both posture and presence in accordance with the final DOD approved Posture plan. Until that time we cannot know the impact on installations.

Question. What current facilities do you anticipate will continue to operate?

Answer. Efficient Basing initiatives will consolidate capabilities and allow for ease of projection while maintaining the training necessary for readiness. The Army and U.S. Army Europe will ensure that our Soldiers and their families in Europe will have superior Quality of Life infrastructure and services during any potential re-stationing period. It will be essential to continue to support projects at key, enduring installations and facilities upon final determination of the posture in Europe.

Question. If we reduce forces in Europe, won't we see an increase of troops and equipment returning to the United States for basing?

Answer. The potential for reducing the posture footprint in Europe is still under review; the final composition and disposition of forces in Europe has not yet been approved determined.

Question. Does it make sense to enter into BRAC in 2005 if we have not yet fully determined the shape and size of our presence abroad?

Answer. The force composition and its disposition are under constant review. The Defense Strategy, Combatant Commanders' concept plans, and the on-going Army transformation of capabilities all inform the Army requirements for posture of forces. Similarly, imperatives for manning, equipping, training, deploying and sustaining the future force guide key decisions for presence and basing. Future force decisions will be an element within the analysis for BRAC 2005.

BRAC AT FORT POLK AND BELLE CHASSE—HOW CAN JOINT OPERATIONS BENEFIT THESE BASES?

Question. Secretary Prosch, Secretary Rumsfeld has stated that a high priority should be placed on the military value of Joint bases for the upcoming BRAC round. Do you share Secretary Rumsfeld's vision for our military to move toward and support Joint bases?

Answer. The future Joint Force will train, deploy and fight in an interdependent and closely related battle space. The value of joint basing solutions must be measured against those key imperatives for fielding, training, rapidly deploying and then employing a joint force for combat operations. Concepts to support these imperatives, such as joint logistics and sustainment operations, are maturing now in order to inform the upcoming analysis.

Question. As the former Garrison Commander of Fort Polk, could you please discuss how Fort Polk's Joint Readiness Training Center, where the Army, Navy, Air Force, Marines, and Special Ops can all train together, meets Secretary Rumsfeld's vision for jointness.

Answer. The Joint Readiness Training Center (JRTC) is one of the U.S. Army's three maneuver Combat Training Centers. All these centers have and are continually improving their programs and infrastructure to meet the Secretary of Defense's vision to train in a Joint, Inter-agency, Inter-governmental, and Multi-national Force context during peacetime, in order to improve joint capabilities during worldwide contingencies. JRTC has resident U.S. Air Force and Special Operations Command trainers on the ground now, to build the essential relationships and inter-

dependencies between these joint team members and the Army's tactical units. JRTC has also forged a training relationship with the U.S. Marine Corps, to include United States Marine Corps (USMC) training exercises at JRTC alone, or as part of a larger U.S. Army exercise. This initiative continues to improve land forces interoperability, as well as achieving the vision for joint training. JRTC is scheduled to participate in a Joint Forces Command (JFCOM) sponsored Joint National Training Capability (JNTC) exercise in August 2004, and has two exercises on the JNTC planning calendar for fiscal year 2005. The effort to nest the Army's Combat Training Center Program within JFCOM's JNTC effort is a specified task from the Chief of Staff, Army in support of the Secretary of Defense's Vision.

QUESTION SUBMITTED BY SENATOR DIANNE FEINSTEIN

UNFUNDED FORCE PROTECTION REQUIREMENTS

Question. Mr. Prosch, following 9/11, through a Defense Supplemental bill, the Defense Emergency Response Fund (DERF) was used heavily by Army to address force protection requirements. However, this past year the Army returned to the Committee asking for reprogramming of unspecified minor construction funds to address force protection needs that they deemed needed for life, safety, and health. What are the Army, Army Guard, and Army Reserve unfunded force protection requirements?

Answer. Current operations in support of the Global War on Terror continue to generate force protection requirements for installations both at home and abroad: The Army has not identified all the requirements on force protection. It continues to plan to meet existing and emerging challenges. Below is information on unfunded requirements relevant at this time knowing more requirements will come in the way of the Military Construction planning and programming process.

- Active Component requirements include installation access control, barriers, blast mitigation, communication systems, explosive detection devices, and site improvements for various facilities worldwide. The validated unfunded requirement is \$15.4 million for Military Construction, with a longer list of projects totaling approximately \$263 million currently under review.
- Army Reserve requirements include facility hardening and correcting long-standing physical security deficiencies at approximately 1,100 facilities worldwide. These projects provide barriers, blast mitigation, intrusion detection systems, exterior lighting, fencing, and access control. There is no unfunded Military Construction requirement because no single project is anticipated to exceed the \$750,000 threshold. The validated unspecified minor construction unfunded requirement is \$24.1 million in Operations and Maintenance.
- Army National Guard requirements include design for electronic security systems; facility hardening, security fencing, closed circuit television; access control; arms, ammunition, and explosives storage area security improvement measures; and intrusion detection. The validated unfunded requirement is \$27.8 million for Military Construction.

QUESTION SUBMITTED TO GENERAL WALTER F. PUDLOWSKI

QUESTION SUBMITTED BY SENATOR DIANNE FEINSTEIN

GUARD WMD/CST FACILITIES

Question. General Pudlowski, with the addition of WMD/CST facilities throughout the country, has the Guard budgeted for the required facilities? If not, please supply me a list, detailing the locations of each facility needed and how much funding will be required to complete the needed construction.

Answer. The Army National Guard did not fund for these projects.

State	Location	Cost
CA ¹	Hayward	\$1,348,000
CT	East Granby	2,442,464
DE ²	Smyrna	0
DC	TBD	1,549,500
GU	Barrigada	3,353,118
IN ²	Gary	0
MD	Pikesville	1,436,624

State	Location	Cost
MS	Jackson	1,334,008
MT ¹	Ft. Harrison	1,488,000
NC	Morrisville	1,514,856
ND	Bismarck	1,576,832
NE	Hastings	1,344,168
NH	Concord	2,190,496
NJ	Lawrenceville	1,424,432
NV	Henderson	1,515,872
OR	Salem	2,461,768
PR	Sabana Seca	1,665,224
RI	East Greenwich	2,063,496
SD	Rapid City	1,576,832
UT	West Jordan	1,519,936
VT ²	S. Burlington	0
VT	TBD	1,549,500
WI	Madison	1,522,984
WY	Guernsey	1,645,920
P&D	various	3,031,923
Total		39,555,953

¹ As of 7 April, 2004: Project awaiting approval from Congress as part of an Unspecified Minor Construction Formal Reprogramming.

² Included in a new Readiness Center and does not require separate facility or funds for CST facility.

DEPARTMENT OF THE NAVY

**STATEMENT OF HANSFORD T. JOHNSON, ASSISTANT SECRETARY OF
THE NAVY, INSTALLATIONS AND ENVIRONMENT**

ACCOMPANIED BY:

REAR ADMIRAL MICHAEL LOOSE, COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND

**BRIGADIER GENERAL WILLIE WILLIAMS, ASSISTANT DEPUTY
COMMANDANT FOR INSTALLATIONS AND LOGISTICS (FACILITIES), UNITED STATES MARINE CORPS**

Senator HUTCHISON. We're very pleased to have the Honorable H.T. Johnson, the Assistant Secretary of the Navy for Installations, along with you, Admiral Loose and General Williams. And we obviously have looked at what you're going to say. Your funding requests are down, and I know that you will talk about that. I particularly want to mention your Home Port Ashore plan that I think is a great beginning effort that you are making and one that we want to fund as we can because I think it does make being a sailor a whole lot easier to get off the ship from time to time. And I do want you to talk about your Reserve funding, which seems to be somewhat less than you might need. So with that, let me welcome you to the committee and ask for your opening statement.

Mr. JOHNSON. Thank you ma'am. I'd like to say a few words and if you don't mind just a couple of words from my partners. We're pleased to have Admiral Loose and General Williams with us. We have a strong Navy-Marine team, as you well know. Our budget shows strong support for the Navy and Marine Corps bases around the world. In most cases our budget request is lower this year but there's a reason for it; we've been able to find efficiencies and we think we have the proper priorities.

Better housing, as you mentioned, for our single Sailors and Marines, as well as our families is a very high priority. We've done a lot with the family public-private venture and we really want to take that same concept and make it work for our bachelors. Bachelors are a little different than families because we have to have the dormitories, if you will, in places that are severable and we have to ensure that we can keep the dormitories full. If you put it at a base that everybody's going to move from, into combat or whatever, it makes it more difficult. But our public-private ventures for housing are very important, and I appreciated your comments with the Army about raising the cap. This year we will have 26,000 homes at ten Navy and Marine Corps bases. This will give us a total of 31,000 public-private venture homes across these two Services. As the increase in the housing allowances continue we find that more and more of our Sailors and Marines want to live in the community, and living in the community is the first priority for us. You talk about our Sailors aboard ships; we've seen exam-

ples where we bring them ashore while in port and it makes a very big difference, and we want to continue that.

We have three projects that we want to use for public-private ventures with barracks. Initially we will have a room they call the one plus one arrangement, where you have a room and share a bath, and usually we'll put two Sailors from aboard ships in each of these rooms until we get enough of them so they can have a private room. We are very pleased that in 2005 that the Marine Corps gets rid of its last gang head barracks; the Navy will do so in 2007.

Our MILCON is a robust program; it's \$1.1 billion along with sustainment and modernization funds of \$1.9 billion. We have refined our sustainment model and both the Navy and Marine Corps are funded at 95 percent of the requirement, and I'm sure you'll ask us a question as you did the Army about being able to spend at that level and we'll appreciate that question when it comes.

We mentioned earlier about closing Roosevelt Roads. I for one was very concerned because of what happened when we closed Vieques. The 31st of March came and there was nothing; it was very smooth and we're very pleased with Puerto Rico, and our people who are working hard to make that a picture perfect transition. We're going to keep the schools open until the end of the academic year. So we think everything is in good shape; all of our people have been cared for, the civilians and of course the military have moved.

I'd be remiss if I didn't talk a little bit about BRAC. I'd like to give you three assurances. First of all, we'll meticulously follow the law. Secondly, there's no closure or realignment list in anyone's desk drawer; there will not be one until we have certified data, it's been carefully analyzed, compared against the force structure and rigorously assessed for each activity using military value, and we meet all the requirements of the law. While eliminating excess capacity to generate savings is an important driver, the Secretary of the Navy, the CNO, the Commandant and I view BRAC 2005 as a unique opportunity to do things that are positive for our Military Forces. We talked about a joint approach, I heard you talk about it with the Army. We're pleased that this time the difference is we're taking a look at everything in a joint fashion. And I echo what the Army friends said.

Environmentally we're doing very well. We think that we have been going about it in the proper way, we're closing some bases and of course we have to do the environmental work after we close it but we find that selling property is a win-win for everyone. We get it back on our tax roles very quickly, a community gets the reuse, and the Department of Navy gets the funds for cleanup. We have spent \$2.3 billion so far on BRAC clean-up and we have about one-half a billion dollars left and we are moving forward on that.

This year we had a great event. Last month, we transferred Adak, which was 71,000 acres. After that we'll be down to only 7 percent of the total remaining acres to be disposed of. So Adak was transferred and that was a monumental process.

We are very pleased at what the Congress did last year on the Readiness Range Preservation Initiative. We are working all of those authorities, Endangered Species Act and Marine Mammal Protection Act, along with Migratory Bird Treaty Act of the year

before. We are implementing them and we are very pleased with the results. Certainly as we implement these changes we will maintain the special trust and confidence that you gave us in these authorities. We'll be careful not to misuse them. Environmental programs total about \$1 billion, about the same as what we had last year.

We've done quite well on the cleanup of active bases; 69 percent of all of our sites have remedies in place or is completed. And these are a lot of different ones on different bases and if you visit our bases and talk to the environmental cleanup people you'll be really impressed with their enthusiasm and the successes that they have had.

I'd like to ask Admiral Loose for a couple of words and then General Williams.

Admiral LOOSE. Good afternoon, Madam Chairman. It's a pleasure to be here today to discuss the Navy's fiscal year 2005 Shore Infrastructure Budget Request. The Navy's Facility Investment Strategy focuses on making prudent investment decisions that balance the Shore Infrastructure improvements and enhance readiness and the quality of service while maintaining assets to effectively sustain the operations in support of our Navy forces. I'd like to add just a few comments and amplify some of the areas mentioned by Secretary Johnson in his opening statement.

Our budget concludes a 4-year effort to eliminate the average out-of-pocket expenses for Navy family housing. The increase in basic allowance for housing means our Sailors can now find good affordable housing in the community without additional out-of-pocket expenses. We are achieving excellent results for our family housing privatization program. The Navy's public-private ventures are eliminating inadequate family housing and delivering better quality, new homes, meeting the DoD's goals. We have developed a better strategy that eliminates our liability by managing risk. Our approach incorporates essential safeguards and protections. This business strategy and acquisition approach have been accepted by others both in the government and in the private sector, and PPV enables us to provide a higher quality of affordable housing to our Sailors and their families faster and at a lower initial cost and at a lower lifecycle cost. It also benefits the local communities by refreshing aged housing stock and stimulating local businesses.

For the Navy's part, we have now awarded nine PPV projects for a total of 9,700 homes and during fiscal year 2004 and 2005 we plan to award another six projects, resulting in another 20,000 homes. However, the success at providing adequate homes for our Sailors and their families is clearly at risk due to the statutory cap on the amount of budget authority that can be used in military family housing privatization. We project that DoD will reach the current cap by the fall of this year. This will impact our ability in the Navy to award approximately 5,500 of the 20,000 homes we were planning to award in 2005. Military family housing privatization is successfully providing quality self-sustaining houses for the Navy families. We feel it's very important that we stay the course and we greatly appreciate your support in ensuring that our Sailors and their families will continue to live in quality housing.

We're also very committed to improving the quality of housing for our single Sailors. As you are aware, we have roughly 17,500 Sailors living onboard ships while they're in home port. These Sailors, like all Sailors in the Navy endure an austere lifestyle aboard ship while it is underway on deployment. While their ships are in home port it's imperative that we offer them a better place to call home, one that is similar to their shipmates ashore, married and single. This is a major quality of life issue that we take seriously. We have a program and are executing projects to address this challenge and we are looking at innovative ways to make additional quality housing available for all our single Sailors such as privatized bachelor housing. The privatized bachelor housing concept in San Diego looks very promising; we hope to bring this project to you for consideration in the near future. The goal is to provide all shipboard Sailors the opportunity to live in quarters ashore when their ship is in home port by fiscal year 2008. Again, this initiative will improve the quality of life for these Sailors and ensure a comparable standard of living between Sailors assigned aboard ships and those assigned to shore duty.

In conclusion I sincerely thank you for the continued support that this committee and your staff have provided the Navy and very much look forward to working with you now and in the future. And I would be happy to answer any questions.

Mr. JOHNSON. General Williams brings tremendous experience at all levels in managing bases, so if he doesn't do it correctly he's forgotten his previous lessons. So, just a few words.

General WILLIAMS. Thank you. Madam Chair, it's certainly a pleasure for me to appear before you today and with Secretary Johnson. But first, on behalf of our Marines and their families, I want to thank you for your continued support for Marine Corps Military Construction, family housing, encroachment and environmental programs. Our installations are the fifth element of our Marine Air-Ground Task Force and as such they're critical to our war fighting and our war fighting readiness.

Our fiscal year 2005 Active and Reserve budget request devotes over a \$1 billion to Military Construction facilities sustainment and maintenance, family housing and environmental initiatives at our Marine Corps installations. And although the total program is a little less than fiscal year 2004 our installations will be in better condition at the end of 2005 than at the beginning. The Active and Reserve Construction Program provides some urgently needed readiness, compliance and quality of life construction projects. We're investing about \$75 million for our barracks project, which will enable us to eliminate our gang head barracks for our permanent personnel. Our family housing, we're requesting approximately \$270 million and that's to keep us on track to eliminate inadequate family housing by the end of fiscal year 2007. And as has been mentioned, public-private venture is very key to our success in that area. So your support of the proposal to eliminate the \$850 million cap certainly will be needed and is very much appreciated. Our sustainment programs that we're proposing maintains funding of our facilities at 95 percent of the OSD-established goals.

The Marine Corps is committed to maintaining a ready force and our installations are critical to the maintenance and sustainment

of that readiness. We take this mission very seriously, as we do our Environmental Stewardship Program, which is also key to our ability to train as we fight.

Madam Chair, the Marines and families make great sacrifices in serving our great Nation. And the Marine Corps prides itself on its legacy of taking care of our own and we will reward that sacrifice that they have made. And this 2005 budget supports the continuance of that legacy.

Again, the Marine Corps would like to thank this committee for its strong support of our infrastructure program and the benefits that this support provides in improved readiness and quality of life. Thank you, Madam Chair, this concludes my statement. I'll be happy to answer any questions that you might have.

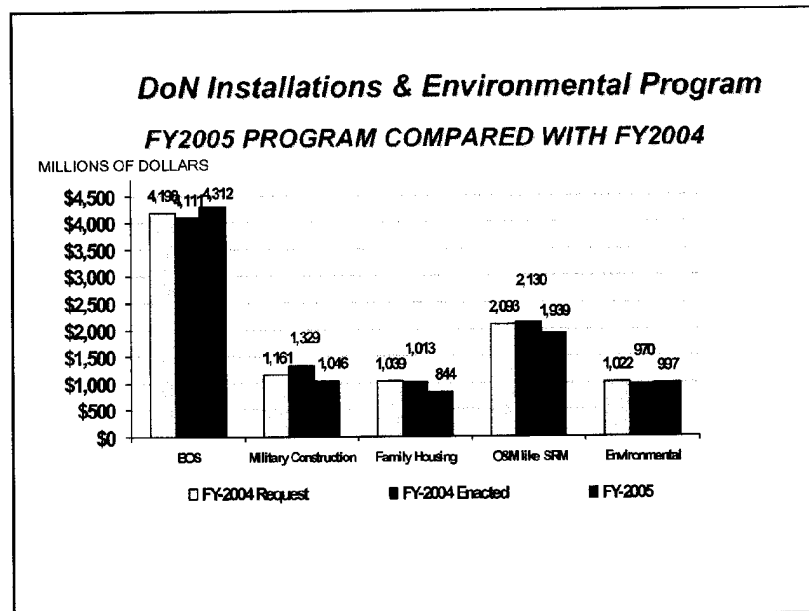
[The statement follows:]

PREPARED STATEMENT OF HANSFORD T. JOHNSON

Madam Chairman and members of the Committee, I am H.T. Johnson, Assistant Secretary of the Navy (Installations and Environment). It is a pleasure to appear before you today to provide an overview of the Department of the Navy's shore infrastructure and environmental programs.

FISCAL YEAR 2005 BUDGET OVERVIEW

Projecting power and influence from the sea is the enduring and unique contribution of the Navy and Marine Corps to national security. The Department of Navy (DoN) fiscal year 2005 budget request of \$119.4 billion (\$1.4 billion below the fiscal year 2004 enacted level of \$120.8 billion) balances risks across operational, institutional, force management and future challenges identified by the Secretary of Defense.



The Navy and Marine Corps installations and environmental programs total \$9.1 billion in fiscal year 2005, or about 8 percent of the DoN budget. That our portion of the DoN budget is declining bears witness to the successes we have had in the last few years managing costs and pursuing innovative solutions to long-term problems. We continue to meet all Department of Defense (DOD) and DoN installations

and environmental goals. This budget provides funds to operate, recapitalize and transform our fleet assets and our shore installations.

Base Operations Support funds provide fundamental services such as utilities, fire and security, air operations, port operations, and custodial care that enable the daily operations of our bases. Our fiscal year 2005 request of \$4.3 billion is about \$200 million above the fiscal year 2004 enacted level of \$4.1 billion. This increase includes an \$83 million transfer of Navy Working Capital common support services to O&MN, \$44 million for Marine Corps military to civilian conversion costs, \$24 million for Marine Corps to transition to the Navy-Marine Corps Corporate Intranet, and \$24 million for the fiscal year 2004 pay raise.

Our Military Construction request is a very robust \$1.1 billion. It keeps us on track to eliminate inadequate bachelor housing, and provides critical operational, training, and mission enhancement projects.

The Family Housing request of \$844 million provides funds to operate, maintain and revitalize the worldwide inventory of 36,600 units. Our Family Housing request declines because of increases in the military pay accounts for Basic Allowance for Housing, which makes finding affordable housing in the community more likely, and the success of our housing privatization efforts. Through privatization and future construction funds, both the Navy and Marine Corps achieve the DOD goal to eliminate inadequate homes by fiscal year 2007.

Sustainment, Restoration and Modernization (SRM) includes military construction and Operations and Maintenance funds. To avoid double counting military construction, the funding shown in the chart includes only the Operations and Maintenance accounts. Facilities sustainment requirements are based on a DOD model. The budget achieves 95 percent of the model requirement for Navy and Marine Corps bases, an increase of 2 percent for the Navy above the fiscal year 2004 request. While the fiscal year 2005 recapitalization rates decline slightly for Navy and improve for Marine Corps, both the Navy and Marine Corps meet the DOD 67-year recapitalization rate goal by fiscal year 2008.

Our fiscal year 2005 request for environmental programs totals \$1.0 billion. This request is sufficient to meet all known environmental compliance and cleanup requirements, invest in pollution prevention, and fund cultural and natural resources conservation efforts, including implementation of Integrated Natural Resources Management Plans.

I will now discuss these areas in more detail.

HOUSING

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

Family Housing

Our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector.*—In accordance with longstanding 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 BAH and own or rent homes in the community. Our bases have housing referral offices to help newly arriving families find suitable homes in the community.
- Public/Private Ventures (PPVs).*—With support from the Congress, we have used statutory PPV authorities enacted in 1996 to partner with the private sector to use private sector capital. These authorities, which I like to think of in terms of public/private partnerships, allow us to leverage our own resources to provide better housing considerably faster to our families.
- Military Construction.*—Military construction will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.

FISCAL YEAR 2004/2005 PPV HOMES

Navy

- Hawaii: 1,948
- Northeast: 4,210¹
- Northwest: 2,705
- Mid-Atlantic: 5,930
- Great Lakes/Crane: 2,823
- San Diego: 2,668

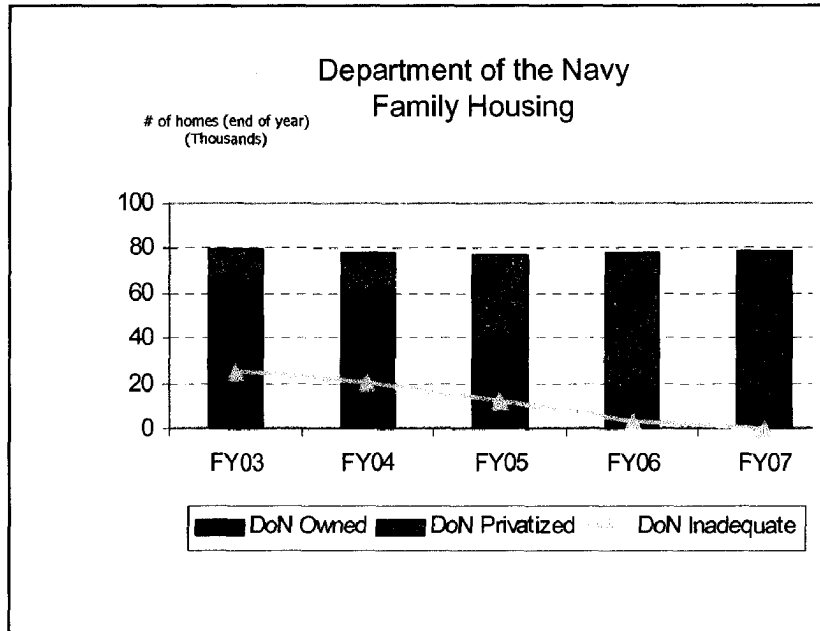
Marine Corps

- Yuma/Camp Pendleton: 897
- Lejeune: 3,516
- Twentynine Palms: 1,382
- Kansas City, 137

¹Scope being revised to retain 250 more units previously planned for divestiture at Mitchel Housing Complex in Long Island, NY.

The Importance of BAH

Higher BAH allowances help more Sailors and Marines and their families to find good, affordable housing in the community without additional out-of-pocket expenses. This reduces the need for military housing, allowing us to divest excess, inadequate homes from our inventory. Higher BAH also improves the income stream for PPV projects, making them more economically attractive to potential developers. The fiscal year 2005 request completes a 5-year DOD goal to increase BAH and eliminate average out-of-pocket expenses for housing.



Eliminating Inadequate Homes

The DoN remains on track to eliminate its inadequate family housing units by fiscal year 2007. We continue to pursue privatization at locations where it makes sense. We will eliminate almost three-quarters of our inadequate inventory through the use of public/private ventures. As of February 1, 2004, we have awarded 11 projects totaling over 16,000 units. We recently awarded a joint Army/Navy military housing project at Monterey, California that includes 593 homes at the Naval Post-

graduate School. During fiscal year 2004 and fiscal year 2005, we plan to award projects totaling over 26,200 homes at ten Navy and Marine Corps locations. This will allow us to improve our housing stock and provide more homes to Sailors, Marines and their families much faster than if we relied solely on traditional military construction. The Navy is now taking a regional approach to accelerate progress and improve the financial viability of its PPV projects.

There will still be a residual inventory of Government-owned housing after fiscal year 2007 with a continuing need for family housing construction, operations, and maintenance funds. However these requirements will decline as family housing is privatized. We continue to review these requirements, particularly in the management sub-account, as we transition from ownership to privatization.

The single biggest challenge in our efforts to eliminate inadequate family housing by fiscal year 2007 is the statutory “cap” on the amount of budget authority that can be used in military family housing privatization. DOD projects that the Services will reach the current cap of \$850 million in fiscal year 2004, and that it will impede our ability to carry out our fiscal year 2005 privatization effort. Military family housing privatization is a successful tool to provide quality, self-sustaining housing for Navy and Marine Corps families. It is important that we stay the course. We will continue to work with the Congress to ensure that our Sailors and Marines live in quality housing.

Bachelor Housing

Our budget request of \$205 million for bachelor quarters construction continues our emphasis on improving living conditions for unaccompanied Sailors and Marines. There are three challenges:

- Provide Homes Ashore for our Shipboard Sailors.*—There are approximately 17,500 Sailors worldwide who are required to live aboard ship while in homeport. Based upon actions taken by the Navy and funds provided by Congress through fiscal year 2004, we have now given 4,900 Sailors a place ashore to call home. This is our most pressing housing issue. The Navy will achieve its “homeport ashore” initiative by fiscal year 2008 by housing two members per room. Our fiscal year 2005 budget includes one “homeport ashore” project at Naval Shipyard, Bremerton, Washington. By housing two members per room, this project will provide spaces for almost 800 shipboard Sailors.
- Ensure our Barracks Meet Today’s Standards for Privacy.*—We are continuing our efforts to construct new and modernize existing barracks to provide more privacy for our single Sailors and Marines. The Navy applies the “1 + 1” standard for permanent party barracks. Under this standard, each single junior Sailor has his or her own sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to adopt a “2 + 0” configuration where two junior Marines share a room with a bath. The Navy will achieve these barracks construction standards by fiscal year 2013; the Marine Corps by fiscal year 2012.
- Eliminate Gang Heads.*—The Navy and Marine Corps remain on track to eliminate inadequate barracks with gang heads for permanent party personnel.¹ The Marine Corps will eliminate their permanent party barracks with gang heads the fiscal year 2005 budget request; the Navy by fiscal year 2007.

While we believe privatization will be as successful in accelerating improvements in living conditions for our single Sailors and Marines as it has been for families, it does present a different set of challenges. For years, we have built barracks to military rather than local community standards. For example, there were limits on room size, and no common area for occupants to prepare meals or to socialize. I want to thank the Congress for legislation last year to allow building privatized barracks to private sector standards.

We must now consider other unique aspects in privatizing bachelor housing: the impact of extended deployments on unit occupancy and storage requirements; their location outside the fence line of the base, or inside the fence line but on severable Government land; and sharing a unit by two or more members. We are confident that the Government can join with a private partner to fashion a solution to these concerns that preserve the viability of a project while protecting Government interests. We are developing pilot unaccompanied housing privatization projects for San Diego, CA; Hampton Roads, VA, Camp Pendleton, CA.

¹Gang heads remain acceptable for recruits and trainees.

MILITARY CONSTRUCTION

Military Construction Projects

Our fiscal year 2005 military construction program requests appropriations of \$1.086 billion and authorization of \$1.045 billion. It includes \$406 million for 12 waterfront and airfield projects; \$205 million for eight bachelor housing projects; \$69 million for six force protection projects, and \$64 million for three environmental compliance projects. There is \$87 million for planning and design, and \$12 million for unspecified minor construction.

In aggregate, about 66 percent of the military construction request is for restoration and modernization projects. The remaining 34 percent is for new footprint projects that provide new capabilities, e.g., force protection, bachelor quarters, and facilities for new platforms. There are 5 projects totaling \$94 million at non-U.S. locations overseas—Rota, Spain; Andros Island, Bahamas; Diego Garcia; and two projects in Sigonella, Italy. The Naval Reserve construction program has four projects for a total of \$25 million.

Eleven projects totaling \$467 million in fiscal year 2005 have construction schedules (including fiscal year 2004 continuing projects) exceeding 1 year and cost more than \$50 million, thus meeting the criteria for incremental funding. Five of these projects received full authorization in fiscal year 2004 and are being continued or completed in fiscal year 2005. We are requesting \$289 million appropriations and \$607 million in new authorization to start six incrementally funded projects in fiscal year 2005.

Outlying Landing Field, Washington County, North Carolina

The new F/A-18E/F Super Hornet is replacing F-14 and older F/A-18C aircraft. The DoN prepared an Environmental Impact Statement that examined a range of alternatives for homebasing these new aircraft on the East Coast. A Record of Decision was signed in September 2003 to base eight tactical squadrons and a fleet replacement squadron at Naval Air Station Oceana, VA, and two tactical squadrons at Marine Corps Air Station Cherry Point, NC.

This homebasing decision requires a new Outlying Landing Field (OLF) to support fleet carrier landing practice (FCLP) training. The current site near Virginia Beach, VA is not as effective for night-time training due to ambient light sources, and lacks the capacity to handle a training surge such as experienced for the war on terrorism and Operation Iraqi Freedom. The Washington County site is about halfway between NAS Oceana and MCAS Cherry Point. We believe it is the best alternative from an operational perspective.

In fiscal year 2004 the Congress provided authority to acquire approximately 3,000 acres for the core area of the OLF and to begin constructing the runway. We are now seeking authority to acquire a 30,000-acre buffer zone for noise, build a control tower, and erect fire and rescue facilities. We are asking for this authority over 2 years, with the first increment of \$61.8 million in fiscal year 2005.

There is some local opposition to the OLF site we selected; two lawsuits challenge the sufficiency of the Department's Environmental Impact Statement. The Navy wants to be a good neighbor, and will consider the concerns of local property owners. For example, the Navy has committed that all land not required for actual OLF operations will be available for continued agricultural use. The Navy believes it has met all legal and regulatory requirements, and is proceeding with property acquisitions and construction planning.

VXX

Marine Helicopter Squadron One (HMX-1), located at the Marine Corps Air Facility, Quantico, VA, now performs helicopter transportation for the President, Vice President and heads of state. Numerous modifications and improvements have limited the mission effectiveness of the current VH-3D and VH-60N helicopters. The planned acquisition of a replacement helicopter, called VXX, will improve transportation, communication, and security capabilities and integrate emerging technologies. The total acquisition cost is \$5.9 billion. Originally planned for an initial operating capability in 2013, the acquisition schedule has now been accelerated to December 2008.

The fiscal year 2005 budget includes \$777 million in Research and Development for VXX system design and demonstration, and \$106 million in appropriations (\$166 million authorizations) for military construction to support VXX. Facilities are required to support the test and evaluation of three VXX scheduled for delivery in October 2006, to provide hangar space for the eventual full complement of 23 aircraft, and to provide in-service support for the life cycle of the aircraft.

The accelerated VXX acquisition schedule required us to make some judgments in the fiscal year 2005 military construction program to ensure that facilities would be available in time to house the aircraft and the combined government/contractor support team. There is insufficient excess hangar capacity to house VXX at Naval Air Station Patuxent River, MD, where the Navy conducts most of its test and evaluation of new aircraft. Similarly, the 1935 era hangers at Quantico are inadequate to meet current HMX-1 needs.

However, before committing large sums to construct new facilities, we are studying whether there is excess capacity elsewhere in the National Capital Region that could be adapted to accommodate both the test and evaluation phase and the operational mission for VXX at lower cost than building new facilities at Patuxent and Quantico. In addition, the VXX program manager has a business case analysis underway to determine whether a government owned, contractor operated facility at Patuxent is the most cost effective solution for in-service support. As another variable, the Systems Development and Demonstration (SDD) and initial production solicitation released in December 2003 gives the vendor the option to use its own facilities. We plan to complete these studies, consider the vendors' proposal, and decide this spring on the most cost effective location for the facilities. This timeframe supports the current acquisition timeline. In the absence of specific locations, we labeled two VXX projects in our fiscal year 2005 program under the title "Various Locations."

FACILITIES

Facilities Sustainment, Restoration and Modernization (SRM)

Sustainment.—The Department of Defense uses models to calculate life cycle facility maintenance and repair costs. These models use industry wide standard costs for various types of buildings. Sustainment funds in the Operations and Maintenance accounts maintain shore facilities and infrastructure in good working order and avoid premature degradation. The Navy and Marine Corps achieve 95 percent sustainment of the model requirements in fiscal year 2005. Sustainment dollars decreased by 9 percent due to the removal of old facilities in our inventory as a result of our demolition program, and revised pricing assumptions.

SRM			
	PB-03	FY-04	PB-05
Navy			
Sustainment (percent)	84	93	95
Recap Rate (years)	116	140	148
Marine Corps			
Sustainment (percent)	Full	97	95
Recap rate (years)	156	88	78

Recapitalization.—Restoration and Modernization provides for the major recapitalization of our facilities using Military Construction and Operations and Maintenance funds. While both the Navy and Marine Corps achieve the Department of Defense goal of a 67-year recapitalization rate by fiscal year 2008, the fiscal year 2005 recap rate rises to 148 years for Navy while improving to 78 years for the Marine Corps. The Navy will manage its near term facilities investment to limit degradation of operational and quality of life facilities.

Closure of Naval Station Roosevelt Roads, Puerto Rico

The Navy closed Naval Station Roosevelt Road on March 31, 2004, as directed by section 8132 of the fiscal year 2004 Defense Appropriations Act. We have begun the required environmental reviews and the initial phases of the property disposal process. The Navy is taking great care in relocating military personnel and families, and assisting civilian employees with relocation and outplacement. The DOD school will remain open until the end of the school year.

As directed in the law, the closure and disposal is being carried out in accordance with the procedures contained in the Defense Base Closure and Realignment Act (BRAC) of 1990, as amended. The Navy established Naval Activity Puerto Rico as a successor organization to maintain the property and preserve its value through disposal, which we expect to occur in late 2005. The Commonwealth has formed a Local Redevelopment Authority (LRA) that has begun land use planning for the

property. The Navy and DOD Office of Economic Adjustment are coordinating with the LRA. We will ensure the needs of the military and civilian employees are met as we carry out this closure and property disposal. Nebraska Avenue Complex

At the request of the Department of Homeland Security (DHS), the Navy has agreed to relocate 10 Navy commands with 1,147 personnel from its Nebraska Avenue Complex (NAC) in Northwest Washington, D.C. The 556,000 square feet of office space will provide a headquarters facility for DHS personnel. DHS will pay for the Navy's first move, and if necessary, the first year's lease costs. As of the end of January 2004, seven Navy commands with 469 personnel had relocated. The Administration has requested authorizing legislation that would allow the remainder to move by January 2005. To meet this timeline, the requested legislation must be enacted by April 30, 2004. Several of the Navy commands will relocate to government-owned facilities, while others will move to leased spaces until we identify permanent government-owned facilities.

The requested legislation allows the Navy to transfer custody of the NAC property to the General Services Administration (GSA), who will manage the facilities for DHS. We will require a legislative waiver from Section 2909 of the Defense Base Closure and Realignment Act (BRAC), which specifies that bases may not be closed except through the BRAC process. The Navy will receive consideration for the fair market value of NAC in the fiscal year 2006 budget process.

EFFICIENCIES

Naval Safety Program

Senior level management attention to safety concerns, coupled with selected financial investments, can yield profound benefits to the well being of our Sailors, Marines, civilians, contractors, and the bottom line mission costs. Ensuring the safety of our people has been and remains a top priority for Secretary England's and myself. Secretary Rumsfeld recently challenged the Military Services to reduce the rate of mishaps by 50 percent by fiscal year 2006.

That has amplified efforts to reduce mishaps and reaffirm the value we place on safety. We have elevated the position of Commander of the Naval Safety Center from a one-star to a 2-star Flag Officer. Secretary England recently convened the first senior-level Navy and Marine Corps Safety Council to review DoN mishap reduction plans. Navy Flag and Marine Corps General Officers chair or co-chair four of the nine Defense Safety Oversight Council Task Forces. We are reducing lost workdays due to injuries in our civilian workforce. I personally visited several commands and installations and witnessed the great teaming between our command staff, management, and labor organizations to reduce injuries and lost workdays.

Human error is a factor in over 80 percent of our mishaps. We are studying ways to modify high risk driving behaviors, particularly by young Marines. Our fiscal year 2005 budget will expand our Military Flight Operations Quality Assurance initiative, a highly successful program used in commercial aviation that downloads flight performance data (black box data) after every flight and allows the aircrew and aircraft maintenance team to replay a high fidelity animation of the flight and aircraft performance parameters.

Commander, Navy Installations

The Navy established Commander, Navy Installations (CNI) on October 1, 2003 to consolidate and streamline management of its shore infrastructure. Instead of eight Navy commands responsible for planning, programming, budgeting and executing resources for shore installations, there is a single command—CNI. The Navy now has an enterprise wide view of installation management and resources.

CNI will guide all regions and installations towards Navy strategic objectives. The centralized approach will identify and disseminate best business practices across all regions/installations. The ability to identify standard costs and measure outputs is improving the capability based budgeting process. Managing from a program centric knowledge base allows for a top-level assessment of capabilities and risks.

This central focus on facilities can leverage capabilities between the military services to avoid duplicate investments while still creating surge capacity through joint use opportunities. CNI has developed strategic partnerships with Naval Supply Systems Command (NAVSUP) and Naval Facilities Engineering Command (NAVFAC) to apply their logistics and contracting expertise.

The Navy is already realizing savings, estimated at \$1.6 billion across the FYDP, AND improving services from CNI initiatives.

—Consolidating functions at the regional level vs. installation level (e.g., housing management, administrative functions, contracting, supply, comptroller, business management, maintenance, warehousing).

- Combining command staffs (e.g., NAB Coronado and NAS North Island; CBC Port Hueneme and NAS Point Mugu)
- Consolidating installation contracts (e.g., tug and pilot contracts; custodial and grounds maintenance; negotiating area wide utility rates).
- Shifting installation level supply and contracting functions to NAVSUP and NAVFAC (e.g., eliminate duplication at the installation and regional levels).
- Studying in 2004 the merger of other overlapping installation functions from Naval Bureau of Personnel (e.g., morale, welfare and recreation programs, fleet and family support programs, child care), NAVSUP (personnel support programs such as food services), and NAVFAC (facilities management).

Joint Cooperation on Installation Management

I had the pleasure in February to witness the signing an agreement between the installation commanders from Naval Air Engineering Station, Lakehurst, the Army's Fort Dix, and McGuire Air Force Base. This partnership encourages joint solutions for common problems between the three contiguous bases and their tenant commands. The three installation commanders are already reducing operating costs by consolidating firearms training, radar information for air operations, and contracts for pest control, linen service, and hazardous waste disposal. We want to encourage such cooperation wherever we have opportunities to partner with the other military departments.

BRAC 2005

Now more than ever, we need to convert excess capacity in our U.S. shore infrastructure into war-fighting capability. BRAC 2005 may well be our last significant opportunity to reduce excess infrastructure, and apply savings to improve readiness. More importantly, it will allow us to transform our infrastructure to best support the force structure of the 21st Century.

The Congress gave considerable thought on how to structure a BRAC 2005 process that sets fair and objective evaluation standards and incorporates the lessons learned from four previous BRAC rounds. We will be meticulous in meeting these statutory standards. We will treat all bases equally. We will base all recommendations on the 20-year force structure plan, infrastructure inventory, and published selection criteria. In no event will we make any decisions concerning the reduction of infrastructure until all data has been collected, certified and carefully analyzed.

We will look for joint use opportunities in our analysis and recommendations. This is a fundamental change from past BRAC processes. I believe, as does the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps, that we can and must apply the type of joint warfighting successes witnessed in Afghanistan and Iraq to a more efficient and effective Department of Defense shore infrastructure.

Within the DoN, the overall BRAC 2005 process is under the Secretary of the Navy's oversight and guidance. The Secretary of the Navy established three groups to support the process. The Infrastructure Evaluation Group (IEG) which I chair, will develop service unique recommendations for closure and realignment of the DoN military installations. It will also ensure that the operational needs of the fleet commanders are carefully considered.

The Infrastructure Analysis Team (IAT) will develop the analytical methodologies, collect certified data from Navy and Marine Corps activities, examine joint and cross-service basing opportunities, perform in-depth analysis, and present the results to the IEG for evaluation. The Deputy Assistant Secretary of the Navy for Infrastructure Strategy and Analysis, who is a member of my staff, leads the IAT. The IAT has 93 military, civilian and contract personnel with a broad range of expertise and warfare disciplines.

DoN INFRASTRUCTURE EVALUATION GROUP

Asst Sec Navy, Installations & Environment (Chair)
 Dep Asst Sec Navy, Infrastructure Strategy & Analysis (Vice Chair)
 Dep CNO Fleet Readiness and Logistics
 Dep Commandant Installations and Logistics
 Dep Commandant Aviation
 Dep Asst Sec Navy Research Development Test & Evaluation
 Dep Asst Sec Navy Manpower & Reserve Affairs

A Functional Advisory Board (FAB) reports directly to the IEG and bridges the analysis by the DOD Joint Cross Service Groups and the DoN. The FAB includes Navy and Marine Corps flag officers and senior executives who are assigned to the seven Joint Cross Service Groups (JCSG). The FAB ensures that the DoN position on joint functions are clearly articulated and the leadership is kept current on JCSG matters.

Demolition / Footprint Reduction

After the Navy and Marine Corps achieved the fiscal year 2002 DOD goal of 9 million square feet and two million square feet, respectively, they have continued to demolish excess and vacant facilities. In fiscal year 2005, the Navy has budgeted \$49 million to demolish 1.6 million square feet, and the Marine Corps \$5 million to demolish about 305 thousand square feet.

The demolition effort has evolved from just eliminating "eye-sores" to encouraging installations to consolidate, move out of costly leased or antiquated facilities, and eliminate the most inefficient facilities. We want to avoid spending SRM and base operating support funds on facilities we no longer need.

Utility Privatization

Privatizing DOD electricity, water, wastewater, and natural gas utility systems to corporations who own and manage such systems will allow DOD to concentrate on core defense functions and yield long term cost savings. The Secretary of Defense has directed that each Service evaluate the potential for privatizing their utility systems, while 10USC §2688 provides the legislative authority to convey utility systems where economical. The DoN is on track to meet the DOD goal of reaching a source selection authority (SSA) decision for all of its utility systems by 30 September 2005. To date, we have made SSA decisions for 111 systems, or 17 percent of the 654 systems available for privatization. Of the 111 systems with an SSA decision to date, 15 systems have been privatized, 41 systems have been exempted, and 55 systems are under review. DoN expects to achieve SSA decisions for approximately half of its systems by the end of fiscal year 2004. It is still too early to predict what percentage of our utility systems will successfully be privatized.

Strategic Sourcing

Our strategic sourcing program examines cost effective options to deliver service and support services to our shore installations. There are three components: OMB Circular A-76 Competitive Sourcing program, Strategic Manpower Planning, and Divestiture.

A-76 competitions compare performance costs for civilian employees vs. contract performance for facility management, logistics support, real property maintenance, and other similar functions that are widely available in the commercial sector. The program has competed 24,700 positions since 1998 and generated over \$640 million in cost avoidance through fiscal year 2005. Our fiscal year 2005 program will begin studies on 6,480 positions as part of a plan to examine 29,000 positions in fiscal year 2004 through 2008, with expected cost avoidance of \$250 million.

Strategic manpower planning ensures uniform service members perform assignments that are inherently military while converting functions that are commercial in nature to civilian or contractor performance. The Department will study about 4,700 military positions in fiscal year 2004 and fiscal year 2005 for potential conversion.

We are examining opportunities to divest functions that are not a core competency of the Department and are readily available in the commercial sector. As an initial effort, the Department is studying whether to divest Navy's optical fabrication to private industry. Navy employs 380 military and civilian personnel, and spends \$36 million to produce 1.3 million pairs of eyeglasses each year. The study is scheduled for completion in fiscal year 2004.

PRIOR BRAC CLEANUP & PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 have been a major tool in reducing our domestic base structure and generating savings. The Department has achieved a steady State savings of \$2.7 billion per year since fiscal year 2002. All that remains is to complete the environmental cleanup and property disposal on all or portions of 22 of the original 91 bases. We have had significant successes in sales, disposal, and cleanup.

Property Sales

We have used property sales as a means to expedite cleanup and the disposal process as well as recover the value of government owned property purchased by

taxpayers. We have successfully completed several sales. We sold 235 acres last year at the former Marine Corps Air Station Tustin, CA on the GSA Internet web site for a net \$204 million. We sold 22 acres at the former Naval Air Facility Key West, FL in January 2004 for \$15 million. The city of Long Beach, CA opted to pre-pay its remaining balance plus interest of \$11.3 million from a promissory note for the 1997 economic development conveyance of the former Naval Hospital Long Beach. We are applying these funds to accelerate cleanup at the remaining prior BRAC locations.

More property sales are planned that will finance the remaining prior BRAC cleanup efforts. We are close to resolving legal issues in the aftermath of the lawsuit by the LRA at the former Oak Knoll Naval Hospital in Oakland, CA. We are monitoring progress on the lawsuit filed against the City of Irvine on the environmental impact report it prepared under California statutes for annexation of the former Marine Corps Air Station El Toro, CA and expect to proceed soon with the sale of that property. We will use the proceeds from both sales to finance our fiscal year 2005 program of \$115 million. If necessary, we will use the funds from the Long Beach and Key West sales as a cash flow bridge if the Oak Knoll and El Toro sales are delayed.

Property Disposal

The DoN had about 161,000 acres planned for disposal from all four prior BRAC rounds, with the former Naval Air Facility Adak, AK accounting for nearly half of those acres. I am pleased to report that last month the Navy relinquished over 71,000 acres of its Adak land withdrawal to the Department of Interior, and Interior exchanged portions of that land with other lands held by The Aleut Corporation. Statutory authority provided by the Congress last year was the key enabler for this successful land exchange. The Navy has fenced and is retaining about 5,600 acres due to the presence of munitions.

The transfer of Adak, along with recent successful property conveyances at Louisville, KY; Key West, FL; Indianapolis, IN; and Richmond, CA means that by the end of this fiscal year the DoN will have less than 7 percent (or about 11,000 acres) of the property from all four prior BRAC rounds left to dispose.

Cleanup

The DoN had spent \$2.3 billion on environmental cleanup at prior BRAC locations through fiscal year 2003. We expect the remaining cost to complete cleanup at about \$495 million for fiscal year 2006 and beyond, most of which is concentrated at fewer than twenty remaining locations. Any additional land sale revenue beyond that currently budgeted will be used to further accelerate cleanup at remaining prior BRAC locations. These sites are primarily former industrial facilities that tend to have the most persistent environmental cleanup challenges.

ENVIRONMENTAL CLEANUP

Cleanup Program at Active Bases

We continue to make substantial progress toward completing our environmental restoration program and are on target to complete the cleanup on active bases by the DOD goal of 2014. For the third year in a row, the number of cleanups completed at active bases exceeded the planned target. The program Cost to Complete (CTC) continues to decline: it is now \$3.0 billion for fiscal year 2004 and beyond. Almost 70 percent of all sites have remedies in place or responses complete. We have kept a stable funded program and predict steady progress to cleanup the remaining sites. We believe the Department of Navy cleanup program is one of the best in government.

- Our Alternative Remedial Technology Team reviews innovative technologies and promotes their use in the field.
- Our process improvements have reduced the number of sites being “re-opened” by regulators from 50 in 1999, to 20 in 2001 to 9 in 2003.
- Our partnering with regulators minimizes disputes and has served as a model for other agencies. Our Environmental Management Executive Council brings together two EPA Regions and six states on the west coast to jointly resolve issues.
- Our acquisition strategy matches the type of work to be performed with the most cost-effective contractual vehicle while enhancing opportunities for small businesses.

Munitions Response Program

We are working with the Office of the Secretary of Defense to develop Munitions Response Program (MRP) objectives for discarded military munitions and

unexploded ordnance (UXO) at locations other than operational ranges. We completed an extensive inventory of our installations to identify potential MRP sites, finished nine Preliminary Assessments (PAs), and initiated PAs at 31 installations through the end of fiscal year 2003. We will initiate PAs at 13 other installations in fiscal year 2004 and fiscal year 2005 and expect to achieve the DOD PA completion goal by fiscal year 2007. The \$8 million budgeted in fiscal year 2004 and \$16 million in fiscal year 2005 is sufficient to complete all PAs. Site Inspections (SIs) will begin in fiscal year 2006. Any imminent human health or environmental concerns identified during our investigations will be addressed immediately.

Vieques Cleanup

We ceased military training on Vieques in 2003 and, as required by law, transferred 14,572 acres on eastern Vieques to the Department of Interior (DoI) in April 2003. Interior will manage the majority of it as a wildlife refuge, with the former Live Impact Area (about 900 acres) designated as a wilderness area. The Governor of Puerto Rico has proposed listing Vieques and Culebra on the National Priorities List (NPL). We expect to sign a Federal Facilities Agreement to govern the cleanup after the NPL listing becomes final.

Cleanup on western Vieques (the former Naval Ammunition Supply Detachment (NASD)) is proceeding as we work closely with the Puerto Rico Environmental Quality Board. Seventeen sites have been identified, but none with major environmental contamination, as NASD was not an industrial operation. These sites make up 490 acres of the 8114 acres transferred. We expect to spend about \$16 million on these sites and complete the cleanup by 2007.

Cleanup assessments are also underway on eastern Vieques (former training/bombing range). Twelve sites consisting of 80 of the 14,572 acres transferred require assessment and potential cleanup. The sites include routine waste disposal areas used to support the former Camp Garcia, a landfill, and sewage lagoon. Other areas of concern will be examined. We expect to spend about \$14 million on cleanup for the 12 non-munitions sites and complete the cleanup by 2014.

The former bombing ranges will require munitions assessment and cleanup. In the spring of 2003 the Navy investigated two beaches for potential munitions. The Navy has budgeted \$8 million in fiscal year 2005 for range assessments and initial clearance actions. Beaches and the live impact area will be high priorities. We estimate a cleanup cost of \$76 million in fiscal year 2006 and beyond for munitions assessments and clearance actions based on the land uses designated in the statute. We will be working closely with the EPA and DoI. Worker safety and minimizing disturbance of the natural environment will be important considerations.

Kaho'olawe

Kaho'olawe is a 28,800 acre uninhabited island in Hawaii used as a naval gunfire and bombing range from 1942 through 1990. In accordance with Title X of the fiscal year 1994 Defense Appropriations Act, the Navy transferred title of Kah'olawe to the State of Hawaii in 1994, and has been clearing ordnance according to the State's priorities.

Navy relinquished control of access to Kaho'olawe to the State on November 11, 2003, as required by Title X, ending a ten-year cleanup effort. The Congress appropriated a total of \$460 million for the cleanup, including \$44 million provided to the State to assist them in preparing a reuse plan and managing the island. As of January 16, the Navy had cleared a total of 22,059 acres, consisting of 1,543 acres cleared of surface ordnance only; 20,516 acres cleared of surface ordnance and all scrap metal (known as Tier I); and 2,636 Tier I acres that were further cleared up to a four-foot depth (known as Tier II). During the cleanup, the Navy completed many non-clearance State goals, including road construction, historic and archaeological assessments, and shipped over 10 million tons of scrap metal, along with more than 14,000 tires and aircraft debris used as targets.

The cleanup contractor is completing demobilization, removing remaining scrap items and equipment not needed by the State. The Navy has signed an agreement with the State, as required by Title X, to respond to newly discovered, previously undetected ordnance found on the island in the future. The Navy believes it has accomplished the original Title X goal to provide reasonably safe and meaningful use of the island, as several thousand visits by the public have already been recorded. However, there is no technology that can assure the complete removal of all ordnance. We will remain partners with the State to manage the risk to humans from ordnance that certainly remains on the island.

ENVIRONMENTAL QUALITY

Marine Mammals

The Navy is proud of its record of environmental stewardship, particularly our marine mammal research efforts and protective measures for military training activities.

We are leaders in marine mammal research and are committed to find ways to avoid harm to animals while still performing our mission at sea. The Navy spends about \$8 to \$10 million per year in marine mammal research, representing about half of all known worldwide investments in this area. We coordinate with and share findings with other agencies such as the National Oceanic and Atmospheric Agency, and the National Science Foundation.

DON MARINE MAMMAL RESEARCH FOCUS AREAS

Underwater sound propagation
 Marine mammal locations and densities
 Behavior effect thresholds
 Mitigation techniques

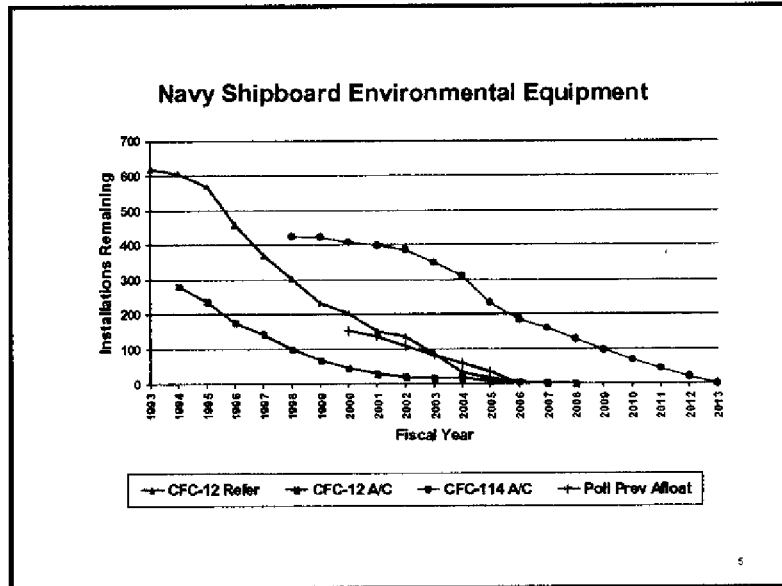
The Navy has protective measures to avoid harm to marine mammals during training and operations at sea while preserving training realism:

- Planning.*—Using historical marine mammal location information to plan training activities. Protective measures are tailored to the type of training, location, and season.
- Detection.*—Posting trained lookouts 24 hours per day on surface ships. Submarines employ passive acoustic detection devices to determine range and bearing of vocalizing marine mammals. We may launch aerial searches for marine mammals in training areas before, during and after training events.
- Operations.*—Establishing buffer zones during training exercises, and suspending operations when necessary. Navy may limit active sonar training through standoff distances, source power level reductions, limit nighttime and bad weather operations, or opt to train in deep rather than shallow water.

The changes made by the Congress to the Marine Mammal Protection Act will allow us to better balance our readiness requirements with our legal obligations to ensure military activities are protective of marine mammals, and will allow us to “train as we fight” when our activities do not have biologically significant effects on marine mammals. We urge the Congress to reaffirm those changes as they consider reauthorization of the Marine Mammal Protection Act.

Shipboard Programs

The Navy invested \$465 million in the last decade to install pulpers, shredders, and plastic waste processors on its surface ships. This equipment avoids the need to discard plastics into the world’s oceans and allows environmentally acceptable disposal of other solid wastes such as food, paper, cardboard, metal and glass. Submarines will be outfitted with similar solid waste equipment by the end of 2005, well in advance of the December 2008 deadline established in the Act to Prevent Pollution from Ships.



The Navy has been converting air conditioning and refrigeration plants on its surface fleet from ozone depleting CFCs to environmentally friendly coolants. We plan to spend a total of \$400 million on this effort, including \$30 million in fiscal year 2005. We expect to complete the conversion of nearly 900 CFC-12 plants by 2008, and over 400 CFC-114 plants by 2012. We expect to spend about \$35 million to install suites of pollution prevention equipment (e.g., HVLP paint sprayers, aqueous parts washers) on ships, including \$5 million in fiscal year 2005. This equipment, combined with management actions, reduces 10,000 pounds per year of hazardous material brought aboard our large ships.

We continue efforts with EPA to establish uniform national discharge standards for all armed forces vessels. This has proven to be a very complex undertaking. Navy and EPA have opted to segregate the 25 types of discharges into "batches", with control standards for the first batch of 5 discharges (including hull coatings) to be published by September 2005.

Alternative Fuel Vehicles

For the second year in a row, the Navy-Marine Corps Team substantially exceeded the Energy Policy Act requirement that 75 percent of covered fleet vehicle procurements be alternative fuel vehicles. At the Pentagon, our Navy Public Works Center in Washington, D.C. converted the entire executive motor pool to alternative fueled vehicles.

We are hoping to expand our procurement of hybrid vehicles in fiscal year 2004 and beyond and increase the use of bio-diesel and ethanol. We are working with the Army's National Automotive Center to place hydrogen-powered fuel cell vehicles at Marine Corps Recruit Depot, San Diego, and to open a fueling station at Camp Pendleton. These actions help develop a regional hydrogen-fueling infrastructure and provide us with hands-on experience with hydrogen and fuel cell transportation technology. While there are important environmental benefits, these investments also provide opportunities for technology transfer to future weapons systems.

Conservation

Integrated Natural Resources Management Plans (INRMPs) are the foundation upon which Navy and Marine Corps activities protect and manage lands. The DoN has 96 bases that require INRMPs: 82 INRMPs are in place; 13 are being revised because they have passed the end of their 5-year cycle; and one is for the Barry M. Goldwater Range. This one is being prepared jointly with the Air Force and Department of Interior, and is delayed due to litigation. Navy and Marine Corps INRMPs already address endangered species and migratory birds. We have revised our INRMP guidance to ensure they provide a conservation benefit to endangered spe-

cies. Our bases work closely with the U.S. Fish and Wildlife Service, State fish and game agencies to prepare the INRMPs. We are serious about our obligation to conserve natural resources entrusted to us by the American people as a means to ensure continued access to these resources to enable our military mission. Good conservation practices and military training operations can be mutually beneficial:

- Navy efforts increased the population of federally protected California least terns from 13 nests in 1977 to 1,200 today, and the snowy plover population from 12 nests in 1992 to 101 today at the Silver Strand portion of Naval Amphibious Base Coronado. Because of this success, the Fish and Wildlife Service reduced training restrictions for our Special Forces.
- Using animals provided by the Government of Mexico, the Marine Corps, Air Force, U.S. Fish & Wildlife Service, and State of Arizona have established a captive breeding program for the Sonoran pronghorn ram, an endangered species that inhabits the Goldwater Range. Increasing the population of this species will reduce restrictions on the timing and tempo or ordnance delivery to target areas on this joint military training range.

ENCROACHMENT

We have made great strides in addressing encroachment issues over the past 2 years. Congress has provided much needed relief through enactment of legislation in the 2003 and 2004 National Defense Authorization Acts that allows the DoN to balance military readiness and environmental stewardship.

- We worked closely with the Department of the Interior to implement congressional direction to develop a rule that clearly defines the relationship between military readiness activities and the Migratory Bird Treaty Act. The Department of the Interior plans to publish the proposed rule soon.
- The Marine Corps is sponsoring conservation forums to help identify land and conservation partners as a means of limiting encroachment on its training areas from commercial development. With the Nature Conservancy as a partner, we have completed one project for 2,500 acres adjacent to Camp Lejeune tank and rifle ranges. Other efforts are underway in California, South Carolina, and Georgia with partners such as San Diego County, the Trust for Public Land and the Sierra Club.
- The Congress amended the Endangered Species Act to allow the Secretary of the Interior to exclude military installations from critical habitat designation when such installations are managed in accordance with an INRMP and the Secretary determines the INRMP provides a benefit to the endangered species. The U.S. Fish and Wildlife Service is under court order to designate critical habitat for a number of species in April 2004, including four species² that occur on Marine Corps Air Station Miramar and Marine Corps Base Camp Pendleton. INRMPs at these bases provide benefits to these species. The legislative change should allow the Secretary of the Interior to exclude both installations from critical habitat designations, thus ensuring our ability to continue to conduct realistic military training.
- We will use the revised definition of harassment of marine mammals in analysis of new technologies for military readiness training programs (such as the Virtual At Sea Training (VAST) system for naval gunfire), littoral warfare training, and supplemental analysis on deployment of the SURTASS LFA sonar system. The revised definition ensures that analysis of impacts on marine mammals is based on science, not speculation. The changes approved by Congress reflect current methodologies used by Navy and the National Marine Fisheries Service and reduce the likelihood of costly, time-consuming litigation caused by ambiguous language.

Notwithstanding the gains we've achieved thus far, encroachment continues to be a very real problem—one that will become more complex as populations grow, pressures on ecosystems mount, and the means required to sustain military readiness evolve through new technologies and threats.

Coming to grips on when military munitions become solid wastes under the Resource Conservation and Recovery Act can ensure effective range management for both military readiness training and waste management. Flexibility for implementing the general conformity requirements of the Clean Air Act will allow more effective deployment of new weapons systems and the realignment of existing assets. We continue to discuss these important issues with the states and groups such as the National Governors Association and the Environmental Council of the States.

²Southwestern arroyo toad, Riverside fairy shrimp, San Diego fairy shrimp, California coastal gnatcatcher.

Congressional efforts to address balancing military readiness and environmental stewardship have not gone unnoticed by State legislatures. Following your example, three states—California, Arizona, and Texas—have enacted laws requiring local governments to consider impacts on military readiness during environmental planning and land use planning processes.

CONCLUSION

In conclusion, I would ask the members of this committee to judge the merits of the Department of the Navy's installations and environmental program through the considerable progress we are making in virtually all areas. Funding reductions are driven by reduced requirements, less costly alternatives, and improved business processes.

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

Senator HUTCHISON. Thank you. Thank you all. You've answered my question on housing privatization so I'm not going to ask that again for the record. I think we're going to have the same problem in all the Services on sustainment. But my goal is just to make sure that we do try as hard as we can to keep the 95 percent rate or something as close to that as possible.

OVERSEAS BASING

Let me move to the overseas basing. Obviously, Army is the biggest one that has announced so far that they are moving from Germany and Korea a large number of their troops. Do you see Navy bases overseas coming back, and is that something that is going to figure into your BRAC and our Military Construction decisions in the future?

Mr. JOHNSON. Without the-we obviously cannot yet announce what's going to happen but we don't see large units coming back like the Army and the Air Force. Now, some individuals will come back and some small bases might close but nothing in comparison to what the Army and the Air Force. The Marines have almost no presence in Europe but they have presence in the Pacific. That may change a little bit but on the margins as opposed to nothing like the other two Services.

PRESIDENTIAL HELICOPTER PROGRAM

Senator HUTCHISON. The presidential helicopter program. You have an \$80 million request for the test and evaluation facilities, and I noticed in your remarks, or your written text, that you are looking for places around the Capital area where you might be able to do that, but you're not yet sure. My question really is, do you think you're going to need that money or all of that money in this year's budget?

Mr. JOHNSON. As best we can determine, I'll let my expert talk here, if the selection had gone earlier, as they had planned, the MILCON funds would have probably been short to need. If it's delayed until, say, the end of the year it will be about right to have the MILCON, or the MILCON will be in the right sequence. There are two parts of that. One is a test and evaluation as you mentioned. Patuxent River is where we normally do that but in the sense of fairness we're looking at alternatives; that should be completed pretty quickly. The Marines have long needed a new facility at Quantico, that's the second part, and that's needed with a new or a continuing helicopter program. So both of them will be needed

in this year's budget. It would have been nice to have had them in last year's budget, if we'd gone through with the original time frame.

You want to add anything?

Admiral LOOSE. Everything the Secretary said-again, the construction, I'm sorry, the acquisition award was delayed a little bit. They're now determining what the impact would be on the first aircraft, which was before November of 2006. And right now we envision no impact at this point and we definitely need the money in the fiscal year 2005 program.

Senator HUTCHISON. We may want to look at that as we get closer to the time that we're going to pass our bill and see if there's any efficiency in this number for this year or if it can be put somewhere else that would be a higher priority within the Navy budget.

Mr. JOHNSON. We'd be pleased to continue to interact with you and your staff on it.

JOINT BASING

Senator HUTCHISON. Okay. Let me ask you a question on joint use. It came up in the Army but particularly as I look at some of the bases that you have around Corpus Christi and Ingleside, already we have joint use with the Coast Guard. We have joint use with the Army in some of them but I'm just wondering if the Navy has really looked at the Coast Guard as a real joint use partner as much as it could in light of the very enhanced Coast Guard responsibility in homeland security and their need to be all along the Gulf Coast, really, for homeland security purposes. Are you really factoring in as a major partner and of course, I know the Corpus Christi-Ingleside area, I'm sure the Senator from Louisiana has the same type of potential, because you have a Coast Guard presence. Are you really looking at that?

Mr. JOHNSON. In the government there's no closer relationship between two departments than the Coast Guard, the Navy and all the Services for that matter. We treat them as a part of Department of Defense and we recognize they're certainly not but they're full partners in everything we do and I know that at Joint Reserve Base Carswell we have all five services there. And I think we have it at Belle Chasse also, Coast Guard is at that Joint Reserve Base, and we try very hard; sometimes there might be an oversight but it's an oversight when it doesn't occur.

Senator HUTCHISON. Yes, well, Carswell is a great example and that's a different priority. But I just wondered on the coasts if you're looking at your coastal bases for partnership with Coast Guard.

Mr. JOHNSON. As you and others visit our bases along the Coast you'll find that Coast Guard is inevitably present. And also more and more Customs; we don't always acknowledge that but at Corpus Christi they have built a new hangar, as I recall, just for Customs.

Senator HUTCHISON. Yes, Customs is right there with Coast Guard and Army in the depot and so there is quite a bit of interaction there.

Mr. JOHNSON. And when you go to pilot training bases no matter where they are you see all services who fly, Corpus Christi being a good example and some in Louisiana also.

General WILLIAMS. Madam, I would just also like to add that although Camp Lejeune is not designated a joint base we in fact do have Coast Guard presence there at Camp Lejeune. And we certainly are always looking for opportunities to train jointly with the Coast Guard as well as other services. So we do have some presence there as well.

Senator HUTCHISON. One of the things that I would just like to ask you to do, as we're moving into BRAC, since the Coast Guard isn't in the same category as the Navy in BRAC, it might be that the Navy could be proactive in looking for places that there could be consolidation that would be to the benefit of both, even though it wouldn't be all Department of Defense. But I just think because they're different, we shouldn't forget about them as a way to become more efficient.

Mr. JOHNSON. We cannot forget about them if we wanted to; we don't want to and your friend and my boss feels very strongly about homeland security and so do we.

Senator HUTCHISON. Yes, that is a good connection. I forgot about his recent past. But you, of course, being from the Air Force yourself, are someone who can help on joint use opportunities so I think that could be very helpful if the Navy would sort of take the lead.

Senator Landrieu.

NEW ORLEANS JOINT RESERVE BASE

Senator LANDRIEU. Yes, thank you, Mr. Secretary. And I appreciate the Chairman's line of question and wanted just to follow-up along the same lines because the city of New Orleans, which is my hometown, of course, and the State I represent, has been somewhat negotiating with the Navy about a plan that would just make a tremendous amount of sense from our perspective. We have the Navy Reserve, you know, headquartered in New Orleans. There's a move underfoot with a broad base in our community to try to consolidate some of the different components, freeing up some of the very valuable riverfront space for the expansion of the cruise ship industry, which has become very important to New Orleans and we've reached out but they've actually reached to us because it becomes one of these favorite destinations of people, or launching off points, I should say, to leave from the city, which we're grateful for. But in that there's a real possibility that with just a little bit of out of the box thinking but with no cost to the Navy we could end up with really substantial facilities in a consolidated format that, you know, add to the footprint of that great base in New Orleans.

So I wanted, Mr. Secretary, to ask you if you're familiar with these negotiations? Is it possible for them to, you know, continue because again, it's not just related to BRAC, it's related to the Coast Guard, related to this other industry and other businesses that have a real economic interest in the outcome of these plans.

Mr. JOHNSON. I've been there, I've seen it and General McCarthy came to visit me Monday or Tuesday; I gave him some very encouraging guidelines and I checked with my staff and I'm going to give

him some different ones next week. But when we give those guidelines they will be so those in the community and others can rely on. I liked what he proposed but we have to look at it in a larger context and we'll come up with some guidelines that the city can understand, he can understand and hopefully we'll work all sides' interest.

Senator LANDRIEU. Well, is it fair to ask you if these next set of guidelines is going to be as encouraging as the last ones that you gave him?

Mr. JOHNSON. It will be a little bit different because we have to look at the larger context. The last thing we want to get into is to have a community that's coming and saying, we will build you a new building if you won't leave. So we have to make sure that when the city does it it's at the right time. And what I suggested to him was we should know that when we're making decisions, but we want to put it in the right context so that others, some of your other Senators, couldn't say we did it wrong. And I was pleased when my staff asked me to pause and come up with the right guidelines so that we can do it correctly.

Senator LANDRIEU. Because I really appreciate that and look forward to working with you because it's of course important, you know, to our community and there's just such an opportunity if this would work out for the Navy to be benefitted, the taxpayers to be benefitted, the city and a variety of other industries.

WASHINGTON NAVY YARD

The other is to compliment you all on the work that you're doing here in the District on the revitalization of the Navy Yard. Would that be under your jurisdiction?

Mr. JOHNSON. Yes.

Senator LANDRIEU. And to compliment you all on the way that you're doing that with the leadership team here in the city. I also wear another hat as the Appropriator for the District of Columbia, so I'm fairly closely associated. And I'm just seeing tremendous progress along that whole corridor. I hope, I'm certain that what you're doing is benefitting the Navy but the way that you're engaging in a very integrated process with the other parts of the government, as well as with the local community here in the city I think is going to have just tremendous long-term benefits to this whole region. And I just wanted to commend you and to encourage you and to let you know that I'm looking closely at that and if there's anything I can do to help you. I know the Navy may have some special needs in regards to the relocation of a museum and some other things that you all may need some help with and I'd be particularly interested in working with you on that.

Mr. JOHNSON. I'd very much like to work with you on that. And we have worked well with the city. We're concerned, encouraged, whatever, about the Southeast Federal Center, if we can ever get that moving.

Senator LANDRIEU. Southeast? I'm sorry.

Mr. JOHNSON. It's the land next door, it's owned by GSA, it's on the contract.

Senator LANDRIEU. Yes, the development for the housing units and the—I was telling them, I was complimenting them, Madam

Chair, on the good work that they're doing at the Navy Yard and how they've done it in a very integrated fashion with the city and the community and if it continues, and hopefully as it has even improved and getting better it's going to be a tremendous legacy for the Navy as well as for the city and the region, that it will have an impact on the region that we're in.

Mr. JOHNSON. We hope that we can make the museum a center part of that but we have some troubles.

Senator LANDRIEU. And there may be a better, you know, location or avenue. But opening up that whole area in the appropriate ways to give access to the waterfront for the neighborhood and the region and then have a very vibrant and dynamic community, which the Military shares with other aspects of the government as well as the local city, I just think it's been a real testimony to you all and to the leadership the Navy's provided. So I just wanted to thank you for that.

Mr. JOHNSON. The last time I was there I went through the Southeast Federal Center and the new building for the Department of Transportation is really springing forth out of the ground; it's quite exciting to watch that development.

Senator LANDRIEU. Thank you.

General WILLIAMS. Senator, I'd just like to add to that also. As you probably know we'll be opening our Marine barracks that we're building there this Summer, probably around the June timeframe and we certainly would—

Senator LANDRIEU. They look beautiful and you've done a beautiful job.

General WILLIAMS. Yes.

Senator LANDRIEU. And I just—because I live a few blocks from there so not only professionally do I focus on it but because I live in the general neighborhood I see it and I've been able to watch firsthand the development. The Marines have done a beautiful job, that whole corridor, and I just want to communicate how happy the people that live in this neighborhood are with the way that you have conducted yourself. And it's going to be a tremendous help, not just to the, you know, to the neighborhood but to the whole region and a real feather in the cap of the Navy and Marines.

General WILLIAMS. Yes ma'am.

NEBRASKA AVENUE COMPLEX

Senator HUTCHISON. Just one last question on the Nebraska Avenue Complex and obviously the Navy is moving. I noticed in your testimony that you're going to be in some cases going to lease space. All I would like to ask is, are you going to make sure that the Navy doesn't incur any costs from moving out to accommodate the Department of Homeland Security?

Mr. JOHNSON. Yes ma'am. To date we have not incurred any costs. Now, we incurred some costs because we planned some of the moves but not for the moves and not for the changes up in Nebraska Avenue. We can move approximately half of the people before we touch the BRAC requirements. The last two large organizations we cannot do that until we get permission from Congress, and there's a bill over here, a legislative package. In that case the GSA folks will pay for our interim quarters and also the new buildings

up to their appraised value. Nebraska Avenue is being appraised by a third party and up to that level GSA will reimburse us. Every indication is that level is above what we need. We've also gotten the Department of Homeland Security to pay for the move, this is the last half again, and also to pay for the first year's lease. Then GSA picks it up through the move to the final quarters.

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. Well, I know you'll be very attentive to that but certainly we don't want any DoD cost.

Mr. JOHNSON. And we appreciate your strong support in that area.

Senator HUTCHISON. You have it.

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

QUESTIONS SUBMITTED TO HANSFORD T. JOHNSON

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

RECAPITALIZATION RATE

Question. Secretary Johnson, your testimony asserts the Navy will meet DOD's 67-year recapitalization goal by 2008. But your recapitalization rate is clearly headed in the wrong direction, moving from 116 years in fiscal year 2003 to 140 years in fiscal year 2004 and 148 years under this budget request.

How is the fiscal year 2008 target of 67 years going to be met without extraordinary and unrealistic investments over the next couple of years?

Answer. The Navy and Marine Corps are funded to meet the 67-year recapitalization rate goal by fiscal year 2008 in the current President's Future Year Defense Plan. This investment requirement will be met through a combination of initiatives such as (1) minimizing new footprint as appropriate while taking into account new mission requirements and (2) reducing footprint and therefore plant replacement value to ensure that we are investing in only needed recapitalization requirements.

Question. What confidence do you have that the needed outyear investment will materialize?

Answer. Through a combination of initiatives to reduce footprint thus plant replacement value, and investment of funds, I am optimistic that the Navy and Marine Corps will meet the 67-year recapitalization rate goal by fiscal year 2008.

BRAC

Question. Secretary Johnson, the Navy has not asked for any appropriations for BRAC cleanup this year. Your testimony states that you intend to spend \$115 million in proceeds from land sales for BRAC cleanup. I applaud the Navy's aggressive use of land sales to defray BRAC costs, but I am a little uneasy about making BRAC cleanup efforts dependent on this mechanism.

If the land sale proceeds don't materialize, what assurances do we have that the \$115 million will be spent?

Answer. It is possible that we will not receive all the proceeds anticipated in fiscal year 2005. If it appears that predicted land sales revenue may be delayed, the Department of Navy will take steps to preserve available cash to meet fiscal year 2005 expenses. The Department of Navy had received substantially more land sale revenue in fiscal year 2003 and fiscal year 2004 than anticipated, which was to be used to further accelerate environmental cleanup. The Department may opt to defer accelerating some of this cleanup work to carryover portions of these funds to cover the most critical projects planned in fiscal year 2005 until the planned land sales revenue materializes.

Question. If you get more than \$115 million from land sales, can you spend it this year?

Answer. Generally, yes, substantially more than \$115 million can be spent for BRAC cleanup in fiscal year 2005. The Department of Navy will ensure that all land sale revenue funds are spent prudently. Depending on the amount of additional funds received, environmental cleanup schedules, and regulator reviews, we may opt

to carryover some excess land sale revenue into fiscal year 2006 and beyond as we pursue the cleanup in the most effective manner we can.

Question. Do you need any additional authorization to spend proceeds in excess of \$115 million?

Answer. We do not need additional authorization from the Congress to spend more than \$115 million. However if land sales revenue exceeds our prediction in the budget, we would require additional obligation authority from OMB.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BRAC ENVIRONMENTAL FUNDING

Question. Secretary Johnson, the Navy has requested no funding for BRAC environmental remediation in the fiscal year 2005 budget request because you intend to finance your fiscal year 2005 BRAC cleanup requirements out of the revenue from land sales.

According to your prepared testimony, the Navy has realized \$230 million from BRAC land sales at Tustin and Long Beach, California, and Key West, Florida. In addition, you are anticipating \$115 million in revenues from the sale of Oak Knoll Naval Hospital at Oakland and property at El Toro to finance your fiscal year 2005 program.

What is the status of the \$230 million you have already realized? Has that money been committed to specific projects, and if so, can you give the Committee a breakdown of those projects?

Answer. Most of the \$230 million received has been obligated and the remainder is funding critical projects this year and next. The bases that have received the most funding to date from these land sales are:

NAF Adak, AK; NAS Alameda, CA; MCAS El Toro, CA; Hunters Point Annex, CA; NAS Moffett Field, CA; FISC Oakland (Point Molate) Richmond, CA; NAS South Weymouth, MA; NS Treasure Island, CA; MCAS Tustin, CA; Mare Island NSY (Vallejo), CA.

Question. Secretary Johnson, your prepared testimony includes the following statement: "If necessary, we will use the funds from the Long Beach and Key West sales as a cash flow bridge if the Oak Knoll and El Toro sales are delayed."

It appears from that statement that you are uncertain when the El Toro and Oak Knoll land sales will be complete.

What is your current estimated timetable for those sales—what level of confidence do you have that you will have proceeds from those sales available backfill the BRAC account by the beginning of the 2005 fiscal year in October?

Answer. We expect both El Toro and Oak Knoll sales to be initiated this year (fiscal year 2004) and result in funds being available in fiscal year 2005, though it may be later in the year. As a precaution, we are prepared to defer fiscal year 2004 funds in hand, which were previously planned to accelerate cleanup, in case the land sale revenue does not materialize in time. There is sufficient funding and workload to assure a continuous and steady clean up effort in fiscal year 2005.

Question. Was it a Navy decision or an OSD (Office of Secretary of Defense) decision for the Navy to self-finance its entire fiscal year 2005 BRAC cleanup program out of land sale revenues?

What is the Navy's remaining cost to complete its BRAC environmental cleanup program?

Answer. Based on the data used to prepare PRESBUD 2005, the cost to complete for the BRAC environmental cleanup program is about \$0.5 billion in fiscal year 2006 to completion.

Question. How much of that could you execute in fiscal year 2005, if additional funding were available?

Answer. The Navy could execute about an additional \$150 million.

Question. What lessons has the Navy learned from the previous BRAC rounds that you plan to apply to the environmental cleanup requirements associated with the 2005 BRAC round?

Answer. The following concepts are being pursued:

- Combining cleanup with redevelopment saves time and money for all parties.
- Use CERCLA "early transfer" authority to get property quickly to the developer.
- Early transfer of BRAC property can accelerate redevelopment and parallel cleanup.

- Reliable characterization of the contamination allows potential new owners to consider cleanup costs as part of the purchase price of the property, and provides safe transfer with interim land use controls.
- Cleanup program in far better shape than previous BRACs. Most sites are either done, cleanup is underway, or contamination is well characterized.
- Local Redevelopment Authorities are best at traditional governmental functions of planning/zoning.
- Developers are best at property development within established zoning rules.
- Involve regulators early in process. CERCLA early transfer authority requires approval by State Governor, and EPA if it's a National Priorities List site.

MARINE ONE HELICOPTER (VXX)

Question. Secretary Johnson, in your testimony, you note that military construction is required to support the test and evaluation of three VXX helicopters scheduled for delivery in October 2006.

What impact will the delay in awarding the VXX contract have on that delivery schedule?

Answer. The delay in awarding the VXX contract is not expected to have any significant impact on the arrival of the first aircraft, currently planned for November 2006.

Question. Does the Navy have a new target date for awarding the VXX contract?
Answer. Award of the VXX contract is expected by December 2004.

Question. Given the delay in awarding the contract, has the Navy determined whether it still requires full funding for construction of the test and evaluation project requested in the President's fiscal year 2005 budget submission?

Answer. Because the delay in awarding the contract is not expected to cause any significantly delay in the arrival of the first aircraft, facilities are still required in the fiscal year 2005 budget.

OUTLYING LANDING FIELD (WASHINGTON COUNTY, NORTH CAROLINA)

Question. Secretary Johnson, the Navy is requesting \$61.8 million in fiscal year 2005 MilCon to acquire land and begin construction on an Outlying Landing Field in Washington County, North Carolina, to support the basing of new F/A-18E Super Hornet squadrons in Virginia and North Carolina. In fiscal year 2004, this Committee appropriated \$27.6 million for the first increment of land acquisition.

I understand that there is opposition to this project from the local communities of Washington and Beaufort counties, and that several lawsuits have been filed.

What impact has the lawsuits had on the Navy's timetable or plans to acquire the land for the outlying field?

Answer. Two lawsuits were filed in Federal District Court challenging the Navy's decision regarding home basing of the Super Hornet on the east coast. These lawsuits allege that the Navy's environmental analysis conducted pursuant to NEPA was inadequate to support the Navy's basing decision, including the selection of a site for an outlying landing field (OLF) in North Carolina. The lawsuits were filed under the Administrative Procedures Act (APA). Under the APA, the Federal District Court will review the adequacy of the analysis underlying the Navy's decision and determine whether additional environmental analysis is needed. The court could enjoin the Navy from engaging in land acquisition activities until the additional analysis was completed. However, the court cannot substitute its judgment for that of the Navy and direct that the OLF be sited at a location other than Washington County, NC.

Question. There was a hearing in Federal court on March 30 on a request from opponents of the landing field for a temporary injunction against the Navy. Has any ruling been made on that request, and if not, when do you expect a ruling?

Answer. Plaintiffs in the two lawsuits on the Navy's home basing decision requested that the court issue a preliminary injunction prohibiting the Navy from engaging in further activity regarding the OLF pending final adjudication of the lawsuits. On April 21, 2004, the Court issued a preliminary injunction precluding the Navy from engaging in any direct or indirect activities related to construction and operation of an OLF in Washington County, NC. On May 4, 2004, the Navy asked the Court to reconsider its decision to issue a preliminary injunction. The Court has yet to rule on the Navy's request for reconsideration. In the meantime Navy is taking steps to move forward with the trial on the merits in order to obtain a final decision in the matter.

Question. If the judge grants a temporary injunction, how will that affect the Navy's acquisition process?

Answer. The Court did grant the plaintiffs' request for a preliminary injunction, prohibiting the Navy from engaging in any direct or indirect activities related to the construction and operation of an OLF in Washington County, NC. The preliminary injunction will remain in effect until the Court makes a final ruling on the lawsuits. The preliminary injunction is very broad in scope and prohibits the Navy from acquiring land, preparing management plans or even conducting environmental studies. At present the Navy has discontinued all of its land acquisition efforts, including negotiations for the voluntary sale of land to the Navy by private citizens, as well as studies that would form the basis for a Bird Aircraft Strike (BASH) Plan and the Integrated Natural Resources Management Plan required by the Sikes Act. If land acquisition were precluded for an extended period, the effort to base Super Hornet aircraft on the East Coast could be delayed. On May 4, 2004, the Navy filed a request that the Court to reconsider its decision and either terminate the preliminary injunction or modify the scope of the injunction. The Court has yet to rule on the Navy's request for reconsideration.

Question. What is the status of the \$27.6 million we appropriated for this project in fiscal year 2004? When do you expect to obligate that funding?

Answer. The fiscal year 2004 funds consisted of \$16.9 million for acquisition of 3,024 acres of core land, and \$10.7 million for design and construction of horizontal work, for a total of \$27.6 million.

Progress to date with fiscal year 2004 Funds:

—1,157 acres of the 3,024 have been purchased, obligating \$4.1 million of the \$16.9 million.

—Offers have been made to 9 owners for another 1,826 acres,

—Navy is ready to make offers to the remaining 4 owners.

—\$539 thousand has been spent on planning and design.

The Navy filed a request asking the Court to reconsider its decision and either terminate the preliminary injunction or modify the scope of the injunction. The court has not yet ruled on the Navy motion. Navy is prepared to obligate additional funds immediately if the judge relaxes the terms of the injunction he issued on 20 April.

Question. Is the Navy undertaking any further environmental studies on the potential impact of activities at the landing field on waterfowl?

Answer. The Navy believes it has thoroughly analyzed environmental impacts on waterfowl in the Environmental Impact Statement that was completed in August 2003. Therefore, no further environmental impact studies have been undertaken or believed necessary. The Navy had begun preliminary work on development of a Bird Aircraft Strike Hazard (BASH) plan. That preliminary work included radar studies of waterfowl activities in the vicinity of the Pocosin Lakes National Wildlife Refuge and the proposed OLF site. Further progress on BASH was halted as a result of the Court's decision.

Question. In light of the lawsuits, how confident are you that the Navy will be able to obligate the fiscal year 2005 land acquisition funding requested during the 2005 fiscal year?

Answer. The fiscal year 2005 budget request for OLF totals \$95.7 million (\$33.9 million for horizontal construction, \$4.8 million for vertical construction, and \$57.0 million for buffer land acquisition).

The Navy has filed a motion requesting that the Court reconsider the scope of the injunction. If the Court agrees, the Navy will resume voluntary land sales and low impact design work such as soil borings and surveying.

Under a best-case scenario, the fiscal year 2005 projects can be executed in fiscal year 2005. Under a likely-case scenario, land sales would be executable in late fiscal year 2005, but construction projects would not be executed until fiscal year 2006.

NEBRASKA AVENUE COMPLEX

Question. Secretary Johnson, I understand that the Navy expects the appraised value of the Nebraska Avenue Complex to cover the cost of relocating Navy personnel.

Have you determined what the final cost will be, where the Navy personnel will go, and whether the relocation will require any new MilCon? Would any MilCon requirements come out of the military construction appropriation, or would they be paid for by the GSA out of its appropriation?

Answer. The appraisal of the Nebraska Avenue Complex will be completed in late April. We have defined the scope of the remaining work—the move out, interim leasing, permanent construction and move in of two Navy commands, SSP and NIPO. This involves 578 people. We expect the BRAC analysis process to determine in mid-2005 where the final location would be for these two commands. Since we

have not determined their final location, we cannot know the final cost of the replacement facility, but expect the costs to be within the appraised value of Nebraska Avenue Complex. It is premature to say what, if any, MILCON requirement would come out of the Military construction appropriation.

Question. If GSA is responsible, how can you be sure that the Navy's requirements will be met in a timely manner, since you have no control over the GSA's budget?

Answer. This is a legitimate concern. OMB has taken responsibility to manage the overall flow of funding to ensure that Navy does not pay for these moves, and that they are accomplished in a timely manner.

Question. Did the Navy give any consideration to keeping the chapel at the complex and continuing to use it as a chapel? Do you have any concern about the reaction from the Navy community to turning this chapel into a conference room?

Answer. Because of potential concern from the Navy community, consideration was given to keeping the Chapel. However, the chapel has not been used on a regular basis since the Security Group personnel moved out of NAC, and it does not meet a specific Navy requirement. Since that time it has only been used for weddings, funerals, retirements and a few all hands meetings for tenants aboard the Nebraska Avenue complex. The burden for financial upkeep, manpower requirements and the limited accessibility to military and families were also considered. In addition, Homeland Security's decision to move all military off the complex would make access even more difficult to the Navy community. Plans for a deconsecrating service are being developed and consideration is being given to removing the large stained glass window, the E.B. Skinner pipe organ and other historical keepsakes.

QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

INSTALLATIONS IN IRAQ

Question. Secretary Johnson, soon, the United States will no longer maintain bases in Saudi Arabia. We will have to look elsewhere for basing opportunities in the Middle East. DOD has said Iraq will soon become a new locus for U.S. troops in the Middle East. In some cases, DOD plans to upgrade military installations used by Saddam Hussein for future use by American armed forces.

What plans does the Navy have for long-term basing in Iraq?

Answer. The Navy supports the interim Iraqi government and a peaceful transition of power to a democratic state. To complete this goal, the Navy does not anticipate a requirement to maintain any long-term basing requirements in Iraq.

Question. Does the Navy intend to build any facilities on Iraqi waters of the Persian Gulf, perhaps near Um Quasr?

Answer. No. The Navy does not intend to build any facilities in Iraqi waters of the Persian Gulf.

Question. How many sailor does the Navy intend to station in Iraq?

Answer. The Navy does not anticipate the need to station additional personnel in Iraq outside of those already provided in support of the Central Command (CENTCOM) Commander and Naval Forces Central Command (NAVCENT)/Fifth Fleet Commander.

Question. When will the Navy begin to budget for the military construction needed to house the U.S. Navy in Iraq?

Answer. The Navy does not anticipate a requirement to maintain any long-term basing requirement in Iraq. Hence, military construction will not be required to support our current presence.

Question. Through a Supplemental Appropriation?

Answer. The Navy does not anticipate a requirement to maintain any long-term basing requirement in Iraq. Hence, additional military construction funding will not be required to support our current presence.

Question. If not Iraq, what other countries within Central Command might the Navy seek to expand its presence?

Answer. The Navy does not anticipate a requirement to expand its presence in the Central Command Area of Responsibility.

DOD REALIGNMENT OF FORCES IN EUROPE

Question. Secretary Johnson, nearly 2 years ago, DOD began discussions on the realignment of forces in Europe. In that time, Congress has not received any concrete details for what DOD has in mind. We have seen reports that DOD plans to move some personnel and infrastructure out of Old Europe and into New Europe and the Former Soviet States. When asked for elaboration on these plans, DOD has

provided little. I am pleased to see this Subcommittee will hold a hearing on Europe's realignment on April 21st.

Can you shed any light on how many Navy sailors and ships/aircraft within Europe may be realigned from current installations to new installations?

Answer. By our expeditionary nature, the Navy does not maintain a significant garrison force overseas. However, the Navy is reviewing its overseas posture to ensure that we can best support our existing operational assets. This support is being explicitly addressed in Secretary Rumsfeld's Integrated Global Presence and Basing Strategy (IGPBS) initiative. In consultation with our friends, allies and partners, these basing initiatives are being closely scrutinized to ensure that they directly support Defense strategy. Although the Navy expects to reduce its permanent force structure in Europe, the final decision to modify existing base structure is still being reviewed.

Question. What current facilities do you anticipate will continue to operate?

Answer. The Navy does not anticipate closing any of its existing main operating bases in Europe. However, operations at a few of these bases may be significantly curtailed. The final decision to modify existing base structure is still being reviewed.

Question. If we reduce forces in Europe, won't we see an increase of sailors and equipment returning to the United States for basing?

Answer. Yes. The Navy does expect to return some Navy assets based in the European theater to the United States. In order to maximize our existing infrastructure, the Navy intends to use the BRAC 2005 process to determine the final disposition and maximize Navy capabilities.

Question. Does it make sense to enter into BRAC in 2005 if we have not yet fully determined the shape and size of our presence abroad?

Answer. The Navy is committed to conducting a 2005 round of base realignment and closure (BRAC), as authorized by the Congress. The convergence of ongoing strategy and overseas basing actions, the transformational direction in all the Services and force structure changes together afford us a once-in-a-generation opportunity to truly transform the Services' combat capability in an enduring way.

The ongoing overseas basing review is nearly complete and those assets that are identified to return to the United States will be considered in the BRAC 2005 process. The timing of the overseas basing review and the BRAC 2005 process is perfect to ensure appropriate consideration is given to the optimal stationing of all of our naval assets.

BRAC AT FORT POLK AND BELLE CHASSE—HOW CAN JOINT OPERATIONS BENEFIT THESE BASES?

Question. Secretary Johnson, Secretary Rumsfeld has stated that a high priority should be placed on the military value of Joint bases for the upcoming BRAC round.

Do you share Secretary Rumsfeld's vision for our military to move toward and support Joint bases?

Answer. We strongly support Secretary Rumsfeld's vision of joint use of installation assets because it helps us reduce lifecycle investments and share overhead. In addition, joint bases are a more accurate reflection of how our forces operate jointly in wartime. Navy is participating in DOD efforts to revise policies, processes, procedures, and practices to enhance joint base operations and support.

I know you have visited Belle Chasse on a number of occasions.

Question. Could you please discuss how Belle Chasse—the home to the Navy Reserve, Air Force Reserve, Marine Reserve, Army Reserve, Air National Guard, and Coast Guard—meets Secretary Rumsfeld's vision for jointness?

Answer. Joint use of installation assets is a way of life in Belle Chasse. The Navy serves as host of the air station, providing logistics support to its DOD and non-DOD tenants for airfields, air traffic control, bachelor quarters/barracks, family housing, galley, recreation activities, fire and safety, etc. None of these services are duplicated among the tenants. Also an Armed Forces Reserve Center (AFRC) is under construction on the air base to accommodate additional Reserve units of the Air Force, Army, Marine Corps, and Navy. This new facility consolidates these Reserve functions from other locations in or near New Orleans, reducing overhead and providing greater access to military personnel and family support programs available on the base.

Question. Secretary Johnson, over 550 new town homes were recently built at the Naval Air Station/Joint Reserve Base New Orleans. This is uncommon because our Citizen Soldiers are not generally provided with military housing, although the base in Belle Chasse is actually a full-time Reserve base.

How many installations within the Navy provide housing for the Reserve Component?

Answer. Three Navy installations provide military family housing primarily for the Reserve Component—Naval Air Station and Joint Reserve Base (NAS JRB) New Orleans, LA; NAS JRB Fort Worth, TX; and NAS JRB Willow Grove, PA. Reservists housed in family housing at these three bases are serving in the active component, i.e., for the training and administration of reservists or as part of an unit activated for more than 180 days and, therefore eligible for assignment to military family housing.

Question. Are any Public Private Partnerships projects currently under way to provide housing for the Reserve Component?

Answer. The housing at New Orleans has been privatized. There are currently no plans to privatize the housing at the other locations. However, it is possible that members of the Reserve Component could rent privatized housing at other locations.

Question. How much funding out of the Family Housing budget is allocated for the Reserve Component?

Answer. The Family Housing budget is used to support the overall operation and maintenance of military family housing, regardless of who occupies it. As such, there is no specific allocation of the Family Housing budget to the Reserve Component.

KEEP NAVY RESERVE O&M SEPARATE FROM BIG NAVY

Question. Secretary Johnson, last year, DOD's budget request called for the merging of Reserve and Active Personnel accounts, which Congress roundly rejected because Congress feared the Active Services would rob the Reserves of personnel funding.

The Navy established the Commander of Navy Installations (CNI) for the management of in-shore installations in fiscal year 2003. As a result, CNI now provides O&M dollars to Belle Chasse, not the Commander of Naval Reserve Forces.

Is CNI keeping the funding for Reserve Installations separate from Active Installations?

Answer. Yes. Operations and maintenance funding for Reserve activities flows from the Operations and Maintenance, Navy Reserve appropriation while Operations and Maintenance funding for Active activities flows from the Operation and Maintenance, Navy appropriation.

Question. Is there any effort to merge the Navy's O&M and O&M Reserve accounts? I do not support such a merger if the Reserve cannot guarantee big Navy will not siphon funds.

Answer. There is no current initiative to merge the Navy's active and reserve Operations and Maintenance accounts.

BELLE CHASSE—COMMISSARY AND EXCHANGE—STILL ON TARGET

Question. Secretary Johnson, groundbreaking is scheduled for July on a new Commissary and Naval Exchange. It will serve the 7,500 men and women stationed at Belle Chasse and up to 100,000 veterans in Greater New Orleans.

Is the groundbreaking still on schedule for July?

Answer. Yes. Based on a construction contract award in July, the groundbreaking is still on schedule for that same month.

QUESTION SUBMITTED TO REAR ADMIRAL MICHAEL LOOSE

QUESTION SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

BARRACKS

Question. Admiral Loose, your testimony expressed appreciation for the authority to build barracks to private sector, rather than military, standards.

Can you tell us what plans the Navy has to make use of this authority?

Answer. The Navy initially plans to use this authority in combination with our bachelor housing privatization initiative.

QUESTION SUBMITTED TO GENERAL WILLIE WILLIAMS

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

INSTALLATION MANAGEMENT—MARINES

Question. General Williams, the Navy has created the position of Commander, Navy Installations (CNI) to consolidate management of its shore infrastructure.

Does the Marine Corps take a similar approach to consolidation and to what extent are you working with the Navy to share lessons learned?

Answer. The Marine Corps is committed to managing its installations in ways that are both effective and efficient. With 15 major bases and stations to manage, Marine Corps installations are organized in a consolidated approach similar to CNIs. For example, while our installations are not regionalized exactly like those under CNI, Marine Corps operating force installations are consolidated under the most senior Marine Corps operational commanders: Marine Forces Atlantic, Pacific and Reserve. In this way, Marine Corps bases and stations are closely linked to those operational forces they directly support within their region. Our remaining installations (recruit depots, logistics bases and training bases), receive their support directly from Marine Corps headquarters much like Navy installations are supported by CNI.

We continuously look for ways that improve installation management while supporting our operating forces requirements. We work very closely with CNI to share experiences and, where practicable, implement similar practices across both Services. Examples include employing similar readiness reporting systems, utilizing regional Facility Support Contracts, and managing Family Housing from a regional perspective.

CONCLUSION OF HEARINGS

Senator HUTCHISON. All right, well, that is all the questions that I have and I appreciate very much your time and effort and the great job that you're doing. Thank you.

Mr. JOHNSON. Thanks very much.

[Whereupon, at 4:22 p.m. Wednesday, April 7, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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