



APRIL 24, 2013

HEARING TO RECEIVE TESTIMONY ON MILITARY CONSTRUCTION, ENVIRONMENTAL, AND BASE CLOSURE PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2014 AND THE FUTURE YEARS DEFENSE PROGRAM

UNITED STATES SENATE, COMMITTEE ON ARMED SERVICES, SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT

ONE HUNDRED THIRTEENTH CONGRESS, FIRST SESSION

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**OPENING STATEMENT OF SENATOR JEANNE SHAHEEN,
CHAIRMAN**

Senator SHAHEEN. Good afternoon, everyone.

At this time I would like to call this subcommittee hearing to order.

Actually, given that we have two witnesses who are from New Hampshire, as well as Senator Ayotte and myself, I think next year we should do this in New Hampshire as opposed to down here. For the audience, you would really enjoy it very much to be up there. We will do it a little later in the year so it is a little warmer than it is right now.

Senator AYOTTE. Or foliage.

Senator SHAHEEN. Yes, that is right, when we have foliage.

But seriously, I want to welcome everyone to the hearing this afternoon. Testifying we have representatives from each of the military services and the Office of the Secretary of Defense who are responsible for the Department's military construction and environmental programs. And we very much look forward to your testimony.

Overall, the President's budget request for military construction and family housing is \$11.1 billion in fiscal year 2014, approximately \$200 million less than what was requested last year. The budget request broadly reflects the fiscal realities facing the Department, but especially in the absence of a resolution to sequestration, additional savings will need to be achieved. I look forward to hearing more from our witnesses on their top priorities for this year's request so that the subcommittee can move forward in a prudent and informed manner on the defense authorization bill.

Last year's Defense Authorization Act reduced or eliminated more than \$660 million in programs in the military construction and environment accounts, and we will be, again, looking to find savings in these areas, recognizing the current fiscal pressures and the subcommittee's responsibility to help the Department eliminate duplicative programs and projects and increase management efficiencies and reduce waste.

The Department has again requested a base realignment and closure, or another BRAC, round in 2015. I joined the majority of my colleagues in opposing this proposal last year, and I continue to believe that now is not the time to spend billions of dollars on another BRAC round, especially as the Department of Defense grounds combat aircraft and cancels ship deployments due to sequestration.

The Government Accountability Office has done a number of studies on the 2005 BRAC round which found, among other things, that BRAC implementation costs grew to about \$35 billion, exceeding the initial 2005 estimate of \$21 billion by 67 percent. In this time of fiscal uncertainty, we clearly cannot afford another round like the last one.

The GAO has made a number of recommendations for improving future BRAC rounds, including improving the process for accurately identifying and estimating all costs associated with BRAC decisions. I look forward to hearing more from our witnesses about why they believe that another BRAC round is necessary and what changes the Department has put in place to ensure similar cost growth will not occur in any future BRAC round.

Now, setting BRAC aside, one of the more immediate ways our military installations can save money is through the adoption of

more energy efficient technologies. I am pleased to see the Department and each of the services continue to strive for smarter ways to become energy efficient. That is perhaps why the Department was able to reduce its installation energy consumption by 2.4 percent and approximately \$100 million in fiscal year 2012. The expanded use of metering to ensure an accurate baseline and smart grid technologies enable energy users to adapt to demand fluctuations and better informs our installation energy managers. Even simple fixes like stopping water line leaks ensures that in these

times of fiscal uncertainty, the Department is doing its best at increasing efficiency.

Last week, the full committee released a report of our year-long review of Department of Defense spending overseas. The review focused on spending in Japan, South Korea, and Germany, three critical allies. In order to better sustain our presence in these countries, we need to understand and control our costs. The committee's bipartisan report describes inadequate oversight of military construction projects built with in-kind payments. It also discusses in-kind payments earmarked for nonessential projects at a time when the Department is under severe budget constraints. Every dollar spent on unnecessary or unsustainable projects is a dollar unavailable to care for our troops and their families, to maintain and modernize equipment, and to pay for necessary investments in base infrastructure. The committee will be assessing what changes in law might be necessary to ensure closer scrutiny of our overseas investments and avoid future commitments that may be inefficient or unaffordable. And I will be very interested in hearing what our panels think about this report and suggestions for future changes. The President's budget request also includes \$3.8 billion for defense environmental programs, down from last year's request and representing the fourth consecutive year of decreases in funding for the program. As with past years, the largest piece of the environmental budget request is the environmental restoration program, the cleanup of contamination at bases, current and former, including the remediation of discarded military munitions. While the restoration budget has remained relatively steady over the past few years, it is important that the Department and the Congress remain committed to the remediation of contamination, including the cleanup of military munitions at thousands of sites around the country.

I would also like to take a moment to express my strong support for the Navy's inclusion of a project in its budget request to modernize and consolidate a number of facilities at Portsmouth Naval Shipyard that support our nuclear submarine fleet. I am sure it comes as no surprise that Senator Ayotte and I are particularly interested in what is happening at the shipyard. But Portsmouth is the only east coast maintenance depot for Virginia Class submarines, and this project will help to ensure that this capability is maintained for many years into the future. I understand that this project will not only improve productivity by consolidating several dispersed activities, but will also result in energy savings by reducing the overall footprint of the facilities through the adoption of more energy efficient technologies. I believe these are exactly the kinds of projects the Department should be pursuing, and I applaud the Department and the Navy for making these investments.

Now, before our witnesses their opening remarks, I will ask Senator Ayotte if she has any statement.

HOLD UNTIL RELEASED

BY THE COMMITTEE

Statement of

Mr. John Conger

Acting Deputy Under Secretary Of Defense

(Installations and Environment)

Before the Senate Armed Services Committee

Subcommittee on Readiness and Management Support

April 24, 2013

Introduction

Chairwoman Shaheen, Ranking Member Ayotte and distinguished members of the subcommittee: Thank you for the opportunity to present the President's Fiscal Year (FY) 2014 budget request for the Department of Defense programs supporting installations, facilities energy and the environment.

It would be an understatement to say these are challenging times for the DoD budget. The impact of sequestration on our installations budgets in FY 2013, combined with the uncertain budget context it poses for the next decade, requires us to change the way we think about our installations and the funds we will allocate to maintain them. We are still evaluating the impact the FY2013 cuts have had and will have on our various installations accounts, but we must consider every day how we can drive efficiencies and do more with less.

While budgets are constrained and force structure shrinks, our infrastructure is being held constant. Our portfolio of approximately 550,000 buildings and structures, 2.3 billion square feet, and a replacement value of \$848 billion will be recapitalized and maintained in FY 2014 through our request of \$11 billion for military construction and family housing and \$10.85 billion in operations and maintenance (O&M) for sustainment, restoration and modernization.

This budget request represents a prudent investment in recapitalizing and maintaining our facilities. Installations are critical components of our ability to fight and win wars. Whether that installation is a forward operating location or a training center in the United States, our warfighters cannot do their job without bases from which to fight, on which to train, or in which to live when they are not deployed. The bottom line is that installations support our military readiness, and we must ensure they continue to do so.

Moreover, the environment in which our forces and their families live has an impact on their ability to do their job, and the Department's ability to retain those troops. Quality of life – to include not only the physical condition of the facilities in which our servicemen and servicewomen and their families live and work, but whether or not there is a safe, healthy environment around and within those facilities – is also critical to the readiness of the force. This request reflects that priority.

Still, while we prioritize readiness and protect quality of life, we must be constantly seeking efficiencies in the budget. We are exploring ways to lower the cost of military construction as well as the cost of operating our facilities into the future. We are also cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs – from depot maintenance to training to bullets and bombs. That is why the President's Budget Request for Fiscal Year 2014 also requests authority to conduct a round of Base Realignment and Closure in 2015.

My testimony will outline the FY 2014 budget request and highlight a handful of top priority issues – namely, the Administration's request for BRAC authority, European consolidation efforts, status of the plan to move Marines from Okinawa to Guam, an overview of our energy

programs, and the request to renew or expand our land withdrawals at several critical installations.

Fiscal Year 2014 Budget Request – Military Construction and Family Housing

The President's FY 2014 Military Construction (MilCon) and Family Housing Appropriation request totals \$11.0 billion, a decrease of approximately \$211.1 million from the FY 2013 budget request. Our MilCon and Family Housing budget will allow the Department to respond rapidly to warfighter requirements, enhance mission readiness, and provide essential services for its personnel and their families, while better balancing available resources and our security needs.

Table 1. MilCon and Family Housing Budget Request, FY 2013 vs. FY 2014

(\$ Millions)	FY 2013 Request	FY 2014 Request	Change from FY 2013	
			Funding	Percent
Military Construction	8,540.7	8,505.3	(35.3)	(0.4%)
Base Realignment and Closure	476.0	451.4	(24.7)	(5.2%)
Family Housing	1,650.8	1,542.7	(108.0)	(6.5%)
Chemical Demilitarization	151.0	122.5	(28.5)	(18.9%)
Energy Conservation Investment Program	150.0	150.0	0.0	0.0%
NATO Security Investment Program	254.2	239.7	(14.5)	(5.7%)
TOTAL	11,222.7	11,011.6	(211.7)	(1.9%)

Numbers may not add due to rounding

Military Construction

We are requesting \$9.0 billion for military construction (Military Construction, Chemical Demilitarization, Energy Conservation Investment Program and NATO Security Investment Program). This request addresses routine needs for construction at enduring installations stateside and overseas, and for specific programs such as the NATO Security Investment Program and the Energy Conservation Investment Program. In addition, we are targeting MilCon investments in three key areas:

First and foremost, our MilCon request supports the Department's operational missions. MilCon is key to initiatives such as the Nuclear Weapon Security Deviation Elimination Initiative and the Army Stationing Initiative, as well as the President's timeline for the European Phased Adaptive Approach (EPAA), and for projects that support enhanced homeland defense capabilities. Our FY 2014 budget includes \$3.26 billion to support operations and training requirements, including: range and training facilities for ground forces at several Army and USMC installations; a third increment of the Naval Explosives Handling Wharf at Kitsap, Washington; Air Force infrastructure to bed-down the initial delivery of the KC-46A tankers; communications facilities in California and Japan to support operations in the Pacific region; and training and support facilities for Special Operations Forces.

Second, our FY 2014 budget request includes \$797.8 million to replace or modernize 17 DoD Education Activity (DoDEA) schools that are in poor or failing physical condition. These projects, most of which are at enduring locations overseas, support the Department's plan to replace or recapitalize more than half of DoDEA's 194 schools over the next several years. The recapitalized or renovated facilities, intended to be models of sustainability, will provide a modern teaching environment for the children of our military members.

Third, the FY 2014 budget request includes \$1.2 billion for 11 projects to upgrade our medical infrastructure, including \$151.5 million for the third increment of funding to replace the Landstuhl Regional Medical Center at the Rhine Ordnance Barracks in Germany, a critical facility supporting our wounded warriors. Our budget addresses medical infrastructure projects that directly impact patient care, and enhance our efforts to recruit and retain personnel. These projects are crucial for ensuring that we can deliver the quality healthcare our service members and their families deserve, especially during overseas tours.

Family Housing and Unaccompanied Housing

A principal priority of the Department is to support military personnel and their families and improve their quality of life by ensuring access to suitable, affordable housing. Service Members are engaged in the front lines of protecting our national security and they deserve the best possible living and working conditions. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale.

Our \$11.0 billion MilCon request includes \$1.5 billion to fund construction, operation, and maintenance of government-owned family housing worldwide. Most government-owned family housing is on enduring bases in foreign countries, since the Department has privatized the vast majority of its family housing in the continental United States. The requested funding will ensure that we can continue to provide quality, affordable housing to U.S. military personnel and their families.

The Department is committed to improving housing for our unaccompanied personnel as well. In recent years, we have invested heavily in unaccompanied personnel housing to support initiatives such as BRAC, global re-stationing, force structure modernization and Homeport Ashore—a Navy program to move Sailors from their ships to shore-based housing when they are at their homeport. The FY 2014 MilCon budget request includes \$423 million for 11 construction and renovation projects that will improve living conditions for more than 2,000 unaccompanied personnel.

The Services rely largely on privatization to provide family housing on U.S. installations. As you've heard from my predecessors, privatization of family housing—where the Services partner with the private sector to generate housing built to market standards—is the single most effective reform my office has carried out. Prior to privatization, the Services' chronic underinvestment in their facilities had created a crisis, with almost 200,000 of the Department's family housing units rated "inadequate." Privatization leverages the power of the commercial market to serve our

needs. With an investment of approximately \$3.6 billion, the Services have generated \$29.7 billion in construction to build new and renovate existing family housing units. The Services also transferred responsibility for maintenance, operation and recapitalization for 50 years to private entities that have an incentive to maintain the housing so as to attract and retain military tenants.

Table 2. Family Housing Budget Request, FY 2013 vs. FY 2014

(\$ Millions)	FY 2013 Request	FY 2014 Request	Change from FY 2013	
			Funding	Percent
Family Housing Construction/Improvements	190.6	193.8	3.1	1.6%
Family Housing Operations & Maintenance	1,458.3	1,347.2	(111.2)	(7.6%)
Family Housing Improvement Fund	1.8	1.8	0	(0.3)
TOTAL	1,650.8	1,542.7	(108.1)	(6.5%)

Numbers may not add due to rounding

Facilities Sustainment, Restoration and Modernization

In addition to investing in new construction, we must maintain, repair, and recapitalize our existing facilities. The Department's Sustainment and Recapitalization programs strive to keep our inventory of facilities mission capable and in good working order. Facility recapitalization is the funding that is used to improve a facility's condition through repair (restoration and modernization) or replacement [Military Construction (MilCon)]. Sustainment represents the Department's single most important investment in the health of its facilities. It includes regularly scheduled maintenance and repair or replacement of facility components—the periodic, predictable investments an owner should make across the service life of a facility to slow its deterioration and optimize the owner's investment. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility, and helps improve the productivity and quality of life of our personnel.

For FY 2014, the Department's Operations and Maintenance (O&M) request for Facility Sustainment, Restoration and Modernization (FSRM) includes \$8.0 billion for sustainment, \$2.7 billion for restoration and modernization (recapitalization), and \$145 million for demolition. The total FSRM O&M funding (\$10.85 billion) reflects a 0.3 percent increase from the FY 2013 President's Budget (PB) request (\$10.81 billion). While the Department's goal is to fund sustainment at 90% of modeled requirements, due to budget challenges, the Army, Navy, and Air Force have taken risk in maintaining and recapitalizing existing facilities. These Services continue to budget to fund sustainment at between 80% and 85% of the modeled requirement, whereas the Marine Corps and most Defense Agencies achieve or exceed the 90% goal.

Continued deferred sustainment of existing facilities will present the Department with larger bills in the outyears to replace facilities that deteriorate prematurely due to underfunding.

Table 3. Facility Sustainment, Restoration and Modernization Budget Request,
FY 2013 vs. FY 2014

(\$ Millions)	FY 2013 Request	FY 2014 Request	Change from FY 2013	
			Funding	Percent
Sustainment	7,895.0	8,040.0	145.0	1.8%
Restoration and Modernization	2,794.0	2,666.0	(128.0)	(4.6%)
Demolition	125.0	145.0	20.0	16.0%
TOTAL FSRM	10,814.0	10,851.0	37.0	0.3%

Our FY 2014 budget also includes \$2.7 billion in O&M funds for recapitalization, reflecting a decrease of 4.6% from the FY 2013 PB request. This decrease largely results from the Services' decision to defer renovations at locations that may be impacted by changes in force structure. This constrained funding follows significant reductions in energy conservation investments from Sequestration reductions in FY 2013, which will make achievement of DOD's statutory energy intensity goals impossible to attain for the foreseeable future.

A final category of investment is demolition, which allows the Services to eliminate facilities that are excess to need or no longer cost effective to operate. Our FY 2014 budget request includes \$145 million in operations and maintenance funding, a net increase of \$20 million (16%) over the FY 2013 request. This funding will allow us to demolish approximately 5 million square feet of facilities. Demolition is also accomplished as part of many of our military construction projects, and with both sources of funding, we anticipate eliminating over 62 million square feet of space between FY 2008 and FY 2014. Demolition is an important task in completing an asset's life cycle. In most of cases, it removes eyesores and hazards from our installations and opens land for other uses.

Ongoing Initiatives to Reduce Costs and Improve Value

Finally, I would like to mention several ongoing initiatives designed to improve the Department's management of our infrastructure.

Clarifying Anti-terrorism/force protection (AT) standards: On December 7, 2012, the Deputy Secretary issued policy for DoD to begin using the antiterrorism standards developed by the Federal Interagency Security Committee (ISC) for DoD leased space in buildings, in lieu of continuing the use of DoD-developed standards. The revised policy will put DoD in line with other Federal agencies when determining security requirements for leased facilities, thereby

promoting efficiencies with leasing arrangements through General Services Administration, particularly in buildings with multiple federal tenants, as commonly found in urban areas. Additionally, because the ISC standards will allow DoD to better align organization missions to threats and risk mitigation, the Department can realize cost savings through decreased relocation, rent, and retrofit costs. We will also be reviewing our on-base processes for applying antiterrorism standards to determine if the ISC or similar processes and standards are more appropriate given the vast spectrum of missions that occur on military installations.

Improving Facility Assessments: In order to understand the effect of investments on our infrastructure, we need a reliable process for measuring the condition of those assets. Accurate and consistent Facility Condition Index (FCI) data, expressed in terms of the relationship between what it would cost to repair a facility to a like-new condition and what it would cost to replace that facility, are essential for leadership to make informed decisions that target scarce resources to those facilities in most need of recapitalization, or to identify those assets that should be demolished. The Department is developing policy to reinvigorate and standardize our inspection and reporting processes, to include qualified professionals conducting the inspections. To make the results of these inspections relevant, we intend on using the FCIs as a centerpiece for a new recapitalization program that better considers facility conditions when prioritizing asset investments.

Improving Asset Investments Planning & Programming: Budgets associated with sustaining, renovating and modernizing DoD facilities are dropping at a disproportional rate compared to the size of our existing inventory. The facility investments made over the last decade, as a result of Grow the Forces, BRAC 2005, and Army Modularity initiatives, can easily be undermined with sharp reductions in future maintenance budgets. The Department is nearing completion on establishing a facility recapitalization program that focuses on the use of FCIs, which makes having an accurate and consistent facility inspection program essential. The recapitalization program will contain elements that look broadly across DoD's facility inventory as well as target specific facilities that fall below a minimum FCI. The former element provides the DoD Components with flexibility in prioritizing which assets best support their operational priorities and maintaining appropriate levels for quality of life. For assets that fall below an acceptable FCI, the DoD Components will be charged with determining whether that asset should be repaired, replaced or demolished. The concept is to only retain and sustain those facilities that contribute to our military readiness and are in a condition that will not jeopardize life, health, and safety of DoD personnel, weapon systems, or equipment.

Reducing the Federal Premium: My office continues to interact with industry and academia to explore innovation and efficiency in military construction projects, as part of our focus on Better Buying Power initiatives. We are completing a study on military construction unit costs compared with commercial unit costs for similar facilities. We are evaluating medical facilities, unaccompanied housing, administrative buildings, child care centers, and schools for differences in constructed features and costs, as well as other process-based differences and their impacts on costs. The insight gained from this study should allow us to identify potential cost-saving measures in DoD-based processes or requirements, as well as cost-saving opportunities in statutory requirements that we will work with Congress to address.

Reducing Life Cycle Costs While Minimizing Impacts to First Costs: In March, the Department published its new construction standard (Unified Facilities Criteria), governing the construction of all new buildings and major renovations. The new standard incorporates the most cost-effective elements of consensus-based green building standards like those managed by the American Society of Heating Refrigeration and Air Conditioning Engineers (ASHRAE) to help accelerate DoD’s move toward more efficient, sustainable facilities that cost less to own and operate. This new standard is consistent with recommendations made by the National Research Council following their evaluation of the cost effectiveness of commercial green building standards and rating systems.

Fiscal Year 2014 Budget Request – Environmental Programs

The Department has long made it a priority to protect the environment on our installations, not only to preserve irreplaceable resources for future generations, but to ensure that we have the land, water and airspace we need to sustain military readiness. To achieve this objective, the Department has made a commitment to continuous improvement, pursuit of greater efficiency and adoption of new technology. In the President’s FY14 budget, we are requesting \$3.83 billion to continue the legacy of excellence in our environmental programs. While this is below the FY13 request, the reduction reflects improved technologies and processes rather than any decline in effort.

The table below outlines the entirety of the DoD’s environmental program, but I would like to highlight a few key elements where we are demonstrating significant progress – specifically, our environmental restoration program, our efforts to leverage technology to reduce the cost of cleanup, and the Readiness and Environmental Protection Initiative (REPI).

Table 4: Environmental Program Budget Request, FY2014 vs. FY2013

(\$ Millions)	FY13 Request	FY14 Request	Change from FY13	
			Funding	Percent
Environmental Restoration	\$1,424	\$1,303	-\$121	-8.5%
Environmental Compliance	\$1,449	\$1,460	+\$11	+0.8%
Environmental Conservation	\$378	\$363	-\$15	-4.0%
Pollution Prevention	\$111	\$106	-\$5	-4.5%
Environmental Technology	\$220	\$214	-\$6	-2.7%
Legacy BRAC Environmental	\$318	\$379*	-\$12	-3.1%
BRAC 2005 Environmental	\$73			

TOTAL	\$3,974	\$3,826	-\$148	-3.7%
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* BRAC accounts were combined in FY13 NDAA

Environmental Restoration

We are requesting \$1.7 billion to continue cleanup efforts at remaining Installation Restoration Program (IRP – focused on cleanup of hazardous substances, pollutants and contaminants) and Military Munitions Response Program (MMRP – focused on the removal of unexploded ordnance and discarded munitions) sites. This includes \$1.3 billion for "Environmental Restoration," which encompasses active installations and Formerly Used Defense Sites (FUDS) locations and \$379 million for "BRAC Environmental." DoD is making steady progress, moving sites through the cleanup process towards achieving program goals. While the FY2014 request for environmental restoration is down 8.5%, that reduction is because DoD has nearly finished investigating our sites and is bounding the problem.

Table 5: Progress Toward Cleanup Goals

Goal: Achieve Response Complete at 90% and 95% of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by FY2018 and FY2021, respectively			
	Status as of the end of FY2012	Projected Status at the end of FY2018	Projected Status at the end of FY2021
Army	88%	97%	98%
Navy	72%	89%	95%
Air Force	68%	89%	94%
DLA	88%	91%	91%
FUDS	75%	90%	94%
Total	77%	92%	96%

By the end of 2012, the Department, in cooperation with state agencies and the Environmental Protection Agency, completed cleanup activities at 77 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, and is now monitoring the results. During Fiscal Year 2012 alone, the Department completed cleanup at over 900 sites. Of the more than 38,000 restoration sites, over 29,000 are now in monitoring status or cleanup completed. We are currently on track to exceed our program goals – anticipating complete cleanup at 96% of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by the end of 2021.

Our focus remains on continuous improvement in the restoration program: minimizing overhead; developing new technologies to reduce cost and accelerate cleanup; and refining and standardizing our cost estimating. All of these initiatives help ensure that we make the best use of our available resources to complete cleanup.

Note in particular that we are cleaning up sites on our active installations in parallel with those on bases closed in previous BRAC rounds – cleanup is not something that DoD pursues only

when a base is closed. In fact, the significant progress we have made over the last 20 years cleaning up contaminated sites on active DoD installations is expected to reduce the residual environmental liability.

Environmental Technology

A key part of DoD's approach to meeting its environmental management obligations and improving its performance is its pursuit of advances in science and technology. The Department has a long record of success when it comes to developing innovative environmental technologies and getting them transferred out of the laboratory and into actual use on our remediation sites, installations, ranges, depots and other industrial facilities. These same technologies are also now widely used at non-Defense sites helping the nation as a whole.

While the FY2014 budget request for Environmental Technology overall is \$214 million, our core efforts are conducted and coordinated through two key programs—the Strategic Environmental Research and Development Program (SERDP – focused on basic research) and the Environmental Security Technology Certification Program (ESTCP – which validates more mature technologies to transition them to widespread use). The FY14 budget request includes \$72.3 million for SERDP and \$39.5 million for ESTCP for environmental technology demonstrations. (The budget request for ESTCP includes an additional \$32.0 million for energy technology demonstrations.)

These programs have already achieved demonstrable results and have the potential to reduce the environmental liability and costs of the Department – developing new ways of treating groundwater contamination, reducing the life-cycle costs of multiple weapons systems, and most recently, developing technology that allows us to discriminate between hazardous unexploded ordnance and harmless scrap metal without digging up an object. This last development promises to reduce the liability of the MMRP program by billions of dollars and accelerate the current cleanup timelines for sites within the program – without it, we experience a 99.99% false positive rate and are compelled to dig up hundreds of thousands of harmless objects on every MMRP site. We are proceeding deliberately and extremely successfully with a testing and outreach program designed to validate the technology while ensuring cleanup contractors, state and Federal regulators, and local communities are comfortable with the new approach. We are already beginning to use this new tool at a few locations, but hope to achieve more widespread use within the next few years.

Environmental Conservation and Compatible Development

In order to maintain access to the land, water and airspace needed to support our mission needs, the Department continues to manage successfully the natural resources entrusted to us – including protection of the many threatened and endangered species found on our lands. DoD manages over 28 million acres containing some 420 federally listed threatened or endangered species, more than 520 species-at-risk, and many high-quality habitats. A surprising number of these species are endemic to military lands – that is, they are found nowhere else in the world – including more than ten listed species and at least 75 species-at-risk.

While we make investments across our enterprise focused on threatened or endangered species, wetland protection, or protection of other natural, cultural and historical resources, I wanted to highlight one particularly successful and innovative program – the Readiness and Environmental Protection Initiative (REPI) – for which we are requesting \$50.6 million in FY 2014.

REPI is a key tool for combating the encroachment that can limit or restrict military test and training. Under REPI, DoD partners with conservation organizations and state and local governments to preserve buffer land near installations and ranges. Preserving these areas allows DoD to avoid much more costly alternatives, such as workarounds, segmentation or investments to replace existing test and training capability, while securing habitat off of our installations and taking pressure off of the base to restrict activities. REPI supports the warfighter and protects the taxpayer because it multiplies the Department's investments with its unique cost-sharing agreements. Even in these difficult economic times for states, local governments and private land trusts, REPI partners continue to directly leverage the Department's investments one-to-one. In other words, we are securing this buffer around our installations for half-price.

In ten years of the program, REPI partnerships have protected more than 270,000 acres of land around 64 installations in 24 states. This land protection has resulted in tangible benefits to test and training, and also significant contribution to biodiversity and endangered species recovery actions. For example, the U.S. Fish and Wildlife Service recently found it was not warranted to list a butterfly species as endangered in Washington State, citing the “high level of protection against further losses of habitat or populations” from Joint Base Lewis-McChord's REPI investment on private prairie lands in the region. In California, the U.S. Fish and Wildlife Service exempted Marine Corps Base Camp Pendleton populations of Riverside fairy shrimp from critical habitat designation because of ongoing base management activities and also off-post buffer protection. Both of these actions allow significant maneuver areas to remain available and unconstrained for active and intense military use at both locations.

Highlighted Issues

In addition to the budget request, there are several legislative requests and other initiatives that have received interest from Congress. In the sections that follow, I highlight five specific items of interest – 1) Base Realignment and Closure, 2) European Basing Consolidation, 3) Rebasing of Marines from Okinawa to Guam, 4) DoD Facilities Energy Programs, and 5) Request for Legislative Land Withdrawals.

1. Base Realignment and Closure (BRAC)

The Administration is requesting authority from Congress to conduct a BRAC round in 2015.

The Department is facing a serious problem created by the tension caused by declining budgets, reductions in force structure, and limited flexibility to adapt our infrastructure accordingly. We need to find a way to strike the right balance, so infrastructure does not drain resources from the warfighter. Without question, installations are critical components of our ability to fight and win wars. Whether that installation is a forward operating location or a training center in the United

States, our warfighters can't do their job without bases from which to fight, on which to train, or in which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs – from depot maintenance to training to bullets and bombs.

While the primary function of BRAC is to match infrastructure to missions, it is also about trimming excess so that resources otherwise wasted on unnecessary facilities can be reapplied to higher priorities. Savings from BRAC are substantial. The first four rounds of BRAC (1988, 1991, 1993 and 1995) are producing a total of about \$8 billion in annual, recurring savings, and BRAC 2005 is producing an additional \$4 billion in annual, recurring savings. This \$12 billion total represents the savings that the Department realizes each and every year as a result of the avoided costs for base operating support, personnel and leasing costs that BRAC actions have made possible.

An additional savings benefit of BRAC is that it enables the Department to execute the civilian workforce efficiencies plan required by the FY 2013 National Defense Authorization Act. BRAC 2005 eliminated 13,000 civilian positions associated with closed installations and reorganized common business oriented support functions. The BRAC 1993/95 rounds averaged 36,000 eliminations per round. Congress has already demanded these civilian personnel cuts, and if they are not made through BRAC, they will need to be made elsewhere.

We believe the opportunity for greater efficiencies is clear, based on three basic facts:

- In 2004, DoD conducted a capacity assessment that indicated it had 24% aggregate excess capacity;
- In BRAC 2005, the Department reduced only 3.4% of its infrastructure, as measured in Plant Replacement Value – far short of the aggregate excess indicated in the 2004 study;
- Force structure reductions – particularly Army personnel (from 570,000 to 490,000), Marine Corps personnel (from 202,000 to 182,000) and Air Force force structure (reduced by 500 aircraft) – subsequent to that analysis point to additional excess.

The fundamental rationale for using the BRAC process to achieve these efficiencies is to enable DoD, an independent commission, the public, and Congress to engage in a comprehensive and transparent process to facilitate the proper alignment of our infrastructure with our mission. As we witnessed last year, piecemeal attempts to improve the alignment of installations to mission are generally met with skepticism and resistance from Congress and state and local officials who question DoD's rationale to the extent that the proposed changes are effectively stopped. Indeed, recent statutory changes have further restricted the Department's ability to realign its installations. Absent BRAC, the Department is effectively locked into a status quo configuration. BRAC, therefore, should be an essential part of any overall reshaping strategy.

BRAC provides us with a sound analytical process that is proven. It has at its foundation a 20-year force structure plan developed by the Joint Staff; a comprehensive installation inventory to ensure a thorough capacity analysis; and defined selection criteria that place priority on military value (with the flexibility to express that in both a quantitative and qualitative way).

The BRAC process is comprehensive and thorough. Examining all installations and conducting thorough capacity and military value analyses using certified data enable rationalization of our infrastructure in alignment with the strategic imperatives detailed in the 20-year force structure plan. The merits of such an approach are twofold. First, a comprehensive analysis ensures that the Department considers a broad spectrum of approaches beyond the existing configuration to increase military value and align with our strategy. Second, the process is auditable and logical which enables independent review by the commission and affected communities. In its 2013 report GAO stated,- "We have reported that DoD's process for conducting its BRAC 2005 analysis was generally logical, reasoned and well documented and we continue to believe the process remains fundamentally sound."

Additionally, and of primary importance, is the BRAC requirement for an "All or None" review by the President and Congress, which prevents either from picking and choosing between the Commission's recommendations. Together with the provision for an independent commission, this all-or-none element is what insulates BRAC from politics, removing both partisan and parochial influence, and demonstrating that all installations were treated equally and fairly. It is worth noting that the process validates the importance of those bases that remain and are then deserving of continued investment of scarce taxpayer resources.

The Department's legal obligation to close and realign installations as recommended by the Commission by a date certain, ensures that all actions will be carried out instead of being endlessly reconsidered. That certainty also facilitates economic reuse planning by impacted communities.

Finally, after closure, the Department has a sophisticated and collaborative process to transition the property for reuse. The Department is mindful of the significant toll BRAC has on our host locations. Our Office of Economic Adjustment (OEA) provides technical and financial support to help these communities through closure, disposal, and redevelopment with a program tailored to their specific planning and implementation requirements. The former installation is often the single greatest asset for impacted communities to redevelop and restore a lessened tax base and the lost jobs from closure. One of the most important disposal authorities available to help impacted communities with job creation is the Economic Development Conveyance (EDC). The Department is using the full breadth of this authority to structure conveyances into win-win agreements wherein communities can create jobs and bolster their local tax base, and the Department sees increased savings through reduced property maintenance costs and participation in the cash flows from successful local redevelopment efforts.

The Department anticipates approximately 13,000 jobs will be generated by eight EDCs for real and related personal property at the following BRAC 2005 locations: Kansas Army Ammunition Plant, KS; Lone Star/Red River Army Depot, TX; Naval Air Station Brunswick, ME; Newport Chemical Depot, IN; Buckley Annex, CO; Fort Monmouth, NJ; Pascagoula Naval Station, MS; and Ingleside Naval Station, TX. The Department anticipates approving additional EDCs in Fiscal Years 2013 and 2014.

2. European Basing Consolidation

In response to last year's request for BRAC authority, many in Congress asserted that we should look first at our overseas infrastructure for reductions. Even though we have already made substantial reductions over the last several years in our European-based personnel and infrastructure, upcoming force structure changes and a focus on greater joint utilization of assets should produce additional opportunities for reducing infrastructure while preserving required capabilities.

To that end, on January 25, then Secretary Panetta directed the Department to initiate a review of our European footprint, stating: "Consolidation of our footprint in Europe will take into account the shift in strategic focus to the Pacific; the planned inactivation of two Brigade Combat Teams and associated support forces; reductions in Air Force units; and decreasing requirements for support to the ongoing conflict in Afghanistan."

In response, we have initiated a comprehensive infrastructure analysis effort that will identify potential closure/consolidation scenarios. We are developing business case analyses for this task, taking operational impacts, return on investment, and military value into consideration. By the end of this year we plan to conclude with a fully vetted list of options from which the Secretary can make strategic investment decisions.

Through this process we seek to create long-term savings by eliminating excess infrastructure, recapitalizing astutely to create excess for elimination, and closing and/or consolidating sites. The results will ultimately validate our enduring European infrastructure requirements, providing an analytical basis to support sustainment funding and future recapitalization.

3. Rebasing of Marines to Guam

One important rebasing initiative that has received continued attention from Congress is our plan to realign several thousand marines from Okinawa to Guam. The Government of Japan has welcomed the U.S. strategy to rebalance defense priorities toward the Asia-Pacific region and U.S. efforts to advance its diplomatic engagement in the region. To achieve the goals of the shared partnership between the two countries, the U.S.-Japan Security Consultative Committee (SCC) decided to adjust the plans outlined in the original 2006 "Realignment Roadmap".

On April 27, 2012, the SCC issued a joint statement detailing changes to the plans. Specifically, the U.S. and Japan separated the requirement of tangible progress on the construction of the Futenma Replacement Facility (FRF) before the movement of Marines to Guam, from other Marine restationing efforts on Okinawa to return lands to local communities. Also, while the overall number of Marines planned to leave Okinawa remained essentially the same (approximately 9,000), the new distributed laydown will result in fewer Marines (and accompanying family members) being re-stationed to Guam (approximately 5,000) with the remainder of the forces moving to Hawaii and the continental United States.

The revised laydown, commonly referred to as the "distributed laydown" establishes fully capable MAGTFs (maritime, air, ground, logistics, and associated lift) in Okinawa, Guam (~5,000), Australia (~2,500 through a rotational deployment) and Hawaii (~2,700) and ensures that individual MAGTFs can respond rapidly to low-end contingencies (e.g., humanitarian

assistance/disaster relief, counter-piracy, etc.) while also ensuring that the force can aggregate quickly to respond to high-end contingencies. Additionally, the revised laydown increases our ability over time to train and exercise with allies and partners throughout the region.

The President's FY14 budget request includes \$85 million for construction of an aircraft hangar at the north ramp of Andersen Air Force Base. In addition to supporting the Marine Corps Aviation Combat Element relocation to Guam, this facility can also be utilized to meet current operational requirements of Marine units in the Pacific. Our request includes another \$273.3 million for non-military assistance to address Guam water and wastewater improvements. As a result of the fragile state of Guam's water and wastewater infrastructure, remedies and new infrastructure are required to support existing military missions, as well as potential growth associated with the Department's rebalance to the Asia-Pacific region. Numerous Federal agencies, including the Environmental Protection Agency (EPA), worked with the Department and validated these water and wastewater requirements, concluding significant capital improvements were necessary.

Finally, as a result of the adjustments to the laydown of Marines on Guam, the Department must conduct a Supplemental Environmental Impact Study (SEIS). This SEIS supersedes and expands on the previously initiated Live Fire Training Range Complex (LFTRC) SEIS by incorporating the requirement for a new Marine Corps cantonment area on Guam. With the reduction in the size of future Marine forces in Guam, the National Environmental Policy Act requirements are being combined in order to determine the optimal locations for the range complex, cantonment and housing relative to each other and the Record of Decision is anticipated in Feb 2015.

4. DoD Facilities Energy Programs

The Department has focused on facilities energy for -three key reasons: to reduce costs; improve the energy security of our fixed installations; and achieve DoD's statutory energy goals. Energy bills are the largest single cost in our facilities operations accounts, and any effort to reduce the cost of installations must include efforts to reduce them. Moreover, given the reach of our installations to provide direct support to operational forces, we must reduce the vulnerability of our installations to possible outages of the electric grid. DoD has statutory energy goals for energy intensity and renewable energy among other statutory goals.

Our approach to achieving these goals has four elements: reduce the demand for traditional energy through conservation and improved energy efficiency; expand the supply of renewable and other distributed (on-site) generation sources; enhance the energy security of our installations directly (as well as indirectly, through the first two elements); and leverage advanced technology.

Reduce Demand

From DOD's new energy budget data system within the Department's FY14 budget request, there are approximately \$1 billion in energy conservation investments, mostly for investments in repair and upgrading systems in existing buildings. The preponderance of these investments are

within the Facilities Sustainment, Restoration and Modernization accounts along with other necessary investments in maintaining our existing real property. As mentioned in that section above, this constrained funding follows significant reductions in energy conservation investments from Sequestration reductions in FY 2013, which will make achievement of DOD's statutory energy intensity goals impossible to attain for the foreseeable future. One account that is singled out is the Energy Conservation Investment Program (ECIP), a Military Construction appropriation for which we are requesting \$150 million. DOD also is investing more than \$2 billion in energy conservation projects for Operational Energy, including aviation and other transportation fuels that are used on DOD bases.

The Services also use third-party financing tools, such as Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), to improve the energy efficiency of their existing buildings. While such performance-based contracts have long been part of the Department's energy strategy, in FY2012 the DoD committed to award nearly \$1.2 billion in performance-based contracts by the end of 2013, or soon thereafter, in response to the President's Dec. 2, 2011 commitment (\$2 billion in such contracts Federal Government-wide). To date, the Department has awarded 39 contracts worth \$362 million with another ~\$930 million in contracts under development.

In addition to retrofitting existing buildings, we are taking advantage of new construction to incorporate more energy-efficient designs, material and equipment into our inventory. This past March, I issued a new construction standard for high-performance, sustainable buildings, which will govern all new construction, major renovations and leased space acquisition. This new standard, which incorporates the most cost effective elements of commercial standards like ASHRAE 189.1, will accelerate DoD's move toward efficient, sustainable facilities that cost less to own and operate, leave a smaller environmental footprint and improve employee productivity.

Collection of accurate, real-time facility energy information remains a priority. My office continues to lead the development of an Enterprise Energy Information Management system (EEIM) that will collect facility energy data in a systematic way. The EEIM will also provide advanced analytical tools that allow energy professionals at all levels of the Department both to improve existing operations and to identify cost-effective investments. In order to make EEIM a reality, the Department must vastly increase the deployment of advanced energy meters, capable of automatically collecting energy use information.

Expand Supply of On-Site Energy

DoD is increasing the supply of renewable and other distributed (on-site) sources of energy on our installations. On-site energy is critical to making our bases more energy secure. The Military Departments have each established a goal to develop 1 gigawatt (GW) of renewable energy (RE) by 2025. Almost all projects will be third-party financed, using existing authorities (e.g., 10 U.S.C. Sec. 2922a and enhanced use leases).

The Army issued a Multiple Award Task Order Contract (MATOC) Request for Proposal for \$7B in total contract capacity for RE. Army projects currently underway include Fort Bliss, TX (1 MW Solar PV), White Sands Missile Range, NM (4.5 MW Solar PV), and Fort Carson, CO (2

MW Solar PV). The Navy has a goal to produce at least 50 percent of the Navy's shore-based energy requirements from renewable sources by 2020. Projects currently underway include Marine Corps Air Station, Miramar, CA (3 MW Landfill Gas), Marine Corps Logistics Base, Barstow, CA (1.5MW Solar PV), Naval Air Weapons Station China Lake, CA (13.8 MW Solar PV) and Marine Corps Air Ground Combat Center Twentynine Palms, CA (1.2 MW Solar PV). Air Force is using existing authority to lease non-excess land for the development of large-scale RE projects, the first of which is under negotiation at Edwards AFB, CA (200 MW Solar PV projected to come on line in 2016).

Where renewable energy development is compatible with the military mission, certain public lands that have been withdrawn for military purposes offer a significant opportunity to improve our energy security while lowering the cost of energy. My office continues to work closely with the Department of the Interior (DOI) to identify and overcome impediments to the execution of renewable energy projects on such lands.

Enhance Security

The DoD is focusing on a diverse set of solutions to enhance facility energy security. These include prioritization agreements with utilities, addressing operations and maintenance of current back-up generators, microgrids, fuel supply and storage, and ensuring reliable access to fuel in the case of emergencies (e.g., Hurricane Sandy – DLA-Energy and FEMA interagency partnership). Multiple demonstration projects are currently underway to assess the benefits and risks of alternative advanced microgrid and storage technologies.

Leverage Advanced Technology

DoD's Installation Energy Test Bed Program was established to demonstrate new energy technologies in a real-world, integrated building environment so as to reduce risk, overcome barriers to deployment and facilitate widespread commercialization. DoD is partnering with the DOE and reaching out directly to the private sector to identify those energy technologies that meet DoD's needs. The FY14 budget request includes \$32M for the Test Bed under the Environmental Security Technology Certification Program (ESTCP).

The Test Bed has >85 projects underway in five broad areas: advanced microgrid and storage technologies; advanced component technologies to improve building energy efficiency, such as advanced lighting controls, high performance cooling systems and technologies for waste heat recovery; advanced building energy management and control technologies; tools and processes for design, assessment and decision-making on energy use and management; and on-site energy generation, including waste-to-energy and building integrated systems. The rigorous Installation Energy Test Bed Program provides an opportunity for domestic manufacturers to demonstrate the technical and economic feasibility of implementing their innovative products. These demonstrations provide the credible evidence needed by investors to commercialize emerging technologies to serve the DoD and broader markets.

A Note on Renewable Energy Siting

While the DoD has embraced renewable energy projects that improve energy security and reduce cost, and each service has established ~1 gigawatt goals for the production of renewable energy on their installations, we are also responsible for evaluating the impact of these projects on our mission and objecting where there is unacceptable risk to national security. While most transmission and renewable energy projects are compatible, some can interfere with test, training and operational activities. The DoD created the Siting Clearinghouse to serve as the single point of contact for energy and transmission infrastructure issues at the DoD level. The goal of this body is to facilitate timely, consistent and transparent energy siting decisions, while protecting test, training, and operational assets vital to the national defense.

During 2012, the Clearinghouse oversaw the evaluation by technical experts of 1,769 proposed energy projects; 1,730 of these commercial projects, or 98 percent, were cleared (assessed to have little or no impact to DoD test, training or operational missions). These 1,730 projects represent 38 gigawatts of potential renewable energy generation. The 39 projects that have not been cleared are undergoing further study, and the Clearinghouse is working with industry, State, tribal and local governments, and Federal permitting and regulatory agencies to identify and implement mitigation measures wherever possible.

In addition to reviewing projects, the Clearinghouse has conducted aggressive outreach to energy developers, environmental and conservation groups, state and local governments, and other federal agencies. By encouraging developers to share project information, we hope to avert potential problems early in the process. We are being proactive as well by looking at regions where renewable projects could threaten valuable test and training ranges.¹ The Clearinghouse is working with DOE, DHS, and the Federal Aviation Administration to model the impact of turbines on surveillance radars, evaluate alternative mitigation technologies, and expedite fielding of validated solutions.

Finally, the Clearinghouse is taking advantage of Section 358 of the FY11 NDAA, which allows DoD to accept voluntary contributions from developers to pay for mitigation. For example, the Clearinghouse and the Navy have negotiated two agreements that provide for developer contributions for mitigation measures to protect the precision approach radar at the Naval Air Station (NAS) Kingsville, TX, from wind turbine impacts. The agreements facilitate the continued growth of wind energy generation along the Texas Coastal Plain while providing for the safety of student pilots at NAS Kingsville and NAS Corpus Christi. We believe there will be other situations where developers will wish to contribute funds toward mitigation measures in order to realize a much larger return on a project; Section 358 is an extremely useful, market-based tool that allows us to negotiate these win-win deals.

5. BLM Land Withdrawals

¹ DoD is conducting a study to identify areas of likely adverse mission impact in the region that is home to China Lake and Edwards Air Force Base in California, and Nellis Air Force Base and the Nevada Test and Training Range in Nevada. These installations are the Department's premier sites for test and evaluation and require a pristine environment clear of interference. The results of the study can be used by developers as a risk-management tool.

The Department has a number of installations, training areas and ranges that are located partially or wholly on public lands temporarily or permanently withdrawn from public use. Public lands are managed by the Department of the Interior through the Bureau of Land Management (BLM). Withdrawals of public lands for military use require joint actions by the Department of Defense and the Department of the Interior. Withdrawals exceeding 5,000 acres must be authorized by Congressional legislation. Depending on the terms of the prior legislation, some withdrawals must be renewed by legislative action every 20 – 25 years.

Presently, withdrawals for Naval Air Weapons Station (NAWS), China Lake, California and the Chocolate Mountain Aerial Gunnery Range (CMAGR), California expire on October 31, 2014. Additionally, the Army needs to convert its use of public lands at the Montana Army National Guard, Limestone Hills Training Area, from a BLM issued right-of-way to a legislative withdrawal. Finally, the Marine Corps seeks a new withdrawal of public lands at Marine Corps Air Ground Combat Center (MCAGCC) Twentynine Palms, California to expand its training areas to support increased requirements.

NAWS China Lake - NAWS China Lake consists of over 1.1 million acres of land of which 92% are withdrawn public lands. The current legislative withdrawal, expiring in 2014, is for a twenty-year term. Under a Memorandum of Understanding between the Department of the Navy and the Department of the Interior, the Commanding Officer of NAWS China Lake is responsible for managing the withdrawn land. The installation is home to approximately 4,300 DoD personnel and its primary tenant is the Naval Air Warfare Center Weapons Division.

Chocolate Mountain AGR - The Chocolate Mountain range was established in 1941. The range consists of about 459,000 acres of which approximately 227,000 acres are withdrawn public lands under the co-management of the Marine Corps and Bureau of Land Management. The current twenty-year withdrawal is set to expire on October 31, 2014. Its primary uses are aviation weapons training, including, precision guided munitions, and Naval Special Warfare (SEAL) training ranges. It is the only Marine Corps aviation range that is capable of accommodating training with precision guided munitions. Failure to renew the legislative withdrawal will have the practical effect of shutting the entire range down because it is an unusual checkerboard configuration of several hundred parcels of alternating fee owned DoD land and withdrawn public lands.

Limestone Hills Training Area - The Limestone Hills Training Area consists of 18,644 acres of land in Broadwater County, Montana that has been used for military training since the 1950's. In 1984 the BLM issued the Army a right-of-way formally permitting use of the training area for military purposes. The current right-of-way expires on March 26, 2014. The Montana Army National Guard is the primary DoD user of the training area but it is also used by reserve and active components from all branches of the military services for live fire, mounted and dismounted maneuver training and aviation training. The legislative withdrawal of the Limestone Hills Training area is necessary because the BLM has determined that it no longer has the authority to permit the use of the property for military use under a right-of way instrument. If the legislative withdrawal is not enacted, the use of the training area will be suspended and the Department will lose access to valuable training areas, operational readiness will be negatively impacted and training costs will increase.

MCAGCC Twentynine Palms - At MCAGCC Twentynine Palms, the Department proposes to withdraw approximately 154,000 acres of public lands adjacent to the Combat Center. The added training lands would create a training area of sufficient size with characteristics suitable for the Marine Corps to conduct Marine Expeditionary Brigade (MEB) level training. MEB training requires sustained, combined-arms, live-fire and maneuver training of three Marine battalions with all of their associated equipment moving simultaneously towards a single objective over a 72-hour period. The Department has no other training area within its inventory, including the National Training Center at Fort Irwin, California, where it can conduct such training.

The Department has worked since 2007 with the Department of the Interior, the BLM and the Federal Aviation Administration in preparation for the withdrawal. During that period, the Department of the Navy has received numerous comments concerning the potential loss of use of the proposed withdrawal property to off-road recreational vehicle use. The Department's proposed withdrawal provides for continued access by off-road recreational vehicles to just under half of the Johnson Valley Off-Highway Vehicle (OHV) area. About 43,000 acres of the withdrawn lands will be open to year round OHV use and an additional 43,000 acres of the withdrawn lands will be available to OHV use for 10 months out of the year provided there is no active military training. Without the legislative withdrawal of these lands, the Marine Corps will be unable to train its premier forcible entry force, Marine Expeditionary Brigades, to deploy and perform the missions and operations that the Department requires of them.

Because of the looming expiration dates of the current withdrawals for NAWS China Lake and CMAGR and the BLM issued right-of-way for the Limestone Hills Training Area, as well as the continuing Marine Corps training requirement shortfalls, DoD, with DOI's concurrence and cooperation, is leading the renewal process and proposes that the withdrawals be enacted with the FY 14 National Defense Authorization Act. This is somewhat different, in that in past withdrawals, the Department of the Interior typically introduced the withdrawal proposals to its Congressional committees. However, the Department opted to combine these four withdrawals into a single legislative proposal. Unlike prior legislative withdrawals which were uncodified, stand-alone provisions of law, DoD is proposing that these withdrawals be made in a new chapter of title 10, United States Code. This would allow commonality among the withdrawal provisions, place them in a location that is easy to find and refer to, and, if used for future withdrawals, reduce the need to reconsider and revise provisions on responsibilities, rights and requirements with each proposal. An important objective of the consolidated approach is to make the withdrawal process substantially more efficient.

The need to enact legislation and authorize these four withdrawals is urgent. The consequences of failing to enact withdrawal legislation could, in some of these instances, cause severe impacts on the Department if it is forced to stop training and operations. In all cases, the Department has a compelling need for the withdrawn land in order for it to successfully conduct its training, missions and operations with the capabilities and competence that it must maintain.

RECORD VERSION

STATEMENT BY

**THE HONORABLE KATHERINE G. HAMMACK
ASSISTANT SECRETARY OF THE ARMY
(INSTALLATION, ENERGY, AND ENVIRONMENT)**

BEFORE THE

**SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE**

FIRST SESSION, 113TH CONGRESS

**ON MILITARY CONSTRUCTION, ENVIRONMENTAL,
AND BASE CLOSURE PROGRAMS
IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST
FOR FISCAL YEAR 2014
AND THE FUTURE YEARS DEFENSE PROGRAM**

APRIL 24, 2013

**NOT FOR PUBLICATION UNTIL RELEASED BY THE
SENATE COMMITTEE ON ARMED SERVICES**

INTRODUCTION

Chairman Shaheen, Ranking Member Ayotte and Members of the Committee, on behalf of the Soldiers, Families, and Civilians of the United States Army, I want to thank you for the opportunity to present the Army's Fiscal Year (FY) 2014 Military Construction (MILCON) and Family Housing budget request.

The Army's FY 2014 MILCON budget request supports the Chief of Staff of the Army (CSA) priority of developing the force of the future, Army 2020 as part of the Joint Force 2020 – a versatile mix of capabilities, formations, and equipment. Within the current fiscal climate, the Army Installation Management Community is focusing its resources to sustain, restore, and modernize facilities to support the CSA's Army Facility Strategy 2020 and Facility Investment Strategy priorities. The Installation Management Community is focused on providing the facilities necessary to enable the world's best trained and ready land force of the future.

We ask for the Committee's continued commitment to our Soldiers, Families, and Civilians and support of the Army's MILCON and installations programs. The Army's strength is its Soldiers and the Families and Army civilians who support them. They are and will continue to be the centerpiece of our Army. America's Army is the strength of the nation.

OVERVIEW

The Army's FY 2014 President's Budget requests \$2.35 billion for MILCON, Army Family Housing (AFH), and the Army's share of the Department of Defense Base Closure Account (BCA). The request represents 1.8 percent of the total Army budget and a 34 percent reduction from the FY 2013 request. The \$2.35 billion request includes \$1.12 billion for the Active Army, \$321 million for the Army National Guard, \$174 million for the Army Reserve, \$557 million for AFH, and \$180 million for Base Realignment and Closure (BRAC) to address environmental and caretaker requirements at previously closed BRAC sites. In addition and in support of Army installations and facilities, the President's budget request includes \$1.7 billion for

installation energy, \$789 million for environmental programs, \$3.8 billion for Facilities Sustainment/Restoration & Modernization (FSRM), and \$8.9 billion for Base Operations Support (BOS).

The budget request reflects a return to pre-FY 2000 spending levels for the MILCON accounts. From FY 2001 through FY 2011, the MILCON program grew rapidly to support the changes required of the Army at that time. The Army supported combat operations in two theaters, increasing end-strength, the Global Defense Posture Realignment (GDPR), the operationalization of the Reserve Components, and transformation of the Army infrastructure through Base Realignment and Closure (BRAC) 2005. With the fiscal reality that we are facing as a Nation, in addition to the reductions of the Budget Control Act of 2011, the Army closely reviewed its facility investments necessary to support the force with versatile facility capabilities. This MILCON budget request reflects the necessary focused investments in training, maintenance, and operations to enable the future force of the All Volunteer Army of 2020 in a constrained fiscal environment.

ARMY 2020 FORCE STRUCTURE

The Army is in the process of reducing its end-strength and force structure. We are steadily consolidating and reducing our overseas force structure. In FY 2013, the Army announced that two Brigades in Europe would be deactivated, and that V Corps would not be returning to Europe upon the completion of its deployment to Afghanistan. In coordination with the Office of the Secretary of Defense, the Army is examining cost-effective opportunities to facilitate Joint and/or multi-service infrastructure consolidation at our overseas installations, with a specific focus in Europe.

On January 19, 2013, the Army published a Programmatic Environmental Assessment (PEA), which was prepared in accordance with the National Environmental Policy Act (NEPA). The PEA analyzes the environmental and socio-economic impacts associated with two alternative approaches to reducing our force structure. In the PEA, the Army set a “stop loss” threshold so that no multi-Brigade

Combat Team (BCT) installation would lose more than two BCTs, or 8,000 total military and civilian employee personnel, under the worst-case scenario.

The force structure reduction is likely to create excess capacity at several installations. If an installation's assigned military forces are reduced significantly, it logically follows that some number of civilian personnel functions may no longer be required to support our Soldiers and Families. The Army has not yet initiated any capacity analysis to determine the level of excess infrastructure.

In line with the Budget Control Act of 2011 and the new defense strategy announced in January 2012, the FY 2013 Budget significantly reduced the Army's future funding projections. Along with the end of the wars in Iraq and Afghanistan, these changes have put the Army on a path to shrink its active duty end strength from its peak of 570,000 in FY 2010, to 490,000 by FY 2017. This is a reduction of 80,000 Soldiers, or approximately 14%, from the Active Component. As former Defense Secretary Leon Panetta stated about force reductions, "you can't have a huge infrastructure supporting a reduced force." These reductions will affect every installation in the Army. Further, these reductions are already programmed into the Army budget baseline.

Additional cuts to the Army's budget, of the magnitude associated with sequestration, may drive our active component end strength down below 490,000. If the Army is forced to take additional cuts due to the reduction in the outyear discretionary caps, we would need to reduce further the number of Soldiers out of the Active Component, National Guard, and U.S. Army Reserve. This would create even greater pressure to bring infrastructure and civilian staffing into proper alignment with force structure demands.

BASE REALIGNMENT AND CLOSURE (BRAC)

If Army force structure declines, but the facility overhead and civilian support staff remain constant, then our investments in equipment, training, and maintenance will become distorted.

The supporting infrastructure, as well as the civilian positions at our installations, should be reviewed to determine whether they are in line with reductions in end-strength and force structure. The alternative is an installations budget that spends tens or even hundreds of millions of dollars to maintain unused facilities. This scenario would divert the Army's shrinking resources away from much needed investments in readiness, equipment, and training. Failure to properly resource programs supporting Army Families and Soldier readiness will lead to an all volunteer military that is hollowed out and weakened.

At our installations, excess infrastructure, if unaddressed, will force the Army to spread its remaining resources so thinly that the ability of our installation services to support the force will suffer. We will have more buildings in our inventory that require maintenance than we have force structure to validate a requirement. Eventually, excess infrastructure and staff overhead will increase the risk of either spending a disproportionate share of scarce budget resources on sustainment, or not being able to perform the most basic services correctly. For instance, Army civilian and contractor staff that run our digitized training ranges could be spread so thinly that the scheduling and throughput of training events at home station could suffer. As these negative effects accumulate, the remaining Soldiers and Families will be more likely to vote with their feet and leave the Army in an unplanned manner.

Four of the prior rounds of BRAC were implemented as the Cold War was winding down and the Army's force structure was rapidly declining. The combined 1988, 1991, 1993, and 1995 rounds (i.e., "prior BRAC") produced 21 major base closures, 27 significant realignments, \$5B in implementation costs, with over \$3B in one-time savings, and almost \$1B in annual reoccurring savings. Among them was the closure of Fort Ord, California. Fort Ord was the first and only divisional post closed under BRAC, which reflected the Army's reduction of its active component strength from 12 to 10 Divisions.

BRAC 2005 generated \$4.8B in one-time savings and provides over \$1B in net annual recurring savings for the Army. These savings were generated with an implementation period investment of about \$18B. The Army accounted for BRAC savings when developing its fiscal year 2007 and subsequent budget requests. This

downward budget adjustment was beneficial to the installation program overall; it resulted in real savings.

We are requesting authority from Congress to conduct a BRAC round in 2015.

ARMY 2020 FACILITY STRATEGY

As we shape the Army of 2020 through a series of strategic choices over the coming months and years, the Installation Management Community looks to implement its Army Facility Strategy 2020 (AFS 2020) to provide quality, energy efficient facilities in support of the Force and the CSA priorities.

AFS 2020 provides a strategic framework that synchronizes the Army Campaign Plan, the Total Army Analysis, and Army Leadership priorities in determining the appropriate funding to apply in the capital investment of Army facilities at Army installations and Joint Service bases across the country. AFS 2020 is a cost effective and efficient approach to facility investments that reduces unneeded footprint, saves energy by preserving and encouraging more efficient facilities, consolidates functions for efficient space utilization, demolishes failing buildings, and uses appropriate excess facilities as lease alternatives in support of the Army of 2020.

AFS 2020 incorporates a Facility Investment Strategy (FIS) that contains four components executed with MILCON and/or Operations & Maintenance (O&M) funding. FIS includes sustaining/maintaining required facilities; disposing of identified excess facilities by 2020; improving existing facility quality; and building out critical facility shortfalls to include combat aviation brigades, initial entry training barracks, maintenance facilities, ranges, and training facilities.

FISCAL YEAR 2014 BUDGET REQUEST **MILITARY CONSTRUCTION, ARMY**

The FY 2014 Military Construction, Army (MCA) budget requests an authorization of \$978 million and appropriations for \$1,120 million. The difference between the authorization and the appropriations requests is the \$42 million to fund the

second increment of the Cadet Barracks at the United States Military Academy and \$99.6 million for planning and design (P&D), unspecified minor military construction (UMMC), and host nation support. The Cadet Barracks was fully authorized in the FY 2013 National Defense Authorization Act (NDAA). This MCA budget request supports the MILCON categories of Barracks, Modularity, Redeployment/Force Structure, Revitalization, and Ranges and Training Facilities.

Barracks (\$239M/21%): The FY 2014 budget request will provide for 1,800 new initial entry training barracks spaces at three installations replacing current housing in relocatable and temporary buildings. The locations of these replacement projects are: Fort Gordon, Georgia; Fort Leonard Wood, Missouri; and Joint Base Langley-Eustis, Virginia. The final project in this category is \$42 million for the second increment of the Cadet Barracks at the United States Military Academy, which was fully authorized in FY2013.

Modularity (\$322M/29%): The Army will invest \$247 million at Joint Base Lewis McChord, Washington and Fort Wainwright, Alaska to construct facilities for the 16th Combat Aviation Brigade (CAB). These facilities provide critical Army aviation combat capability and Joint Force support and include aviation battalion complexes, an airfield operations complex, and an aircraft maintenance and aircraft storage hangars. The Army will construct a \$75 million command and control facility at Fort Shafter, Hawaii for United States Army Pacific.

Redeployment/Force Structure (\$337M/30%): The Army will invest \$242.2 million for seven facilities to support the 13th CAB at Fort Carson, Colorado. The facilities include two aircraft maintenance hangars, a runway, a headquarters building, simulator buildings, a fire station, and a central energy plant. Fort Bliss, Texas will receive \$36 million to construct a complex to support the activation of a Gray Eagle Company (Unmanned Aerial System) in support of the 1st Armor Division headquarters. A \$4.8 million battlefield weather facility will support the airfield operations of the CABs at Fort Campbell, Kentucky. The Army will construct a company operations complex and an operations and maintenance facility for a total of \$54 million at unspecified worldwide locations as directed by the Department of Defense (DoD).

Revitalization: (\$86.8M/8%): As part of the facility investment strategy of AFS 2020, the Army will invest in five projects to correct significant facility deficiencies or facility shortfalls to meet the requirements of the units and/or organization mission requirements. Projects included are the \$63 million pier replacement and modernization at Kwajalein Atoll, a \$2.5 million entry control building and a \$4.6 million hazardous material storage facility for the National Interagency Bio-defense Campus at Fort Detrick, Maryland; a \$5.9 million command and control operations facility at Fort Bragg, North Carolina, and a \$10.8 million air traffic control tower at Biggs Army Airfield, Fort Bliss, Texas.

Ranges and Training Facilities (\$35.5M/3%): The FY 2014 budget request includes \$35.5 million to construct ranges and simulation training facilities to maintain readiness of Units and Soldiers. The program will provide for a \$17 million regional simulation center at Fort Leavenworth, Kansas and a \$4.7 million weapons simulation center in support of enlisted Initial Entry Training, and Officer and Non-Commissioned Officer career courses at Fort Leonard Wood, Missouri. The Army will construct a \$4.7 million automated sniper field fire range for special operations forces training at Eglin Air Force Base, Florida and a \$9.1 million multi-purpose machine gun range at Yakima Firing Center, Washington in support of active and reserve component unit training in the area.

Other Support Programs (\$99.6M/9%): The FY 2014 budget request includes \$41.6 million for planning and design of MCA projects and \$33 million for the oversight of design and construction of projects funded by host nations. As executive agent, the Army provides oversight of host nation funded construction in Japan, Korea, and Europe for all Services. The FY 2014 budget also requests \$25 million for unspecified minor construction.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The FY 2014 Military Construction, National Guard (MCNG) budget requests an authorization of and an appropriation for \$320,815,000. The MCNG program is focused

on the MILCON categories of Modularity, Revitalization, and Ranges and Training Facilities.

Modularity (\$121M/37%): The FY 2014 budget request is comprised of seven projects, which include five readiness centers/armed forces reserve centers in Illinois, Minnesota, Mississippi, New York, and South Carolina. This request also includes one vehicle maintenance shop in South Carolina, and one Army aviation support facility in Illinois.

Revitalization (\$138M/43%): The Army National Guard budget funds twelve projects to replace failing and inefficient facilities. There is a maneuver area training and equipment site in the Commonwealth of Puerto Rico, readiness centers in Alabama and Wyoming, an armed forces reserve center in Texas, enlisted transient training barracks in Michigan and Massachusetts, a vehicle maintenance shop and aircraft maintenance hangar in Missouri, a Civil Support Team ready building in Florida, an aviation training/maintenance facility in Pennsylvania, and two water utilities projects in Mississippi and Ohio. These projects will provide modernized facilities and infrastructure to enhance the Guard's operational readiness.

Ranges and Training Facilities (\$21M/7%): The FY 2014 budget request includes a scout reconnaissance range gunnery complex in Fort Chaffee, Arkansas.

Other Support Programs (\$41.2M/13%): The FY 2014 Army National Guard budget request includes \$29 million for planning and design of future projects and \$12.2 million for unspecified minor military construction.

MILITARY CONSTRUCTION, ARMY RESERVE

The FY 2014 Military Construction, Army Reserve (MCAR) budget requests an authorization of \$158,100,000 and an appropriation for \$174,060,000. The MCAR program is focused on the MILCON categories of Revitalization and Ranges and Training Facilities. The difference between the authorization and appropriation requests funds P&D and UMMC.

Revitalization (\$143.2M/82%): The FY 2014 Army Reserve budget request includes nine projects that build out critical facility shortages and consolidate multiple

failing and inefficient facilities with new operations and energy efficient facilities. The Army Reserve will construct four new reserve centers in California, Maryland, North Carolina, and New York that will provide modern training classrooms, simulations capabilities, and maintenance platforms that support the Army force generation cycle and the ability of the Army Reserve to provide trained and ready soldiers for Army missions when called. The request includes a new access control point/mail/freight center and NCO Academy dining facility at Fort McCoy, Wisconsin. At Joint Base McGuire-Dix-Lakehurst, New Jersey, the Army Reserve will construct a consolidated dining facility and central issue facility and eliminate four failing, Korean War era, buildings. Lastly, the request will provide a modern total Army school system training center at Fort Hunter-Liggett, California in support of all Army units and Soldiers.

Ranges and Training Facilities (\$15M/9%): The budget request includes two ranges that will build out a shortage of automated, multipurpose machinegun ranges and modified record fire ranges at Joint Base McGuire-Dix-Lakehurst, New Jersey. The ranges will enable active and reserve component Soldiers in the northeastern part of the country to hone their combat skills.

Other Support Programs (\$16M/9%): The FY 2014 Army Reserve budget request includes \$14.2 million for planning and design of future year projects and \$1.7 million for unspecified minor military construction.

FAMILY HOUSING OPERATION AND MAINTENANCE, ARMY

The FY 2014 budget request includes \$512.8 million to support the Army's Military Family Housing in the following areas: Operations, Utilities, Maintenance, and Repair; Leased Family housing; and oversight management of privatized housing. This request funds over 16,000 Army owned homes in the United States and overseas, almost 6,500 leased residences worldwide, and government oversight of more than 86,000 privatized homes.

Operations (\$101.7M): 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 the AFH owned inventory. Within the management sub-account, Installations Housing Service Offices provide referral services for off-post housing for 67% of the Army Families that reside in the local communities.

Utilities (\$96.9M): The Utilities account includes the cost of delivering heat, air conditioning, electricity, water, and wastewater support for owned or leased (not privatized) Family housing units.

Maintenance and Repair (\$107.6M): The Maintenance and Repair account supports annual recurring projects to maintain and revitalize AFH real property assets. This funding ensures that we appropriately maintain the 16,000 Army-owned housing facilities so that we do not adversely impact Soldier and Family quality of life.

Leasing (\$180.9M): The Army Leasing program is another way to provide Soldiers and their Families with adequate housing. The FY 2014 budget request includes funding for 1,369 temporary domestic leases in the US, and 5,064 leased units overseas. The overseas leases include support for NATO housing in Belgium and SOCOM housing in the Dominican Republic, Jamaica, Colombia, and Miami.

Privatization (\$25.7M): The Privatization account provides operating funds for portfolio and asset management and strategic oversight of privatized military Family housing and it pays for civilian pay at 44 locations; travel; contracts for environmental and real estate functions, training, and real estate development and financial consultant services. The need to provide oversight over the privatization program and projects is reinforced in the FY2013 NDAA which requires more oversight to monitor compliance, reviews and reporting performance of the overall privatized housing portfolio and individual projects.

In 1999, the Army began privatizing Family housing assets under the Residential Communities Initiative (RCI). The RCI program continues to provide quality housing that Soldiers and their Families and senior single Soldiers can proudly call home. All scheduled installations have been privatized through RCI. RCI has met its goal to eliminate those houses originally identified as inadequate and built new homes where deficits existed. RCI Family housing is at 44 locations and is projected to eventually represent 98% of the on-post Family housing inventory inside the US. Initial construction and renovation investment at these 44 installations is estimated at \$13.2

billion over a three to 14 year initial development period (IDP), which includes an Army contribution of close to \$2 billion. All IDP's are scheduled to be completed by 2018. After all IDP's are completed, the RCI program is projecting approximately \$34 billion in development throughout the 44 locations for the next 40 to 50 years. From 1999 through 2012, our partners have constructed 29,173 new homes, and renovated another 24,641 homes.

FAMILY HOUSING CONSTRUCTION, ARMY

The Army's FY 2014 Family Housing Construction request is for \$39.6 million for new construction and \$4.4 million for planning and design. The Army will construct 56 single Family homes at Fort McCoy, Wisconsin to support the Senior Officer and Senior Non-Commissioned Officer and Families stationed there. Additionally, the Army will construct 29 townhouse style quarters in Grafenwoehr at Vilseck Germany as part of the consolidation and closure of the Bamberg and Schweinfurt garrisons.

BASE CLOSURE ACCOUNT

BRAC property conveyance remains an Army priority. Putting excess property back into productive re-use, which can facilitate job creation, has never been more important than it is today.

The FY 2013 NDAA consolidated BRAC Legacy and BRAC 2005 accounts into a single DoD Base Closure Account (BCA). The Army's portion of the FY 2014 budget request is for \$180,401,000. The request includes \$50.6 million for caretaker operations and program management of remaining properties, and \$129.8 million for environmental restoration efforts. In FY 2014, the Army will continue environmental cleanup, and disposal of BRAC properties. The funds requested are needed to keep planned cleanup efforts on track, particularly at prior-BRAC installations including Fort Ord, California, Fort McClellan, Alabama, Fort Wingate, New Mexico, Fort Devens, Massachusetts, and Savanna Army Depot, Illinois. Additionally, funds requested support environmental restoration projects at several BRAC 2005 installations such as

Lone Star Army Ammunition Plant, Texas, Kansas Army Ammunition Plant, Kansas, and Umatilla Chemical Depot, Oregon. Completing environmental remediation is critical to transferring property back into productive re-use and job creation.

In total, the Army has conveyed almost 219,000 acres (78% of the total BRAC acreage disposal requirement of 279,000 acres), with approximately 61,000 acres remaining. The current goal is for all remaining excess property (22%) to be conveyed by 2021. Placing this property into productive reuse helps communities rebuild the local tax base, generate revenue, and replace lost jobs.

ENERGY

The Army is moving forward to address the challenge of Energy and Sustainability on our installations. In FY 2014, the Installation Energy budget totals \$1.719 billion and includes \$43 million from the DoD Defense-wide MILCON appropriation for the Energy Conservation Investment Program (ECIP), \$344 million for Energy Program/Utilities Modernization program, \$1,332 million for Utilities Services, and \$5.0 million for installation related Science and Technology research and development. The Army conducts financial reviews, business case and life cycle cost analysis, and return on investment evaluations for all energy initiatives.

ECIP (\$43M): The Army invests in energy efficiency, on-site small scale energy production, and grid security through the DoD's appropriation for ECIP. In FY 2014, the DoD began conducting a project-by-project competition to determine ECIP funding distribution to the Services. The Army received \$43 million for eleven projects to include six energy conservation projects, four renewable energy projects, and one energy security project.

Energy Program/Utilities Modernization (\$344M): Reducing consumption and increasing energy efficiency are among the most cost effective ways to improve installation energy security. The Army funds many of its energy efficiency improvements through the Energy Program/Utilities Modernization program account. Included in this total are funds for energy efficiency projects, the development and construction of renewable energy projects through the Energy Initiatives Task Force, the

Army's metering program, modernization of the Army's utilities, energy security projects and planning and studies.

Utilities Services (\$1,332M): The Utilities Services account pays all Army utility bills including the repayment of Utilities Privatization (UP), Energy Savings Performance Contracts (ESPCs), and Utilities Energy Service Contracts (UESCs). Through the authority granted by Congress, ESPCs and UESCs allow the Army to implement energy efficiency improvements through the use of private capital, repaying the contractor for capital investments over a number of years out of the energy cost savings. The Army has the most robust ESPC program in entire Federal government. The ESPC program has more than 170 Task Orders at over 70 installations representing \$1.16 billion in private sector investments and over 350 UESC Task Orders at 43 installations, representing \$543 million in utility sector investments. We have additional ESPC projects in development, totaling over \$400 million in private investment and \$100 million in development for new UESCs. In FY 2012, the Army executed more ESPCs and UESCs in one fiscal year than any other year in the entire history of program (\$236 million).

Installation Science and Technology Research and Development (\$5.0M): Installation Science and Technology programs investigate and evaluate technologies and techniques to ensure sustainable, cost efficient and effective facilities to achieve resilient and sustainable installation and base operations. Facility enhancement technologies contribute to cost reductions in the Army facility life cycle process and the supporting installation operations.

ENVIRONMENT

The Army's FY 2014 Operations and Maintenance budget provides \$788,868,000 for its Environmental Program in support of current and future readiness. This budget ensures an adequate environmental resource base to support mission requirements, while maintaining a sound environmental compliance posture. Additionally, it allows the Army to execute environmental aspects of re-stationing while

increasing programmatic efficiencies and addressing the Army's past environmental legacy.

As a land-based force, our compliance and stewardship sustains the quality of our land and environment as an integral component of our capacity to train for combat effectively. We are committed to meeting our legal requirements to protect natural and cultural resources and maintain air and water quality during a time of unprecedented change. We are on target to meet DoD goals for cleaning up sites on our installations (90 percent of non-BRAC sites will be at response complete in FY 2018 and 95 percent by FY 2021), and we continue to fulfill environmental compliance requirements despite operating in a constrained resource environment.

SUSTAINMENT, RESTORATION, & MODERNIZATION

This year's Facility Sustainment, Restoration and Modernization (FSRM) funding is \$3,760,996,000. This request includes \$3,082 million for Sustainment (80% of the OSD FSM requirement, for all Army components), \$36 million for demolition, and \$643 million for Restoration & Modernization. The Army views 80% sustainment funding as a necessary adjustment due to the economic impacts and the requirements of the FY2011 Budget Control Act. FSRM funding is an integral part of the Facility Investment Strategy (FIS) proponent of AFS 2020. The Army is taking a slight risk in the sustainment of our facility inventory valued at \$312 billion. In keeping with the FIS, the Army has increased its investment in facility restoration through the O&M-R&M account. This will fully restore trainee barracks, enable progress toward energy objectives, and provide commanders with the means of restoring other critical facilities. Facilities are an outward and visible sign of the Army's commitment to providing a quality of life for our Soldiers, Families, and Civilians that is consistent with their commitment to our Nation's security.

BASE OPERATIONS SUPPORT

The Army's FY 2014 Base Operations Support (BOS) request is \$8,867,014,000, which is a slight decrease from the FY 2013 request. The Army's FY 2014 BOS strategy continues to prioritize funding for Life, Health, and Safety programs and Army Force Generation (ARFORGEN) requirements ensuring Soldiers are trained and equipped to meet demands of our nation at war. The Army remains committed to its investment in Army Family Programs and continues to evaluate its services portfolio in order to maintain relevance and effectiveness. The Army will meet the challenge of day-to-day requirements by developing efficient service delivery or adjusting service levels while managing customer expectations. These efforts will encourage program proponents to evaluate policies, seek alternatives, and find innovative solutions to meet these challenges. The Army is committed to developing a cost culture for increasing the capabilities of BOS programs through an enterprise approach. Additionally, the Army will continue to review service delivery of its Soldier, Family, and Civilian programs to ensure the most efficient and effective means of delivery are realized.

CONCLUSION

The Army's FY 2014 installations management budget request is a program that assists the Army as it transitions from combat. It provides for our Soldiers, Families, and Civilians, while recognizing the current fiscal conditions. The Army requests the support of the Committee and the Congress in its effort to implement the Army Facility Strategy 2020 and facilities investment strategy. These combined efforts will set the foundation for the sustainment, restoration, and modernization of the facilities necessary to enable the future Army of 2020, a joint force with a versatile mix of capabilities.

The planned reduction of 14% of the Active Army's endstrength to 490,000 by the end of FY 2017 will create excess US-based installation infrastructure. Since 2005, as we reduced installations overseas, many units relocated back to the United States. For example, Forts Benning, Bliss, Bragg, Carson, Knox, and Riley received approximately seven million square feet of additional infrastructure to host and support

these units returning home from overseas. The additional capacity here at home was important because it helped the Army transform from a division-based force into modular Brigade Combat Teams.

With sequestration triggered, we face additional and significant reductions in the annual funding caps limiting defense budgets for the next nine years; these reductions would cause reductions in military and civilian endstrength. A future round of base realignment and closure (BRAC) is essential to identify excess Army infrastructure and prudently align civilian staffing and infrastructure with reduced force structure and reduced industrial base demand. BRAC allows for a systematic review of existing DOD installations to ensure effective Joint and multi-service component utilization. If we do not make the tough decisions necessary to identify efficiencies and eliminate unused facilities, we will divert scarce resources away from training, readiness, and Family programs and the quality of our installation services will suffer. We are requesting authority from Congress to conduct a BRAC round in 2015.

In closing, I would like to thank you again for the opportunity to appear before you today and request your commitment to the Army's program and the future of our Soldiers, Families, and Civilians.

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THE SUBCOMMITTEE ON MANAGEMENT
AND READINESS SUPPORT
COMMITTEE ON SENATE ARMED SERVICES

STATEMENT OF

MR. ROGER M. NATSUHARA

PRINCIPAL DEPUTY ASSISTANT SECRETARY OF NAVY
(ENERGY, INSTALLATIONS AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON MANANGEMENT AND
READINESS SUPPORT

of the

SENATE COMMITTEE ON ARMED SERVICES

24 APRIL 2013

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COMMITTEE ON SENATE ARMED SERVICES

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Chairman Sheehan, Ranking Member Ayotte, and members of the Subcommittee, I am pleased to appear before you today to provide an overview of the Department of the Navy's investment in its shore infrastructure.

MEETING THE CHALLENGE OF FISCAL UNCERTAINTY

The American public expects its military to spend wisely the resources entrusted to us. The fiscal uncertainty we now face as a nation only heightens the need to make prudent investments that ensure our Navy and Marine Corps team remains ready to respond to crises wherever and whenever they may occur. We appreciate the support of the Congress in passing the Defense and the Military Construction, Veterans Affairs, and Related Agencies Appropriations Acts for FY 2013. They provide us with the critical funding necessary to repair, maintain, and modernize our infrastructure and support new platforms as they arrive on station. Yet, since balanced deficit reduction was not enacted, the sequestration reductions must be taken from these funds and applied in a manner that provides no flexibility.

The Department continues to consider options that could mitigate the impact of sequestration to the extent possible. With respect to military construction, Department of the Navy's objective is to preserve project scope and limit any project deferrals to the greatest extent possible. The Department intends to achieve this by reprogramming existing bid savings and any that may accrue in the future. The Department is still in the process of evaluating the precise impact of the sequester and will have more definitive information when our analysis is complete.

The effects of the FY 2013 sequester will persist beyond the current year and profoundly affect the Navy and Marine Corps' ability to carry out their missions in today's threat environment using the protocols and force structure that currently exist. Moreover, the President's FY 2014 Budget request assumes the Congress will reach a

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compromise on deficit reduction; otherwise, the programs and projects we present today will be subject to reductions as well.

INVESTING IN OUR INFRASTRUCTURE

Overview Our installations provide the backbone of support for our maritime forces, enabling their forward presence. The Department is requesting over \$12 billion in various appropriations accounts, a decrease of \$619 million from the President’s FY 2013 request, to operate, maintain and recapitalize our shore infrastructure. Figure 1 provides a comparison between the FY 2013 and FY 2014 budget request by appropriation.

Category	PB 2013 (\$M)	PB 2014 (\$M)	Delta (\$M)	Delta (%)
Military Construction, Active + Reserve	1,752	1,733	-19	-1.1%
Family Housing, Construction	102	73	-29	-28.4%
Family Housing Operations	378	390	12	3.2%
BRAC	165	145	-20	-12.1%
Sustainment Restoration & Modernization (O&M)	3,025	2,829	-196	-6.5%
Base Operating Support	7,220	6,848	-372	-5.2%
Environmental Restoration, Navy	311	316	5	1.6%
TOTAL	12,953	12,334	-619	-4.8%

Figure 1: DoN Infrastructure Funding by Appropriation

Although smaller, the FY 2014 request supports the Defense Strategic Guidance of 2012 and represents continued investment in enhancing Combatant Commanders’ capabilities, improving service member quality of life, and recapitalizing aging infrastructure. The FY2014 budget also demonstrates the Department’s commitment to energy security by funding cost effective projects efforts that will improve our energy infrastructure and reduce our consumption.

Military Construction Our FY 2014 President’s Budget Request of \$1.7 billion keeps pace with last year’s request and supports several key objectives of the Defense

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Strategic Guidance of 2012. For instance, the Navy and Marine Corps are investing approximately \$657 million to *enhance warfighting capabilities in the Asia-Pacific region* such as the new hangar, apron, and infrastructure (\$132.2 million) at Marine Corps Base, Hawaii that will support the second squadron of MV-22 “Osprey” aircraft arriving in 2016; and Navy’s wharf improvements (\$53.4 million) at Naval Base Guam.

Additionally, the Navy is investing over \$200 million in projects such as the Broad Area Maritime Surveillance hangars in California (\$17.5 million) and Guam (\$61.7 million) and the EA-18G Growler (\$32.5 million) and P-8 Poseidon (\$85.2 million) projects in Washington state that will ensure the United States remains capable of *projecting power in anti-access and area denial environments*. The third increment of the Explosive Handling Wharf (\$24.9 million) at Naval Submarine Base Bangor, Washington supports the objective of *maintaining a safe, secure, and effective nuclear deterrent*. The Marine Corps is investing \$84 million in a new cyber operations and headquarters facility at Fort Meade, Maryland that will leverage proximity to US Cyber Command and the National Security Agency to *operate effectively in the cyberspace domain*. And finally, the Navy’s investments in a barracks and armory (\$29 million) at Camp Lemonnier, Djibouti provides supporting infrastructure enabling Special Operations Forces to carry the fight forward, conducting *stability and counterinsurgency operations* for US Central and US Africa Commands.

The Department continues efforts to reduce our energy costs. The FY 2014 request includes nearly \$70 million to decentralize steam plants at Marine Corps Base Camp Lejeune and Marine Corps Recruit Depot San Diego, installing new gas-fired energy efficient space and domestic water-heating systems. Additionally, the Department will benefit from nearly \$61 million in energy and water conservation projects funded through the Defense-Wide Energy Conservation Investment Program. These funds will enhance energy security at Camp Smith, Hawaii (\$8 million) and Marine Corps Air Station Miramar, California (\$18 million); increase sources of cost effective renewable energy (\$1.7 million); improve water conservation efforts (\$2.4 million); and increase energy efficiency in many other locations (\$30.7 million). However, the almost \$600

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million FY 2014 reduction in SRM/O&M and Base Operating Support (Figure 1 above) in addition to the sequester reductions in FY 2013 will make the statutory energy intensity goals more difficult to achieve. Moreover, a reduced investments in energy projects *now* will result in lost opportunity for savings in the future, higher utility costs and, ultimately, reduced readiness as funds are diverted to pay these bills.

Facilities Sustainment, Restoration and Modernization (FSRM) The Department of Defense uses a Facilities Sustainment Model to calculate life cycle facility maintenance and repair costs. Using industry-wide standard costs for various types of buildings and geographic areas, the model is updated annually. Sustainment funds in the operation and maintenance accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency response to minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems).

The Navy budgeted \$1.5 billion (80 percent of the model) in FY 2014 and continues to take risk in its shore infrastructure to increase investment in afloat readiness and capabilities. It manages this risk by prioritizing work to address mission critical facilities in poor condition and resolve life-safety issues. Projects not meeting these criteria are deferred. There are, however, exceptions to the “80 percent” rule. Maintenance dredging, flagship educational institutions, Camp David, and the Naval Observatory receive 100 percent of the funding recommended by the model. Furthermore, the Navy programmed \$425.1 million to meet the six percent capital investment in depots required by Title 10, US Code, section 2476.

The Marine Corps will continue to fund sustainment funding at 90 percent of the model (\$691 million) in FY 2014. Even this strong commitment will result in some facilities degradation. The Marine Corps will continue to prioritize and target facilities that directly affect mission operations for full sustainment.

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Restoration and Modernization provides major upgrades of our facilities. In FY 2014, the Department of the Navy is investing \$570 million of Military Construction, and \$618 million of Operation and Maintenance funding into restoring and modernizing existing infrastructure.

INVESTING IN OUR PEOPLE

Overview The strength of our Navy-Marine Corps team lies not in advanced weaponry or faster, stealthier ships and aircraft. Our naval forces derive their strength from the Sailors and Marines who fire the weapon, operate and maintain the machinery, or fly the plane, and from the families and civilians supporting them. We continue to provide the best education, training, and training environments available so our forces can develop professionally and hone their martial skills. Providing quality of life is a determining factor to recruiting and retaining a highly professional force. To this end, we strive to give our people access to high-quality housing, whether government-owned, privatized, or in the civilian community, that is suitable, affordable, and located in a safe environment. Protecting our Sailors, Marines, civilian employees, and their families remains one of our highest priorities as we continue to reduce mishaps across the Department.

Training and Education Of the \$1.7 billion request for military construction, the Navy and Marine Corps together have programmed over \$224 million in operational and technical training, professional development, and academic facilities. For example, the Navy, in order to accommodate an increased student load at Nuclear Power Training Unit in South Carolina, will expand pierside berthing for an additional moored training ship that will provide “hands on” propulsion plant training in a realistic environment (\$73.9 million). The Marine Corps will consolidate its Command and Control Training and Education Center of Excellence, Civil Military Operations School, and Marine Air Ground Task Force Staff Training Program into one 69,000 square foot facility (\$25.7 million). This project will allow the Marine Corps to carry out its Marine Corps University recapitalization program.

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Unaccompanied Housing In addition to expeditionary housing the Navy will build in Djibouti, the FY 2014 request includes two projects that will provide accommodations for 1220 transient and permanent party personnel. The first project replaces outdated and deteriorating housing for initial skills training (“A” School) students at Naval Station, Great Lakes (\$35.9 million). The second project, at Naval Base Ventura County, acquires and converts 300 existing leased “Section 801” family housing units and two supporting facilities to address pressing billeting needs (\$33.6 million).

The Marine Corps is benefitting from prior investments in unaccompanied housing made in support of the Commandant’s Barracks Initiative and the Grow the Force effort that increased end-strength from 175,000 to 202,000 Marines. Despite the projected decline in end-strength, the Marine Corps is well-positioned to accommodate its projected steady-state troop strength of 182,000 without excess inventory, having only programmed an amount to support 90 percent of its unaccompanied housing requirement. The results of the ongoing force structure analysis will determine whether some locations might require additional resources.

Family Housing The Department continues to rely on the private sector as the primary source of housing for Sailors, Marines, and their families. When suitable, affordable, private housing is not available in the local community, the Department relies on government-owned, privatized, or leased housing. The FY 2014 budget request of \$463.3 million supports Navy and Marine Corps family housing operation, maintenance, and renovation requirements.

Both the Navy and Marine Corps have requested FY 2014 funding for post-acquisition construction projects necessary to improve existing government-owned family housing in overseas locations. These include projects in Japan that will revitalize 68 homes at Commander Fleet Activities Sasebo (\$21.6 million); another 50 homes at Marine Corps Air Station Iwakuni while metering 736 units (\$24.2 million); and 59 homes at Naval Base Guam (\$23.1 million).

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Through the Military Housing Privatization Initiative, the Department has virtually eliminated its entire inventory of inadequate housing. While the Navy does not privatize any additional housing in FY 2014, the Marine Corps has awarded Phase 6 of its Camp Lejeune project this year, but is continuing to review the need for other previously approved projects as part of an assessment of Marine Corps-wide requirements.

Additionally, the Navy and Marine Corps estimate spending almost \$75 million to lease over 2500 housing units domestically (781) and abroad (1,763). Over the past several years, the Navy has reduced its number of foreign “high-cost” leases (based on thresholds contained in US Code Title 10, section 2828. This past year, the Department instituted a policy to limit the leasing of high-cost homes overseas (based on 10 USC 2828 thresholds). We will only consider such leases for designated high-risk billets/high risk personnel where there are no less costly options to provide secure housing or where it can be demonstrated that such a lease is in the best interests of the Government.

Finally, the Department has programmed \$287.3 million that will provide for the daily operation, maintenance, and utilities expenses necessary to manage its military family housing inventory. The budget request also includes another \$27.6 million to provide oversight and portfolio management for over 63,000 privatized homes to ensure the Government’s interests remain protected and quality housing continues to be provided to military families.

Safety The fiscal uncertainty we live with today not only affects operational readiness; the impact may also manifest itself in safety performance. More than ever, we must emphasize safety and risk management, both on- and off-duty as operational tempo increases and our Sailors and Marines are asked to do more with resources that are being stretched. Efforts to ensure the safest and most secure force in the Department's history include more targeted oversight of our high risk evolutions and training, based on hazard- and leading-indicators rather than just mishap reporting. To do so requires a robust analytical capability that pulls safety and safety-related data from a variety of sources and rapidly disseminates actionable lessons learned to the Fleet and shore establishments. In

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FY 2012, the Department committed to developing this needed capability by establishing a secure funding stream for the Risk Management Information System. But targeted data alone is not enough. We are employing System Safety Engineers in the hazard and mishap investigation process and incorporating safety considerations in every stage of design and production, from the blueprint to rollout.

MANAGING OUR FOOTPRINT

Overview It is a basic tenet that the Department of Defense should own or remove from public domain only the minimum amount of land necessary to meet national security objectives. Coupled with the fiscal imperative to conserve resources, especially in this era of deficit reduction, the Department of the Navy has more than enough incentive to reduce its footprint both at home and abroad.

European Consolidation To meet these twin objectives, the Department is ready to conduct a capacity analysis that will provide the basis for consolidating military infrastructure in Europe. It should be noted the Navy has a limited footprint in the European theater, relocating its European headquarters from London to Naples in 2005 and closing Naval Air Station Keflavik in 2007 and Naval Support Activities Gaeta and La Maddalena in 2006 and 2008, respectively. We are undertaking preliminary capacity assessments of our remaining bases at Naval Station Rota, Naval Air Station Sigonella, and the Naval Support Activities in Naples and Souda Bay that will inform a Defense-wide path forward. Our assessment will also include, in partnership with NATO and Norway, a review of the Marine Corps' prepositioning site in central Norway.

Base Closure and Realignment (BRAC) With respect to consolidating our domestic infrastructure, the Base Realignment and Closure process offers the best opportunity to assess and evaluate opportunities to properly align our domestic infrastructure with our evolving force structure and laydown. Since the first round of BRAC in 1988, the Department has closed 186 domestic installations and activities, including 52 major installations. Figure 2 demonstrates the evolution of the Department's force structure since 2005:

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Year	Service	Battle Force Ships	Primary Authorized Aircraft-Active	Personnel-Active	Installations
PB 2005	Navy	290	1402	365900	94
	USMC		995	175000	26
	Total		2397	540900	120
PB 2013	Navy	284	2012	322700	83
	USMC		1041	197300	25
	Total		3053	520000	108

Figure 2: Force Structure vs. Number of Installations

The Department has programmed \$145 million to continue environmental cleanup, caretaker operations, and meet property disposal plan. By the end of FY 2012, we had disposed 91 percent of our excess property through a variety of conveyance mechanisms with less than 17,000 acres remaining. Here are several examples of what we were able to achieve in the past year.

Since the former Naval Air Station Brunswick in Maine closed in 2011, the Navy has disposed of 79 percent of the surplus property. The community is experiencing success in creating short-term and long-term jobs as it continues to implement its redevelopment plan for the property.

In FY 2012, the Navy completed the last disposal action at the former Naval Station Ingleside, Texas, with the public sale of 155 acres on October 7, 2011 to Kiewitt Offshore Services, LTD for approximately \$2 million.

Finally, at the end of 2012, the Navy and South Shore Tri-Town Development Council reached agreement on an economic development conveyance amendment that resulted in the disposal of 556 acres of the former Naval Air Station South Weymouth in Massachusetts. This agreement brought the total percentage disposed at South Weymouth to 93 percent, with less than 150 acres pending disposal upon completion of environmental remediation actions.

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Overall, the Navy continues to reduce its inventory of properties closed under BRAC. Of the original 131 installations with excess property, the Navy only has 23 installations remaining with property to dispose. We anticipate reducing this number by six installations this year, with the remainder to be disposed as we complete our environmental remediation efforts.

Under the previous BRAC efforts, the Navy has been able to realize approximately \$4.4 billion in annual recurring savings. BRAC 2005 alone resulted in approximately \$863 million in annual recurring savings. Although there remain cleanup and disposal challenges from prior BRAC rounds, we continue to work with regulators and communities to tackle complex environmental issues, such as low-level radiological contamination, and provide creative solutions to support redevelopment priorities, such as Economic Development Conveyances with revenue sharing.

Compatible Land Use The Department of the Navy has an aggressive program to promote compatible use of land adjacent to our installations and ranges, with particular focus on limiting incompatible activities that affect Navy and Marine Corps' ability to operate and train, and protecting important natural habitats and species. A key element of the program is Encroachment Partnering (EP), which involves cost-sharing partnerships with states, local governments, and conservation organizations to acquire interests in real property adjacent and proximate to our installations and ranges.

The Department of Defense provides funds through the Readiness and Environmental Protection Initiative (REPI) that are used in conjunction with Navy and Marine Corps O&M funds to leverage acquisitions in partnership with states, local governments and non-governmental organizations. Figure 3 represents the activity and funding for restrictive easements the Department acquired in FY 2012:

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	Expenditures in FY 2012 using Multiple FY funding (\$000)					Total Expenditures from FY 2005 to present (\$000)				
	FY 2012 Acres	DoD REPI (O&M)	Service (O&M)	Partner funds	Total Funds	Total Acres	DoD REPI (O&M)	Service (O&M)	Partner funds	Total Funds
Navy	5,197	14,369	682	15,580	30,632	16,468	41,840	5,699	53,421	100,960
Marine Corps	2,200	4,974	2,682	8,755	16,411	44,094	45,538	17,698	70,272	133,509
Totals	7,398	19,343	3,365	24,335	47,043	60,562	87,378	23,397	123,693	234,469

Figure 3: Restrictive Easements Acquired through Encroachment Partnering in FY 2012

Vital to the readiness of our naval forces is unencumbered access to critical land, water and air space adjacent to our facilities and ranges. The Department understands that energy exploration, on land and off-shore, plays a crucial role in our nation's security and are activities not necessarily mutually exclusive with military training. However, we must ensure that obstructions to freedom of maneuver or restrictions to tactical action in critical range space do not degrade the ability of naval forces to achieve the highest value from training and testing. As an active participant in the DoD Clearinghouse, the Department of the Navy assisted in the evaluation of 1,769 proposed energy projects submitted through the formal Federal Aviation Administration's Obstacle Evaluation process during calendar year 2012. Ninety-eight percent (1,730) of the projects were assessed to have little or no impact on military operations.

The 1,730 projects cleared by the Clearinghouse represent potentially 38 gigawatts (GW) of renewable energy projects. The wind-turbine developers, in particular, were responsible for a large increase in US green energy during 2012 -- over 13 GW of nameplate wind-turbine capacity were completed in 2012.

Land Withdrawals A number of Department of Navy installations are located wholly or partially on public lands that have been withdrawn from the public domain. Withdrawals exceeding 5,000 acres must be authorized in statute. As part of the National Defense Authorization Act for FY 2014, the Administration requests to renew the withdrawals for Naval Air Weapons Station, China Lake, California, and the Chocolate Mountains Air Gunnery Range, California managed by the U.S. Marine Corps. The Marine Corps also seeks to withdraw an additional 154,000 acres at its Air Ground Combat Center, Twentynine Palms, California to support increased training requirements. These three withdrawal actions have been combined into a single legislative proposal

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with the Army's request to convert its use of public lands at the Limestone Hills Training Area, Montana. Each of these withdrawal actions would extend for a period of 25 years.

PROTECTING OUR ENVIRONMENT

Overview The Department is committed to environmental compliance, stewardship and responsible fiscal management that support mission readiness and sustainability, investing over \$1 billion across all appropriations to achieve our statutory and stewardship goals. This level of funding remains relatively stable over the past few years, even while other investments have been reduced. Figure 4 provides a comparison between the FY 2013 and FY 2014 budget request by appropriation.

Category	FY 2013 (\$M)	PB 2014 (\$M)	Delta (\$M)	Delta (%)
Conservation	70	85	16	22.7%
Pollution Prevention	23	24	2	7.6%
Compliance	521	520	-1	-0.1%
Technology	42	39	-3	-7.6%
Active Base Cleanup (ER,N)	311	316	5	1.6%
BRAC Environmental	143	130	-13	-8.8%
TOTAL	1,108	1,115	7	0.6%

Figure 4: DoN Environmental Funding by Appropriation

The Department continues to be a Federal leader in environmental management by focusing our resources on achieving specific environmental goals and proactively managing emerging environmental issues, integrating sound environmental policies and lifecycle cost considerations into weapon systems acquisition to achieve cleaner, safer, more energy-efficient and affordable warfighting capabilities.

Conservation I want to highlight an achievement demonstrating the Department's ability to manage our training lands simultaneously for the benefit of endangered species and military operations. Our conservation efforts have led to the proposed delisting of

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the Island Night Lizard by the U.S. Fish & Wildlife Service from the federal list of threatened and endangered species. The Island Night Lizard is found only on three of the California Channel Islands, which include the Navy's San Nicolas Island and San Clemente Island. The Navy's recovery efforts and environmental stewardship of San Nicolas and San Clemente Island over the past three decades made this national achievement possible. This delisting also reduces the regulatory encumbrances the Navy experiences at San Clemente Island - the Navy's premier land, air, and sea combination live fire range. Developing and implementing conservation programs such as this enable the Department to maintain combat readiness by ensuring continued access to the land, sea, and airspace necessary to test, train, and live on with as few environmental constraints as possible.

RELOCATING MARINES TO GUAM

Overview Guam remains an essential part of the United States' larger Asia-Pacific strategy, which includes developing the island as a strategic hub and establishing an operational Marine Corps presence. The Department of Defense recognizes Congress' concerns regarding execution of the Guam military realignment as outlined in the Fiscal Year 2012 and 2013 National Defense Authorization Acts (NDAA) and is taking steps necessary to resolve critical issues that will allow the construction program to move forward.

Moving Forward In April 2012, the U.S.-Japan Security Consultative Committee (SCC) announced an adjustment to reduce the number of Marines relocating from Okinawa to Guam from approximately 8,600 to approximately 5,000. In October 2012, the Department issued a new Notice of Intent expanding the scope of the Supplemental Environmental Impact Statement (SEIS) for the Live Fire Training Complex to also evaluate alternatives for the Main Cantonment, Family Housing, and impacts on Guam's civilian infrastructure, scaled according to this reduction in relocating Marines.

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The first military construction contracts funded by both the U.S. and Government of Japan at Apra Harbor, Andersen Air Force base and along Marine Corps Drive (Defense Access Roads) were awarded following the Record of Decision in September 2010 and are now proceeding. These projects are not impacted by the SEIS.

The FY 2013 budget request included \$26 million to construct facilities in support of the Marine Aviation Combat Element at the Andersen Air Force Base North Ramp on Guam. We appreciate the support of Congress in authorizing and appropriating funds that enables the second increment of a project providing an aircraft parking apron, taxiways, lighting, wash racks and supporting utilities to proceed.

The FY 2014 budget request includes \$85.7 million for construction of a Type II Hangar at the Anderson Air Force Base North Ramp. To match the U.S. effort in FY 2013, the Government of Japan has agreed to reallocate \$10.8 million to fund planning and design for the second increment of North Ramp utilities and site improvement using their Japan FY 2009 funds already transferred to the U.S. and for FY 2014, transferring \$114.3 million of Japan FY 2011 funds for the construction of this project. None of these projects are impacted by the SEIS.

Finally, The United States and Japan are continuously looking for more efficient and effective ways to achieve the goals of the Realignment Roadmap. Both countries remain committed to maintaining and enhancing a robust security alliance, and the United States remains committed to enhancing the U.S.-Japan Alliance and strengthening operational capabilities.

CONCLUSION

Our Nation's Navy-Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department's FY 2014 request supports critical elements of the Defense Strategy of 2012 by making needed investments

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in our infrastructure and people; reducing our world-wide footprint; and preserving access to training ranges, afloat and ashore.

Yet, unless Congress acts to enact a comprehensive and measured approach to deficit reduction, our programs will be subject to reductions in planned spending even larger than the ones we are grappling with today. I look forward to working with you to sustain the war fighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Thank you for the opportunity to testify before you today and I welcome your questions.

United States Air Force

Presentation

Before the Senate Armed Services
Committee, Subcommittee on
Readiness and Management Support



Military Construction, Environmental, and BRAC

Witness Statement of
Ms. Kathleen I. Ferguson, Acting
Assistant Secretary of the Air Force
(Installations, Environment &
Logistics)

April 24, 2013

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Subcommittee on Readiness and Management Support



BIOGRAPHY

UNITED STATES AIR FORCE

KATHLEEN I. FERGUSON

Kathleen I. Ferguson is the Acting Assistant Secretary of the Air Force for Installations, Environment and Logistics, Office of the Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C. She is responsible for the formulation, review, and execution of plans, policies, programs and budgets for installations, energy, environment, safety and occupational health as well as weapon system logistics support.

Ms. Ferguson began her career in 1981 as a design civil engineer at Plattsburgh Air Force Base, N.Y. She transferred to Langley AFB, Va. in 1983, and held a variety of positions with the 1st Fighter Wing, Headquarters Tactical Air Command and Headquarters Air Combat Command until 1993. In 1994, she moved to the Pentagon where she worked with environmental and civil engineering programs.



Ms. Ferguson became Chief of the Installation Support Panel with the Office of the Deputy Chief of Staff for Installations and Logistics when the Air Force corporate structure stood up in 1995. From 1997 to 1999 she served on the headquarters staff for the U.S. Air Forces in Europe Command at Ramstein Air Base, Germany. She returned to the Pentagon and the IL office as Chief of the Installation Support Panel with the Office of the Civil Engineer. From 2000 to 2002, she worked for IL as the Combat Support Division Chief for the Directorate of Supply. Prior to assuming her current position, she was the Deputy Assistant Secretary of the Air Force, Installations. Ms. Ferguson is a registered professional engineer in Virginia.

EDUCATION

1980 Bachelor of Science degree in civil engineering, University of New Hampshire

1989 Air Command and Staff College, Maxwell AFB, Ala.

1989 Master's degree in public administration, Auburn University

2001 Program for Senior Managers in Government, John F. Kennedy School of Government, Harvard University

CAREER CHRONOLOGY

1. 1981 - 1983, design engineer, 380th Civil Engineering Squadron, Plattsburgh AFB, N.Y.
2. 1983 - 1988, Chief, Engineering Branch; Chief, Contract and Environmental Planning Section; and Contract Programmer, 1st Civil Engineering Squadron, Langley AFB, Va.
3. 1988 - 1989, student, Air Command and Staff College, Maxwell AFB, Ala.
4. 1989 - 1994, Deputy Chief, Programs Division, Headquarters Air Combat Command Civil Engineering; Chief, Military Construction Programs Branch, Headquarters Tactical Air Command Civil Engineering; later, Project Manager for MILCON Design and Construction, Headquarters Tactical Air Command Civil Engineering, Langley AFB, Va.
5. 1994 - 1997, Chief, Civil Engineer Programs and Analysis Branch; Chief, Installation Support Panel; and Environmental Program Manager, Civil Engineer Legislative Affairs Analyst and resource allocation team member, Office of the Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.
6. 1997 - 1999, Chief, Programs and Resources Division, Civil Engineer Directorate, Headquarters U.S. Air Forces in Europe, Ramstein Air Base, Germany
7. 1999 - June 2000, Chief, Civil Engineer Programs and Analysis Branch and Chief, Installation Support Panel, Office of the Civil Engineer, Office of the Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.
8. June 2000 - April 2002, Chief, Combat Support Division, Directorate of Supply, Office of the Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.
9. April 2002 - October 2007, Deputy Air Force Civil Engineer, Headquarters U.S. Air Force, Washington, D.C.
10. October 2007 - September 2012, Deputy Assistant Secretary of the Air Force for Installations, Office of the Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C.
11. September 2012 – February 2013, Principal Deputy Assistant Secretary of the Air Force for Installations, Environment and Logistics, Office of the Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C.
12. March 2013 – Present, Acting Assistant Secretary of the Air Force for Installations, Environment and Logistics, Washington, D.C.

AWARDS AND HONORS

- 2005 Meritorious Executive Presidential Rank Award
- 2010 Distinguished Executive Presidential Rank Award

(Current as of March 2013)

Introduction

As you are aware, the United States Air Force takes great care to project the distinctive capabilities of airpower. From air and space superiority—enabling joint and coalition forces to operate unhindered in the air domain while denying our adversaries the same—to global strike—holding any target on the planet at risk with either conventional or nuclear forces—to rapid global mobility, global intelligence, surveillance, and reconnaissance, and the command and control architecture to integrate full-spectrum joint military operations, the Nation expects our Air Force to provide and employ these enduring contributions from a position of continuing advantage over potential adversaries.

Those contributions are enabled and reinforced by our global network of Air Force installations, and managing those installations involves understanding and balancing mission requirements, risk, market dynamics, budgets, and the condition of our assets. Within the portfolio of installations, environment, and energy, we continually evaluate how to reduce costs while improving the way we manage our real estate, housing and energy demand. We focus our investments on critical facilities; reduce our footprint by demolishing old, energy inefficient buildings; upgrade heating and cooling systems and other energy-intense building systems; leverage third-party financing through public-public and public-private partnerships and the lease of under-utilized portions of the portfolio, where those opportunities exist; and continue to build on our excellence in environment, safety, and occupational health programs.

However, today's fiscal climate challenges our ability to maintain our current suite of capabilities and jeopardizes our ability to fulfill our role in executing the Nation's Defense Strategic Guidance. With this Fiscal Year 2014 budget request, we took great care to align our limited resources with our overall objectives to maintain a high quality and ready force by

investing in readiness, modernization, and Airmen and their families. Proud of our success but realizing the fiscal challenges that lie ahead, we will continue to work hard to identify opportunities and initiatives with high rates of return that will maximize the impact of every dollar. We are committed to charting a path through these challenging times that fulfills the promises made to the American people, our Nation's leaders, and our innovative Airmen and their families. I appreciate the opportunity to provide additional details in this testimony.

Installations

Ready installations are an integral part of ensuring a ready Air Force. We consider our installations "power projection platforms" from which we employ our enduring airpower contributions, increase responsiveness, and ensure global access across the full spectrum of military operations. As such, the health of our installations directly contributes to overall Air Force readiness. Our Air Force installation investment strategy for Fiscal Year 2014 focuses on the Air Force's enduring contributions and on building sustainable installations to enable the Defense Strategy. We will employ a Centralized Asset Management approach to apply our limited installation dollars to our most critical needs. Using a "mission-critical, worst-first" methodology, we will minimize risk-to-mission and risk-to-Airmen, and continue to optimize our processes to increase efficiency. Additionally, we must address the excess capacity we have identified previously to "right-size" our installations footprint to a smaller, but more flexible and agile, Air Force of the future. Continuing to live with more capacity than we need and have resources to sustain is akin to a "hollow force," or in this case, "hollow installations."

Given our strategic intent to build sustainable installations, we established a coherent link between our major installation programs during this year's budget formulation. After researching existing academic studies and analyzing private sector data, we determined we should resource maintenance and repair of our infrastructure programs at two percent of our Plant Replacement Value. As a result, we are funding Facilities Sustainment to 80 percent of the Department of Defense's Facilities Sustainment Model, increasing Restoration and Modernization investments, and increasing military construction (MILCON) funding to near historic levels after our Fiscal Year 2013 deliberate pause. In addition, we adjusted the utilities portion of our Facilities Operations account to meet 3-year historical obligation levels and fully resourced Fire and Emergency Services to meet Department of Defense standards. Taken together, these investments avoid hollowing out our installations—our power projection platforms—in the near term.

In total, our Fiscal Year 2014 President's Budget request contains \$4.31 billion for military construction, facility sustainment, restoration and modernization, as well as another \$465 million for Military Family Housing. For sustainment, we request \$2.2 billion; for restoration and modernization, \$813 million; and for military construction, we request \$1.3¹ billion, which is approximately \$900 million more than our Fiscal Year 2013 President's Budget request. As previously stated, this MILCON increase comes just one year after our deliberate pause. This is intended to bring our MILCON funding closer to historical levels, supporting the Department's strategic priorities, as well as the Service's top weapons system modernization programs, and distributes MILCON funding equitably between Active, Guard, and Reserve components.

¹ \$1.3B is total force funding request including active, guard and reserve

Readiness

Our Fiscal Year 2014 President's Budget request includes vital facility and infrastructure requirements in support of Air Force readiness and mission preparedness. Examples of this include investments in projects which strengthen our nuclear deterrence posture at Minot Air Force Base, North Dakota and Kirtland AFB, New Mexico. Our budget request also supports Total Force cyberspace and intelligence, surveillance, and reconnaissance projects at a host of locations, including Martin State and Fort Meade, Maryland; Terre Haute, Indiana; Birmingham, Alabama, and the Air Force Weapons School at Nellis AFB, Nevada.

Consistent with National Military Strategy, another key focus area for the Air Force is the Asia-Pacific theater, where we will make key investments to ensure our ability to project power in areas in which our access and freedom to operate are challenged, and continue efforts to enhance resiliency. Guam remains our most vital and diplomatically accessible location in the western Pacific. For the past eight years, Joint Region Marianas-Andersen Air Force Base has accommodated a continual presence of our Nation's premier air assets, and will continue to serve as the strategic and operational nucleus for military operations, originating from, or transiting through, in support of a potential spectrum of crises.

To fully support Pacific Command's strategy, the Air Force is committed to hardening critical infrastructure, including select hangars, as part of Pacific Airpower Resiliency, a comprehensive initiative that also includes dispersal and rapid recovery capabilities after attack. Guam's location also provides ideal environments for training and exercises. In 2014, we plan to continue the development of the Pacific Regional Training Center (PRTC) by constructing a Silver Flag Fire Rescue and Emergency Management training facility and a Rapid Engineer

Deployable Heavy Operational Repair Squadron Engineers (RED HORSE) Airfield Operations facility. These facilities will enable mandatory contingency training and enhance the operational capability to build, maintain, operate and recover a 'bare base' at forward-deployed locations, and foster opportunities for partnership building in this vitally important area of the world.

Modernization

The Fiscal Year 2014 Budget request includes key infrastructure investments to support beddown of the F-35A and KC-46. Our ability to remain on schedule with modernizing our aging fighter and tanker aircraft depend on meeting construction timelines for critical enabling infrastructure—facilities such as aircraft maintenance hangars, training and operations facilities, and apron and fuels infrastructure. This year's President's Budget request includes a \$265 million at three locations to support the KC-46A bed down. This consists of \$193 million at an unspecified location for Main Operating Base (MOB) #1, \$63 million at an unspecified location for the Flight Training Unit (FTU), and \$9 million for land acquisition at Tinker AFB, Oklahoma for the KC-46A depot. Potential facility types at MOB #1 and FTU include a flight simulator facility, 2-bay maintenance hangar, fuel cell and corrosion control hangar, parking apron and hydrant fuel system, flight training center, fuselage trainer, squadron operations and aircraft maintenance unit facilities. Specific site Fiscal Year 2014 Military Construction Project Data forms (DD Forms 1391) will be submitted to replace the unspecified MOB #1 and FTU projects in May 2013 after Preferred & Reasonable Alternative bases are announced. Our Fiscal Year 2014 program also supports vital Combatant Commander priorities, such as continuation of the multi-year effort to recapitalize the U.S. Strategic Command headquarters facility at Offutt AFB, Nebraska, and construction of the new Cyber Command Joint Operations Center at Fort Meade, Maryland.

People

Airmen are the Air Force's greatest asset. Recruitment, quality-of-life, and retention rank among our highest priorities. Our devotion to taking care of our people continues with future plans to provide adequate housing for our Airmen, and their families by budgeting to sustain and modernize overseas housing, privatize all housing in the United States by the end of 2013, and continue investments and improvements in our dormitories. We are proud to say that our persistent focus and investments in our dormitories has allowed the Air Force to surpass the DoD goal that 90% of permanent party dorm rooms for unaccompanied Airmen are adequate by 2017. We request continued support from Congress to ensure we can continue to invest in these areas in order to provide thriving housing and dormitory communities, and more importantly, take care of our valued people.

Closures and Realignments

We do all of this while recognizing that we are carrying infrastructure that is excess to our needs. While we have no recent excess infrastructure capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of Air Force basing infrastructure capacity was excess to our mission needs. While Base Realignment and Closure (BRAC) 2005 did not make major reductions to the Air Force, since that time we have reduced our force structure by more than 500 aircraft and reduced our active-duty military end strength by nearly 8 percent. So, intuitively we know that we still have excess infrastructure, while we spend considerable time optimizing the use of our facilities and carefully and frugally managing those facilities we know to be excess.

Physical infrastructure is expensive. As discussed, the Air Force spends billions of dollars each year operating, sustaining, recapitalizing, and modernizing our physical plant.

When we account for the additional costs of running our installations, that number nearly doubles. Since the last BRAC round, we have strived to identify new opportunities and initiatives that enable us to maximize the impact of every dollar we spend. Our efforts to demolish excess infrastructure, recapitalize our family housing through privatization, unlock the fiscal potential value of under-utilized resources through leasing, and reduce our energy costs have paid considerable dividends.

Since 2006, we have demolished 38.5 million square feet of aging building space that was excess to our needs. We estimate the resultant savings to be more than \$300 million. To be more specific, we have demolished antiquated administrative facilities, ill-suited for today's technological age and excess to our needs. We have eliminated aircraft operational and maintenance facilities that we no longer need based on reductions to the size of our aircraft fleet. We have demolished old and energy-inefficient warehouse facilities no longer needed due to rapidly evolving supply chains that reduce the need for localized storage.

Like our sister Services, the Air Force is committed to providing quality housing for Airmen and their families. Through housing privatization, the Air Force has invested \$500 million and, in turn, leveraged \$7.5 billion in private-sector funding to provide quality homes for Airmen much more quickly than we could have done with traditional military construction processes. In a similar vein, we have continually sought to improve the stewardship of our real property by leveraging appropriated dollars for private-sector investment. With the authorities provided to execute enhanced-use leases, we are pursuing innovative ways to leverage our underutilized real estate to return value to our installations. As a result of our energy conservation efforts, we have cumulatively avoided more than \$1

billion in facility energy costs since 2003, the funds for which have been redirected to better enable warfighters to complete their missions. We will continue to invest in all of these strategies.

Despite our best efforts and the innovative programs we've just mentioned, we continue to spend money maintaining excess infrastructure that would be better spent recapitalizing and sustaining our weapons systems, training for readiness, and investing in the quality of life needs of Airmen. Divestiture of excess property on a grander scale is a must.

European Infrastructure Consolidation

Since 1990, the Air Force has reduced both aircraft and forces stationed in Europe by 75 percent. We operate from six main operating bases that remain critical to our NATO commitments and provide throughput and global access for three unified combatant commands. We recognize that in light of recent evolutions in the national security strategy, there may be further opportunities for consolidation. The Secretary of Defense has directed a capacity analysis to explore additional opportunities for reducing long-term expenses through footprint consolidation in Europe, and the Air Force fully supports this effort. We already plan to draw down 18 Primary Aerospace Vehicle Authorized (PAA) A-10s in Europe in Fiscal Year 2013 and to reduce operations at Lajes Field, Azores, to better match infrastructure requirements to mission demand. Through the Office of Secretary of Defense-led study, we will look for additional opportunities for operations and support cost savings through consolidation and closure.

Air Force Encroachment Management Program

The Air Force needs access to airspace and ranges from its air bases to ensure its ability to conduct test and evaluation and operational and training missions. In some cases communities are unaware that economic or land-use initiatives they are pursuing—such as development right up to the base boundary or under airspace safety zones—have the potential to limit our options for current and future mission needs.

As a result, we have instituted an Air Force Encroachment Management framework to identify and address potential encroachment issues early on. We attempt to identify, address and actively work with community planners and conservation groups to develop compatible uses through joint land use and airspace studies that preserve Air Force options and those of the surrounding communities.

To date the Air Force has worked with 32 community stakeholders in creating Installation Complex Encroachment Management Action Plans (ICEMAPS) as a means to identify current or potential encroachment issues and the actions necessary to resolve these issues to our mutual benefit. These action plans have proved so successful that the Office of Economic Adjustment has indicated they would prefer to accomplish a Joint Land Use Study after an ICEMAP has been completed because it identifies stakeholders and an installation's mission footprint (land area beyond the base boundary like military training routes, special use airspace or drop zones) that has proven key to identifying compatible development strategies. This may include adoption of land use controls in accident potential zones or clear zones, acquisition of easements or key parcels of land affecting access to our airspace and ranges--this includes leveraging the DoD-directed Readiness Environmental Protection Initiative (REPI); addressing line of sight obstructions to critical microwave wireless communication and potential

mitigations; working comprehensive solutions with community stakeholders like the Gulf Regional Airspace Strategic Initiative (GRASI) initiative with communities around Eglin Air Force Base or addressing better use of water resources in areas facing shortages now or in the future.

We are also working with DoD on analyzing the effects of siting the varying types of renewable energy projects and how best to work with developers and communities to minimize or mitigate potential impacts to our Air Force training, test and evaluation missions. Together, with the DoD Siting Clearinghouse and other Services and Agencies, we have cleared more than 1,500 projects for further development. We now have several initiatives underway that should help developers and local communities understand those areas near DoD installations with a high risk of adverse impact and those more suitable for the development of renewable energy or other economic initiatives.

Air Force Community Partnership Initiative

The Air Force is enthusiastically exploring the potential of installation-community partnerships as a means to reduce operating and service costs in support of the Air Force mission while retaining or enhancing quality. This concept is embodied in the Fiscal Year 2013 National Defense Authorization Act language 10 USC Sec 2336, and this legislation has the potential to increase DoD and the Service Departments' latitude in pursuing creative public-public and public-private, or "P4", partnership initiatives.

Currently, the Air Force is testing a prototype process through which installation and community leaders are motivated to develop creative ways to leverage their capabilities and resources and in the process, reduce mutual operating costs. Through this innovative start-up program, we have agreed to provide support to 13 locations where installation and community

leaders have fully embraced the Air Force Community Partnership concept. We are using these prototype initiatives to drive the development of policy, identification of an oversight framework/governance structure and training requirements, types of potential opportunities and requisite resource requirements and priorities.

Environmental

Our environmental programs are designed to provide the mission-ready people, infrastructure and natural resources necessary to meet mission requirements, today and tomorrow. The Air Force is committed to conducting our operations in an environmentally responsible way; meeting all environmental standards and legal obligations applicable to these operations; planning future activities to consider environmental and community impacts, and minimize them where practicable; eliminating pollution from activities wherever and whenever we can; cleaning up environmental damage resulting from past activities; and responsibly managing our irreplaceable natural and cultural resources in a sustainable manner. To address these commitments, the Air Force's Fiscal Year 2014 President's Budget request seeks a total of \$1 billion for environmental programs.

Environmental Restoration

Our Fiscal Year 2014 President's Budget request seeks \$560M for cleanup of active installations and BRAC installations. We established our cleanup program in 1984 to clean-up former hazardous waste disposal sites on active and BRAC installations. Our past focus was on completing investigations and getting remedial actions in place—many of which were designed to operate for decades. In early 2011, we put into place a new policy and new metrics—a policy that shifts the goal from remedy-in-place to closing sites, from one that tolerated decades to complete the clean-up to one that rewards innovative technologies; from one that was cost-plus

to one that is fixed price and performance based and incentivizes contractors to develop innovative ways to get to site closure; and to one that considers the total life cycle cost informed by a solid business case analysis.

Our new goals are to achieve accelerated completion of 90 percent of Air Force BRAC cleanup sites and 75 percent of non-BRAC sites by 2015, in order to place the emphasis on bringing the program to closure. Through the use of improved performance-based contracting, coupled with this new policy, after two-plus years of focused effort we have put in-place almost 80 new performance-based contracts, and we are cleaning up sites three times faster, with life-cycle cost savings at these sites of as much as 33 percent over original government estimates—and it is our expectation this will go even higher as we continue to mature this contracting approach. By using this approach, we are not only closing sites faster, we are also reducing land access restrictions where possible, while still being fully protective of human health and environment.

We continue to work with state and federal regulators on socializing this new approach. We continue to receive positive feedback from many of the regulators on the overarching goal to finish clean-up more expediently and more efficiently.

Environmental Quality

Our Fiscal Year 2014 President's Budget request seeks \$487 million in Environmental Quality funding for compliance, environmental conservation, pollution prevention, and environmental technology investment. As in our clean-up program, we have refocused our efforts to streamline and more effectively manage our environmental quality program activities. One example we introduced to you last year is how we are continuing to improve our approach for our National Environmental Policy Act (NEPA) program. Every decision we make is backed

by environmental analyses, with major efforts and costs going into the development of Environmental Impact Statements and Environmental Assessments (EISs and EAs).

As we looked at how to become more efficient in all our functional areas, we found that over time our NEPA process had become stagnant and bureaucratic. We had migrated away from the Council on Environmental Quality guidance that emphasizes clear, concise, and analytical analyses rather than encyclopedic documents. On average, EISs were taking three and a half years to complete and EAs half that time. Our decision-making process was being crippled by such tasks as elaborate internal reviews and steps that added very little value to the quality of the analysis.

Last year, we informed you we had issued policy to refocus our NEPA process. The policy emphasizes use of performance-based contracts to incentivize contractors to provide quality environmental analyses that are fully-compliant with NEPA, that are aimed at better decision-making. Likewise, to refocus our internal reviews, the policy set goals for completion of EISs in twelve months and EAs in six months. To execute the new policy the Air Force established a NEPA center of excellence to standardize the Air Force approach to NEPA management and contracting and to provide reach back to major commands and installation NEPA professionals. Currently, we have approximately 400 EAs and EISs underway, with some being performed in-house, and most being supported by contract. Our focus this year is to streamline our execution processes for all NEPA actions to align them with our new standardized processes and performance-based contracts, to ensure we get timely decisions in a cost-effective manner. Results from these changes continue to be very promising; our contract actions have been reducing NEPA analysis time requirements and costs, and we're doing this without sacrificing quality.

We continue to look at ways to improve how the Air Force manages waste. Pollution prevention and waste minimization provide great potential to realize efficiencies while at the same time sustaining the Air Force mission, maintaining a safe and healthy workplace for our people, and improving the environment in which we live. Last April, we established stronger pollution prevention and waste minimization goals that apply Air Force wide. Our new pollution prevention goals seek to reduce our hazardous waste disposal by 20%, reduce our toxic releases by 35%, and divert 65% of our non-hazardous solid waste by reduction, recycling, reuse or composting, rather than landfilling; all by 2020. We will use our environmental management system to achieve these goals; and, we fully expect to see our operations become more efficient, more protective of the workforce, while realizing cost savings. We are also striving to change how our culture considers waste and the environment. The Air Force believes that 'green' is a smart way to do business. Simply put: green is money; green is innovation; green is safety; and, green is good stewardship.

We will continue to improve our environmental programs while complying with legal requirements, reducing unacceptable risk to operations from energy-related considerations and environmental impacts, by continuously improving energy and environmental management practices to be more effective and efficient, and to ensure sustainable management of the resources we need to adequately fly, fight and win into the future. There is no question that responsible and prudent stewardship of the natural and other resources with which we are entrusted is of great importance to national and economic security.

Working together with regulatory agencies, other federal partners, and industry experts, the Air Force is continuously innovating and adopting best practices to lessen the environmental impact of its operations while helping the Air Force maintain its mission-ready posture and capabilities.

Conclusion

During this period of fiscal uncertainty, the Air Force is ready to make the tough decisions required to avoid mission-impacting reductions in installation support that contribute to a hollow force. We recognize it will take strong leadership to ensure a fully trained and ready force, along with the facilities and support to maintain the range of capabilities required to engage a full range of contingencies and threats, at home and abroad.

Our Fiscal Year 2014 budget request addresses our most pressing needs, and it stays true to the five fundamental priorities of our Air Force. We continue to mature our use of centralized asset management principles to mitigate the risk that we accept by deferring recapitalization of current mission facilities. And, we remain committed to caring for our Airmen and their families as we strive to eliminate inadequate housing by 2018, and to complete our privatized housing initiative in the United States by 2013.

While we strive toward remaining ready, capable and viable for the numerous security challenges ahead, we must be clear—the Air Force’s Fiscal Year 2014 budget request represents continued risk in our installations programs. We have made hard strategic choices during formulation of this budget request. We needed to slow the erosion in full-spectrum readiness as a result of over 20 years of combat in the Middle East. We needed to sustain our legacy fleet to remain capable of delivering the combat effects our Combatant Commanders require in the near term fight. And we needed to continue modernizing our aging fleet of fighters, bombers and

refuelers that allow us to remain viable over the long term, particularly in the high-end anti-access/area denial environment we expect to fight in the far term. That required us to take continued risk in areas we would choose not to take risk in, such as our installations. We believe this risk is prudent and manageable in the short-term, but we must continue the dialogue on right-sizing our installations footprint for a smaller, but more capable force that sets the proper course for enabling the Defense Strategy while addressing our most pressing national security issue—our fiscal environment.

Finally, we continue to carefully scrutinize every dollar that we spend. Our commitment to continued efficiencies, a properly sized force structure, and right-sized installations will enable us to ensure maximum returns on the Nation's investment in her Airmen, who provide our trademark, highly valued airpower capabilities for the Joint team.

HEARING TO RECEIVE TESTIMONY ON MILITARY CONSTRUCTION, ENVIRONMENTAL, AND BASE CLOSURE PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION REQUEST FOR FISCAL YEAR 2014 AND THE FUTURE YEARS DEFENSE PROGRAM

WEDNESDAY, APRIL 24, 2013

U.S. SENATE,
SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:35 p.m. in room SR-232A, Russell Senate Office Building, Senator Jeanne Shaheen (chairman of the subcommittee) presiding.

Committee members present: Senators Shaheen, Kaine, Ayotte, and Lee.

Majority staff members present: Joseph M. Bryan, professional staff member; Jason W. Maroney, counsel; Michael J. Noblet, professional staff member; John H. Quirk V, professional staff member; and Russell L. Shaffer, counsel.

Minority staff member present: Lucian L. Niemeyer, professional staff member.

Staff assistants present: Daniel J. Harder.

Committee members' assistants present: Chad Kreikemeier, assistant to Senator Shaheen; Marta McLellan Ross, assistant to Senator Donnelly; Karen Courington, assistant to Senator Kaine; Brad Bowman, assistant to Senator Ayotte; and Robert Moore, assistant to Senator Lee.

**OPENING STATEMENT OF SENATOR JEANNE SHAHEEN,
CHAIRMAN**

Senator SHAHEEN. Good afternoon, everyone.

At this time I would like to call this subcommittee hearing to order.

Actually, given that we have two witnesses who are from New Hampshire, as well as Senator Ayotte and myself, I think next year we should do this in New Hampshire as opposed to down here. For the audience, you would really enjoy it very much to be up there. We will do it a little later in the year so it is a little warmer than it is right now.

Senator AYOTTE. Or foliage.

Senator SHAHEEN. Yes, that is right, when we have foliage.

But seriously, I want to welcome everyone to the hearing this afternoon. Testifying we have representatives from each of the military services and the Office of the Secretary of Defense who are responsible for the Department's military construction and environmental programs. And we very much look forward to your testimony.

Overall, the President's budget request for military construction and family housing is \$11.1 billion in fiscal year 2014, approximately \$200 million less than what was requested last year. The budget request broadly reflects the fiscal realities facing the Department, but especially in the absence of a resolution to sequestration, additional savings will need to be achieved. I look forward to hearing more from our witnesses on their top priorities for this year's request so that the subcommittee can move forward in a prudent and informed manner on the defense authorization bill.

Last year's Defense Authorization Act reduced or eliminated more than \$660 million in programs in the military construction and environment accounts, and we will be, again, looking to find savings in these areas, recognizing the current fiscal pressures and the subcommittee's responsibility to help the Department eliminate duplicative programs and projects and increase management efficiencies and reduce waste.

The Department has again requested a base realignment and closure, or another BRAC, round in 2015. I joined the majority of my colleagues in opposing this proposal last year, and I continue to believe that now is not the time to spend billions of dollars on another BRAC round, especially as the Department of Defense grounds combat aircraft and cancels ship deployments due to sequestration. The Government Accountability Office has done a number of studies on the 2005 BRAC round which found, among other things, that BRAC implementation costs grew to about \$35 billion, exceeding the initial 2005 estimate of \$21 billion by 67 percent. In this time of fiscal uncertainty, we clearly cannot afford another round like the last one.

The GAO has made a number of recommendations for improving future BRAC rounds, including improving the process for accurately identifying and estimating all costs associated with BRAC decisions. I look forward to hearing more from our witnesses about why they believe that another BRAC round is necessary and what changes the Department has put in place to ensure similar cost growth will not occur in any future BRAC round.

Now, setting BRAC aside, one of the more immediate ways our military installations can save money is through the adoption of more energy efficient technologies. I am pleased to see the Department and each of the services continue to strive for smarter ways to become energy efficient. That is perhaps why the Department was able to reduce its installation energy consumption by 2.4 percent and approximately \$100 million in fiscal year 2012. The expanded use of metering to ensure an accurate baseline and smart grid technologies enable energy users to adapt to demand fluctuations and better informs our installation energy managers. Even simple fixes like stopping water line leaks ensures that in these

times of fiscal uncertainty, the Department is doing its best at increasing efficiency.

Last week, the full committee released a report of our year-long review of Department of Defense spending overseas. The review focused on spending in Japan, South Korea, and Germany, three critical allies. In order to better sustain our presence in these countries, we need to understand and control our costs. The committee's bipartisan report describes inadequate oversight of military construction projects built with in-kind payments. It also discusses in-kind payments earmarked for nonessential projects at a time when the Department is under severe budget constraints. Every dollar spent on unnecessary or unsustainable projects is a dollar unavailable to care for our troops and their families, to maintain and modernize equipment, and to pay for necessary investments in base infrastructure. The committee will be assessing what changes in law might be necessary to ensure closer scrutiny of our overseas investments and avoid future commitments that may be inefficient or unaffordable. And I will be very interested in hearing what our panels think about this report and suggestions for future changes.

The President's budget request also includes \$3.8 billion for defense environmental programs, down from last year's request and representing the fourth consecutive year of decreases in funding for the program. As with past years, the largest piece of the environmental budget request is the environmental restoration program, the cleanup of contamination at bases, current and former, including the remediation of discarded military munitions. While the restoration budget has remained relatively steady over the past few years, it is important that the Department and the Congress remain committed to the remediation of contamination, including the cleanup of military munitions at thousands of sites around the country.

I would also like to take a moment to express my strong support for the Navy's inclusion of a project in its budget request to modernize and consolidate a number of facilities at Portsmouth Naval Shipyard that support our nuclear submarine fleet. I am sure it comes as no surprise that Senator Ayotte and I are particularly interested in what is happening at the shipyard. But Portsmouth is the only east coast maintenance depot for Virginia Class submarines, and this project will help to ensure that this capability is maintained for many years into the future. I understand that this project will not only improve productivity by consolidating several dispersed activities, but will also result in energy savings by reducing the overall footprint of the facilities through the adoption of more energy efficient technologies. I believe these are exactly the kinds of projects the Department should be pursuing, and I applaud the Department and the Navy for making these investments.

Now, before our witnesses their opening remarks, I will ask Senator Ayotte if she has any statement.

STATEMENT OF SENATOR KELLY AYOTTE

Senator AYOTTE. I thank the chairwoman very much and very much appreciate being a part of the leadership of this committee with you. And I want to thank you for calling this very important

hearing, particularly with the challenges we face right now with sequestration.

As we all know, the Department of Defense has come in for a significant number of cuts with sequestration, and if you look at the percentages, it is actually disproportionate to what other areas of the Government have taken in terms of cuts. And as Lieutenant General Milstead testified this morning before the Personnel Subcommittee, he said, "Those who have given the most to the security of this Nation are asked to accept the bulk of the risk that sequestration poses to this Nation." So we need to understand fully from each of the witnesses what the impact is of sequestration in your areas because it is very important that we understand those implications.

And I share Senator Shaheen's desire to work to make sure that we are eliminating waste, duplication, misallocated funds, given the budget challenges we face. But with that said, we also need to fully understand the implications of the significant reductions that you are facing and what that means.

In one of the areas, I also would echo certainly the praise that Senator Shaheen gave to the Navy for their commitment and recent projects to the Portsmouth Naval Shipyard. I think that is terrific and we really appreciate it, and also the importance of those projects in terms of helping the efficiency of the shipyard as well as energy efficiency is terrific.

But I have to say I note that the Department of Navy's recent report on the modernization of naval shipyards cites a \$3.5 billion facility maintenance backlog, which is higher than the overall Navy's average. And this backlog includes \$1.2 billion of critical repairs for mission-essential facilities. So we have some significant challenges with the budget issues that you are facing.

Naval shipyards play a critical role in maintaining the readiness of our fleet and are currently the sole provider of many depot-level maintenance capabilities. The readiness of our aircraft carriers and submarines is directly linked to the sufficient funding for and efficient operation of the naval shipyards. These shipyards, including the Portsmouth Naval Shipyard, are highly dependent on the condition of shipyard infrastructure, including dry docks, piers, nuclear facilities, production shops, and other facilities.

Yet, despite the importance of these facilities, based on current investment levels, as curtailed by the budget cuts that we are going to talk about today, the Navy will need 17 years to clear the current maintenance and infrastructure repair backlog. And that is a significant number, and I think people need to understand that. And while the Navy is looking at potential options to accelerate the rate of overall improvements in shipyard infrastructure, workplace efficiency, and operating conditions, the report concludes that a quicker upgrade plan "is currently unaffordable." And I know that the chairwoman and I will make this a primary focus to understand this for this hearing today and also throughout our work on this committee.

I want to raise another issue, something that I have been very concerned about on the National security front. In section 227 of the fiscal year 2013 Defense Authorization Act, I would like to get an update regarding the environmental impact statements that are

being prepared for a potential third homeland missile defense interceptor site on the east coast of the country. The purpose of an east coast missile defense site would be to ensure that we have shoot-look-shoot capability against a potential Iranian ICBM missile fired at the east coast of the United States. And I know very well that the witnesses that are before us are familiar with the fact that if we were to receive an incoming missile from North Korea on the west coast of the country, we have that shoot-look-shoot capability, but we do not have the same capability on the east coast of the country.

Director of National Intelligence James Clapper testified this month that this Iranian ICBM threat could emerge as early as 2015. And yet, it could take, in order to properly site and build an east coast missile defense site—and I want to commend the administration for now looking very seriously at this issue. It could take up to 5 or 6 years to build an east coast missile defense site. So this is, obviously, I think something we need to look at with a sense of urgency, and I certainly look forward to hearing from you as to where that process stands right now.

I also join the chair in opposing the Department's request for the authorization to conduct a round of base closures and realignments in 2015. Now is not the time to spend billions of dollars on another BRAC round, especially as the Department of Defense grounds combat aircraft, cancels ship deployments, and furloughs workers due to sequestration.

And as the chair mentioned earlier, we have not fully understood or realized the cost from the last BRAC round, and there were significant costs to undertaking a BRAC round. In fact, if you look at what happened in 2005, the BRAC Commission estimated that the total cost of the BRAC decisions would be \$21 billion. And according to GAO, the 2005 BRAC round actually cost taxpayers \$35 billion, \$14 billion more than projected, a massive increase, in terms of the estimate, of 67 percent. Given the budget environment we are in, we simply cannot afford this type of endeavor right now or this kind of cost growth.

Now, I have heard from the Department certainly assurances that the new round will be better than the last round. However, I am not sure how I understand the Department can make those assurances, given that this is designed to act as an independent entity, free from the influence of the Department. And so it is not clear to me how we can be confident that there are really any real cost savings to be gained from another BRAC round. And so that is among the reasons that I certainly oppose a BRAC round.

I want to thank the chair for this hearing, and I look forward to the testimony of the witnesses. And I want to thank each of you for your service to our country during very, very challenging times. Thank you for being here today.

Senator SHAHEEN. Thank you, Senator Ayotte.

And let me welcome all of those of you who will be testifying. First, we have John Conger, who I the acting Deputy Under Secretary of Defense for Installations and Environment. Welcome. Katherine Hammack, assistant Secretary of the Army for Installations, Energy and Environment. Thank you for being here. Mr. Roger Natsuhara, Principal Deputy assistant Secretary of the Navy

for Energy, Installations and Environment; and Kathleen Ferguson, who is the acting assistant Secretary of the Air Force for Installations, Environment and Logistics. Again, thank you all for being here this afternoon. We look forward to your testimony. And I will ask you if you will go ahead and present in that order. Mr. Conger?

STATEMENT OF JOHN C. CONGER, ACTING DEPUTY UNDER SECRETARY OF DEFENSE, INSTALLATIONS AND ENVIRONMENT

Mr. CONGER. Thank you very much. Chairwoman Shaheen, Ranking Member Ayotte, distinguished members of the subcommittee, I appreciate the opportunity to appear before you to discuss the Department's fiscal year 2014 budget request for installations and environment. And as a side note, I am happy to be part of Team New Hampshire here, as the chair alluded to.

The testimony I have submitted for the record describes the \$11 billion we are requesting for military construction; the \$10.9 billion more we are investing in sustaining and restoring our facilities; and the \$3.8 billion that we are seeking for environmental compliance and cleanup.

You will note that these numbers are not significantly lower than those we requested in fiscal year 2013, and in fact, they represent a slight increase from what was appropriated this year. That is because the President's budget request replaces the across-the-board sequester cuts with a comprehensive deficit reduction plan. Within the request, that plan averts what would otherwise be another significant reduction in the defense budget and enables us to present to you a fiscal year 2014 budget request that allows us to continue prudent investment in our installations.

However, sequestration has significantly impacted fiscal year 2013. While this hearing is focused on the 2014 request, I would like to address the 2013 issue briefly.

Sequestration will affect our fiscal year 2013 execution in two ways. MILCON projects will be individually cut. Some of them will still be executable but others will not, and we are reviewing each project to assess the impact. It is possible that we will need to defer some lower priority fiscal year 2013 projects to ensure there are funds available to reprogram so we can execute the higher priority ones, and we are still reviewing these impacts.

More serious, though, is the impact to our facilities sustainment and restoration accounts. Because O&M dollars are more discretionary and therefore more flexible, operational accounts were given more protection and facilities sustainment was cut more deeply to make up the difference. In fiscal year 2013, we are deferring all but the most critical repairs. We are deferring routine maintenance. We are holding off on major purchases and accepting risk by looking for building equipment to hold out longer. Frankly, we can probably accommodate this for a short period of time, but the system will break if we shortchange these accounts for multiple years.

My colleagues will be able to speak about how each of them are managing this risk in their individual services.

Finally, let me say a word or two about BRAC. Obviously, it is an issue of concern, and as you mentioned, the administration is requesting a BRAC round in 2015.

The Department is facing a serious problem created by the tension caused by constrained budgets, reductions in force structure, and limited flexibility to adapt to the first two. We need to find a way to strike the right balance so infrastructure does not drain too many resources from the warfighter. Without question, installations are critical components of our ability to fight and win wars. Whether that installation is forward-operating location or a training center in the United States, our warfighters cannot do their job without bases from which to fight, on which to train, or on which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs as well, from depot maintenance to training to bullets and bombs.

We are continually looking for ways to reduce the cost of doing business, looking for ways to reduce the cost of military construction to investing in energy efficiency that pays us back in lower operating costs. BRAC is another very clear way for us to reduce the infrastructure costs to the Department. The previous five rounds of BRAC are providing us with recurring savings of \$12 billion or \$13 billion every year, savings that does not result in decreased capability because it is derived from the elimination of excess.

I am well aware of the skepticism that many in Congress have about the need for BRAC, and that seems based on the fact that we spent more than originally advertised during the 2005 BRAC round. To be clear, BRAC 2015 will not look like BRAC 2005. BRAC 2005 was conducted, one, while force structure was growing; two, while budgets were growing; and three, under leadership which directed the use of the authority to accomplish transformative change not just elimination of excess. Today force structure is shrinking. The budget is shrinking, and we are firmly focused on reducing our future costs. That description characterizes the first four rounds of BRAC as well, and I can assert with confidence that a 2015 round will have far more in common with them than it would with the 2005 round.

Thanks for the opportunity to testify this morning. It is a pleasure to be here. And I look forward to your questions and I guess in the Q&A we can address a couple of the other points you made in your opening statements.

[The prepared statement of Mr. Conger follows:]

Senator SHAHEEN. Thank you very much.
Secretary Hammack?

STATEMENT OF HON. KATHERINE G. HAMMACK, ASSISTANT SECRETARY OF THE ARMY, INSTALLATIONS, ENERGY AND ENVIRONMENT

Ms. HAMMACK. Thank you very much, Chairman Shaheen and Ranking Member Ayotte. I am delighted to be here with you this morning and other members of the committee. I want to thank you for the opportunity to present the Army's fiscal year 2014 military construction budget.

For fiscal year 2014, the Army requests \$2.4 billion for military construction, Army family housing, and the Army's share of the DOD base closure account. This represents a 34 percent decrease from the fiscal year 2013 request.

In addition to and in support of Army installations and facilities, the Army also requests \$15.2 billion for installation, energy, and environmental programs, facilities sustainment restoration and modernization, and base operating support.

With the fiscal challenges we are facing, the Army has closely reviewed the facility investments to determine the level of resources needed to support the force. Supporting the force requires appropriate facilities, training ranges, maintenance and operations, and that is where we have focused.

But as you are well aware, the Army is reducing our end strength from a high of 570,000 in 2010 to 490,000 in 2017. And in January of this year, we published a programmatic available assessment which was prepared in accordance with NEPA, and a signed finding of no significant impact was published earlier this month.

The resulting force structure reduction will create excess capacity at several installations. With a reduced end strength and force structure in the United States, now is the time to assess and right-size the supporting infrastructure. In line with force structure reductions in Europe, the Army is already down-sizing our infrastructure in Europe.

With a 45 percent reduction in force structure, the Army is implementing a 51 percent reduction in infrastructure, a 58 percent reduction in civilian staffing, and a 57 percent reduction in base operating costs. A future round of base realignment and closure, or BRAC, in the United States is essential to identify excess Army infrastructure and prudently align civilian staffing with reduced uniformed force structure just like we are doing in Europe.

We are also working closely with OSD to examine whether there are additional opportunities for consolidation in Europe through joint or multi-service consolidation.

We do have property remaining from prior rounds of BRAC in the United States, and BRAC property conveyance remains an Army priority. Putting excess property back into productive reuse can facilitate job creation, help communities build the local tax base and generate revenue. In total, the Army has conveyed almost 78 percent of the total prior BRAC acreage.

In closing, I ask for the committee's continued support to our soldiers, families, and civilians in support of the Army's MILCON installations program. The Army's fiscal year 2014 installation management budget request is a program that supports the Army's needs while recognizing the current fiscal conditions. The Army does request authority from Congress to conduct a BRAC round in 2015 because the Army's strength is our soldiers, families, and Army civilians who support them. They are and will continue to be the centerpiece for the Army.

Thank you for your attention, and I look forward to your questions.

[The prepared statement of Ms. Hammack follows:]

Senator SHAHEEN. Thank you.

Mr. Natsuhara?

STATEMENT OF ROGER M. NATSUHARA, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE NAVY, ENERGY, INSTALLATIONS AND ENVIRONMENT

Mr. NATSUHARA. Chairman Shaheen, Ranking Member Ayotte, and members of the subcommittee, I am pleased to appear before you today to provide the overview of the Department of Navy's investment in its shore infrastructure.

For fiscal year 2014, the department is requesting over \$12 billion in various appropriation accounts to operate, maintain, and recapitalize our shore infrastructure. This level of funding represents continued investment to enhance combatant commanders' capabilities, improve servicemembers' quality of life, and recapitalize aging infrastructure.

The fiscal year 2014 budget also demonstrates the department's commitment to energy security by funding cost-effective projects that will improve our energy infrastructure and reduce our energy consumption.

Additionally, the budget request provides \$185 million for military construction and operation and maintenance projects to address critical requirements at our shipyards.

Our request includes \$1.7 billion in military construction projects supporting several key objectives of the defense strategic guidance of 2012. For instance, the Navy and Marine Corps have programmed approximately \$657 million to enhance warfighting capabilities in the Asia-Pacific region such as the new hangar, apron, and infrastructure at Marine Corps Base Hawaii and the Navy's wharf improvement at Naval Base Guam.

We have \$200 million in projects such as the broad area of maritime surveillance hangars in California and Guam and the EA-18G Growler and P-8 Poseidon projects in Washington State that will ensure the United States remains capable of projecting power in anti-access and area denial environments. And the Navy's investments in a barracks and armory at Camp Lemonnier, Djibouti provides supporting infrastructure enabling special operations forces to carry the fight forward, conducting stability and counter-insurgency operations for U.S. Central and U.S. Africa Commands.

The strength of our Navy and Marine Corps team lies not only in advanced weaponry and faster, stealthier ships and aircraft. Our naval forces also derive their strength from the sailors and marines who fire the weapons, operate and maintain the machinery, or fly the planes and from the families and civilians supporting them. Towards this end, the Navy and Marine Corps have programmed over \$224 million of military construction funds for operational and tactical training, professional development, and academic facilities, nearly \$100 million for unaccompanied housing, and \$463 million to support family housing construction and operations.

Guam remains an essential part of the United States' larger Asia-Pacific strategy which includes developing the island as a strategic hub and establishing an operational Marine Corps presence. The department recognizes congressional concerns regarding execution of the Guam military realignment and is taking steps

necessary to resolve critical issues that will allow the construction program to move forward.

Furthermore, the United States and Japan are continuously looking for more efficient and effective ways to achieve the goals of the realignment road map. Both countries remain committed to maintaining and enhancing a robust security alliance and the United States remains committed to enhancing the U.S.-Japan alliance and strengthening the operational capabilities.

Our Nation's Navy and Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department's fiscal year 2014 request supports critical elements of the defense strategic guidance by making needed investments in our infrastructure and people and preserving access to training ranges, afloat and ashore.

I look forward to working with you to sustain the warfighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Thank you for the opportunity to testify before you today, and I welcome your questions.

[The prepared statement of Ms. Natsuhara follows:]

Senator SHAHEEN. Thank you.

Ms. Ferguson.

STATEMENT OF KATHLEEN I. FERGUSON, ACTING ASSISTANT SECRETARY OF THE AIR FORCE, INSTALLATIONS, ENVIRONMENT AND LOGISTICS

Ms. FERGUSON. Chairman Shaheen, Ranking Member Ayotte, and distinguished members of the subcommittee, thank you for the opportunity to speak to you today about the Air Force's installations, military construction, and environmental programs. I am also proud to be part of Team New Hampshire, having graduated both from Nashua High School and the University of New Hampshire.

On behalf of the Secretary and the Chief of Staff of the Air Force, I would like to thank the committee for your unwavering support for our airmen in the Air Force.

Our fiscal year 2014 budget request contains \$1.3 billion for military construction, \$2.2 billion for facilities sustainment, \$813 million for restoration and modernization, and \$465 million for military family housing.

In fiscal year 2013, we took a deliberate pause in MILCON to ensure we were making the right capital investment decisions as force structure adjustments were being made in line with the emerging defense strategy.

Our fiscal year 2014 MILCON request is approximately \$900 million above our fiscal year 2013 request and returns us to near historical funding levels, supports the Department's strategic priorities, our top weapons systems modernization programs, and distributes MILCON funding equitably between Active, Guard, and Reserve components.

This budget request reflects our ongoing modernization effort. This includes critical infrastructure for the F-35 and KC-46A, re-

capitalization of the U.S. Strategic Command headquarters, and construction of the new Cyber Command Joint Operations Center.

Included in this budget request is \$265 million at unspecified locations to support the KC-46 bed-down. We will submit site-specific MILCON project document forms in May of 2013 after preferred and reasonable alternative bases are announced and will request the committee's support of the substitution.

The Air Force strongly supports the Department's request for another round of BRAC in 2015. While we have no current capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of our basing infrastructure was excess to needs. BRAC 2005 did not result in major reductions to the Air Force, and since that time, we have reduced our force structure by more than 500 aircraft and nearly 8 percent of active duty military end strength. We continue to spend money maintaining excess infrastructure that would be better spent on recapitalization and sustainment. Divestiture of excess property on a grander scale is a must.

We are also working hard to identify innovative ways to reduce costs. Installation community partnerships are one approach to reducing operating and service costs while enhancing and retaining quality.

The Air Force is currently prototyping a variety of projects in States, including Texas, Florida, Georgia, California, and North Carolina. In total we have 15 locations where installation and community leaders have fully embraced the Air Force community partnership concept and are coming together to collectively reduce costs.

During this period of fiscal uncertainty, the Air Force is ready to make the tough decisions required to avoid mission-impacting reductions and installation support that contribute to a hollow force. Our fiscal year 2014 budget request addresses our most pressing needs, seeks authorization to eliminate unnecessary infrastructure, and stays true to the fundamental priorities of our Air Force.

Thank you and I look forward to your questions.

[The prepared statement of Ms. Ferguson follows:]

Senator SHAHEEN. Thank you all very much for your testimony.

I want to start with BRAC, which probably does not surprise any of you. But I want to talk about it in the context of what is happening overseas. I addressed in my opening remarks, as did Senator Ayotte, our concerns about the costs of the last round, and I think last year DOD heard very clearly from the Armed Services Committee the concerns that we had about a future round and about looking at our excess capacity overseas and seeing what savings could be accomplished there.

So I understand that last May the Department announced the U.S. presence in Europe will be reduced by approximately 15 percent over the next 10 years, and I understand that the Secretary of Defense has initiated a study looking at consolidating infrastructure in Europe.

So, Mr. Conger, what is the current status of the closure and consolidation of U.S. facilities in Europe?

Mr. CONGER. There are two parts to that answer.

First, we have been reducing our force structure in Europe for quite some time and we have been reducing our facilities in Europe for that same amount of time. There is a lot that has been done already.

That said, we listened very closely to what Congress said last year when they said close bases overseas first before you start talking about BRAC rounds. In response, we have kicked off—the Secretary kicked off in January a BRAC-like process for looking at bases in Europe. Given the reduced force presence that we are going to have there, we had plans in place to reduce the number of bases we have there. But what we are looking at here is not just sort of a one-fer type of thing where, you know, here is a brigade leaving. Therefore, this base is closing. We are doing a thorough scrub and we are doing it using the sort of joint principles. We are going to look for ways to leverage the various services together in order to maximize the amount of consolidation. And frankly, while military value always takes precedence, we are looking to save money and we are looking to get rid of this excess.

So we have started that process. We have had several meetings at a variety of levels, a couple meetings in the executive groups, but lots and lots of meetings of various subgroups, starting to pull together the capacity analysis. Then once that is completely done, we are going to do the military value analysis and we are going to run various scenarios and score them against each other. This is just like the BRAC process except we are looking at bases in Europe.

We are hopeful that we will have products at the end of this year. I recognize the fact that in order to influence this budget process, we have to report to you at least the interim results, but frankly, if it takes a little bit longer, we are going to do a thorough job. We are not just going to stop once any interim data is provided to this committee or the House side either.

Senator SHAHEEN. But the goal is to have that report ready to present to the congressional committees by the end of the year?

Mr. CONGER. Well, the schedule that we have laid out at the initiation of the process had us finishing up in December, but I will say that earlier this week Mr. Kendall, my boss, and the chair of the senior steering group that is running this study said he wants results earlier than that. Now, if that means that we have sort of two batches of results, so be it. But we are going to do what Mr. Kendall says.

Senator SHAHEEN. And do I understand you to say that it is also looking at the opportunities for joint consolidation so that we could put Air Force and Army personnel in a single facility if that was the determination of what was most efficient and effective?

Mr. CONGER. Absolutely. And in fact—you know, I would say this. As each service looks at their own individual footprint, you get a certain set of answers. But if you look at things holistically, sometimes you get more opportunities for consolidation. There might be a case where we can consolidate at a particular location that would put the bill on one service's back but a lot of savings to another service. Under the traditional rules, that would not happen. Right? But as we look at things from a joint perspective, that would be exactly the kind of thing that we might recommend.

Senator SHAHEEN. So I was struck by the fact—and we had this conversation yesterday—that there is money recommended in this budget proposal to support a new round of base closures. I am curious about why money was not also put in to look at overseas base closures as well.

Mr. CONGER. I think it is an issue of scale. One of the things that we heard from Congress last year was that we did not have a wedge built in for a BRAC round to pay for it. That reduced the credibility of our BRAC request. And it was a fair criticism. This year, we wanted to address that criticism, and we used earlier BRAC rounds as a model to come up with a projection and say here is what the net requirement would be across an entire BRAC round and we laid in a wedge that we would be able to leverage against that.

A BRAC round is bigger than European rebasing round, and so we have not specifically laid in that wedge. Moreover, I would say because we can just go off and do the European review without congressional authority at this point in time, because you need congressional authorization to do a BRAC round, we can just start running with the European review. We just went ahead and did that.

Senator SHAHEEN. But you are assuming you have money that you could shift in the budget in order to accommodate those closures.

Mr. CONGER. I am assuming that if an investment is required in order to accommodate the recommendations of a European basing round, that that will be provided to Congress in a budget request.

Senator SHAHEEN. Thank you.

Ms. Ferguson, I noticed that the Air Force budget request includes \$34 million in new operational facilities in the United Kingdom. Why would we authorize new facilities until we have the results of the study that Mr. Conger referred to?

Ms. FERGUSON. The fiscal year 2014 MILCON was put together recognizing that we may have a European infrastructure consolidation, but we made a determination that these would be required. However, if at some future point that would change, we would not execute those dollars, but right now we would anticipate needing those.

Senator SHAHEEN. And why are they so urgent?

Ms. FERGUSON. They support SOCOM, Special Operations Command, at Mildenhall. I can get you a more detailed response.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Senator SHAHEEN. Okay, thank you.

Senator Ayotte?

Senator AYOTTE. I want to thank the chairman.

I wanted to follow up, Mr. Conger, on the questions that you were asked by Senator Shaheen. Just so we understand it, is it the intention of the Department, once this review is completed, despite—obviously, you do not necessarily need the same type of legal authority that you would with a domestic BRAC round—to come to the SASC committee to report your recommendations for the European base closing?

Mr. CONGER. Absolutely. Obviously, we are doing this from a good government perspective, but Congress was very loud and very clear, and to do something and then not take credit for it would seem to be a little bit unproductive.

Senator AYOTTE. That is important and I think that one of the issues that I did not raise in my opening statement but, obviously, Senator Shaheen has just hit upon is that I think it is very difficult for this body to even consider undertaking a domestic BRAC round without a full consideration of what bases could be consolidated and/or closed overseas given that the interest is always to have domestic capacity foremost.

So I think that one of the things that I think will be important for the overall committee to hear—and I assuming that it would be important on the House side too—is to be able to evaluate the European plan, what savings you think you can realize from that and then, obviously, to see what the costs are because I assume there are some costs in going through the European closings either of relocating and/or in some instances you have environmental issues, et cetera, et cetera that you would have even with a domestic round that we would then evaluate whether there is merit to bringing the domestic BRAC round.

So I think that is why this is so important that we have a full understanding before we would go forward and also given the history on the 2005 BRAC round—I understand what you are saying about that this would be very different. But again, a lot of this is out of the control of the Department of Defense. Correct? I mean, you do not control the BRAC.

Mr. CONGER. To a degree. I mean, we make our recommendations and then the commission reviews them and makes changes. Traditionally the majority of the Department's recommendations are upheld by the commission.

Senator AYOTTE. You know, there have also been changes too.

Mr. CONGER. There have been changes.

Senator AYOTTE. It is independent.

So this is an important issue and I appreciate the chair's questions on this issue because we look forward to seeing your plan and understanding what it is really going to take and what savings, and then we can discuss whether it makes sense to have a domestic BRAC round. I still have a lot of concerns about it.

I wanted to follow up. I know that I had raised in my opening statement the idea of the east coast missile defense site and the EIS statements that were asked for based on the last defense authorization. So I am not sure, Mr. Conger, if this is the right question for you, but can you give us a status update on where things are with that?

Mr. CONGER. I can. Fortunately, I was signaled that you might ask that question. So I have checked with the Military Defense Agency who does own the ball on this. So MDA has started the study and is in the process of narrowing the potential sites down to five or six within the next 30 days. MDA is on schedule for completing the study by December 31st, as required, and the EIS is projected to start subsequently in 2014 and will take 18 to 24 months to complete. So that is the status of the study.

Senator AYOTTE. So just so we understand, if the EIS starts in 2014 and takes 18 to 24 months to complete, we are in or beyond 2015.

Mr. CONGER. I think that is right.

Senator AYOTTE. When Director Clapper just told me that there are many that believe that Iran will have ICBM capability by then.

Mr. CONGER. I am going to have to defer to the MDA folks to be able to answer your more detailed questions on this. I did want to make sure that we had this status for you.

Senator AYOTTE. Well, I will follow up with the appropriate folks on this issue because it seems to me that there is more of an urgency than that if the administration is—you know, given some of the threats we are all concerned about with Iran—and obviously, I appreciate the administration's enhancement recently in Alaska of the GBIs. So I certainly would like—I will bring this to the appropriate individuals at the Department. But this seems to me there needs to be a greater sense of urgency so we can truly make the decision and put this information in the hands of the President sooner rather than later, given the threat we face from Iran.

I want to certainly ask about the—Secretary Ferguson, I know that you have played a very critical role. You have already discussed that you will get back to the committee once you have made the basing decision for the KC-46A and appreciate certainly the work that you have been doing on that. Can you give us an update on how that process is going forward?

And obviously, this is something that the chair and I have a deep interest in. We are very, very proud of the work done by the 157th Air Refueling Wing, and particularly just the objective criteria, the strategic location, close to the operational refueling tracks, and most of all, the performance of the pilots there, given that they have supported every major contingency operation. So if you can give us an update on where things are with that and are they on track and what we can expect from when the decision will be made.

Ms. FERGUSON. Of course. Thank you.

As you know, Pease was selected as one of the candidate locations a few months ago, and right after the first of the year, each one of the candidate bases was site-surveyed by a joint team from Air Mobility Command in the Air National Guard. Those site surveys are now all complete. Air Mobility Command has brought the results of those site surveys into the Pentagon, and the gentleman sitting behind me now chairs the Strategic Basing Executive Steering Group. And so the baton has been passed.

Senator AYOTTE. Welcome. [Laughter.]

Senator SHAHEEN. We hope you plan to stay for a while.

Senator AYOTTE. We are glad and also we would love to have you come to New Hampshire. [Laughter.]

Ms. FERGUSON. So he is running that through the process right now over the next few weeks. There are a series of briefings. These are decisions that the Chief and Secretary do not take lightly, and so we do not go and just run time, give them the briefing, and walk out. We do not make recommendations to them. And so there will be at least three events where the Chief and Secretary get briefed on the results of the site surveys. In the room, they have their senior advisors. They have the Commander of Air Mobility Command,

Director of the Air National Guard. And once they make the decision, then Mr. Bridges will be over. I mean, there will be telephone calls certainly made to folks as well, but then there will be a roll-out here. About the middle of May is what we are anticipating.

Senator AYOTTE. Great. Thank you for the update.

Senator SHAHEEN. Welcome, Senator Kaine. Even if you are not from New Hampshire, we are delighted you are here. [Laughter.]

Senator KAINE. Yes. Sorry to break up the gang here, but it is great to be here. Thank you and thank you all for your service and especially at a challenging time. You are doing important work at a challenging time.

So I want to stick with BRAC too. It is sort of an observation and a question and I want candor and even argue with my observation. And for my colleagues, I am saying the same thing because it may be something that my colleagues have different feelings about.

I was on the BRAC commission, the State-appointed BRAC Commission in Virginia, pre-2005 as the Lieutenant Governor at the appointment of Senator Warner, Governor at the time. And my observation about it—and I credit your points that 2005 might have been different than earlier rounds—was that once the BRAC round begins, every last community and every last base or installation and its surrounding was on high alert. Whether they have a need to be or not, they are and they hire the phalanx of accountants and PR people and lawyers and lobbyists, and they spend a lot of time and a lot of drama preparing and lobbying. And we certainly did that. And then there is an announcement and then there is some process following the announcement.

But I have been underwhelmed at the amount of savings that results from all the drama. So if there have been five BRAC rounds and there are \$12.5 billion of annual savings, it is about \$2.5 billion per round in a \$3.6 trillion budget. And yet, there is a lot of additional expense on the communities and a lot of expense that might have an effect of like in the local economy too. There is anxiety that—probably that expense does not get captured. And so it seems to me that the process is big and complicated and costly and creates a lot of anxiety, but the savings at the end of the day, frankly, are not all that great.

One of my assessments for why the savings may not be that great is if you start with a process that your job is to look at installations, it is not really overall a cost savings exercise. You know, let us look at cost savings generally, but if it is just installation-specific, it is not really an integrated review. It is just pulling installations out.

There is a second example in Virginia that I thought was an interesting one that was not a BRAC. Now, certain projects are subject to BRAC because of the size and certain are not. After I was Governor, Secretary Gates decided that the JFCOM in Hampton Roads, the Joint Forces Command, which I think had been initiated under Secretary Rumsfeld as part of the transformation, the jointness approach—I think Secretary Gates just decided, well, do we really need a separate Joint Forces Command when the Joint Chiefs of Staff have offices next to each other on the same floor of the Pentagon. Do we need a separate command for this? It was not subject to BRAC because it was not of a size, and yet it was a sug-

gestion of a closure of a mission, not a huge public process, not a lot of sturm and drang. Secretary Gates announced I just do not think we need this.

The Virginia congressional delegation got together and said we do not like this. This is important in the Hampton Roads economy, but they also said that Secretary Gates has laid out some rationale that we cannot just say 100 percent you are wrong. We think there is a good faith behind the rationale.

And so what the congressional delegation did was they went to the Pentagon and they said we understand your rationale about the entire command, but there are some missions being performed that we think are valuable that would be performed under any scenario and we hope that you will keep these and keep it in Hampton Roads.

And without a BRAC round and all the process surrounding it, that discussion took place. The decision was made we need to stand down JFCOM, but some of functions should remain and many of the functions did remain in Hampton Roads. And there were savings, but it was a different kind of a process.

Analyzing those two, I know we need to save money, and I think we probably need to save money including in installations. But the way Secretary Gates made the JFCOM announcement, it was not part of an installation-specific review. It was mission-driven rather than installation-driven. And he said, look, this mission is just not one in a resource-constrained environment that is at the top right now in terms of funding.

So to me that had some real virtues to it. It did not create the sturm and drang for everybody. There was a mission-driven announcement. There was opportunity for Members of Congress to come in and say we think you got it wrong, and we have an alternative. We hope you will consider it. There was a discussion. There was a consideration. It saved money.

So what I am kind of wrestling with going forward is we do need to find savings, and I think we may well need to find savings on installations and I think certainly installations overseas. But I am open to the notion that some of the savings that we may need to find in installations would be here. And I gather that is why, when you say we support BRAC, you are all saying we may have excess capacity in installations. We need to deal with it.

But what I am wondering about is whether the process of a BRAC to me just seems big, expensive, it creates a lot of drama, and not likely to lead to a lot of savings. And there is a different way to come at it which is basically, you know, a strong executive makes a recommendation as we are looking at ways to save, here are our ideas. Some of the ideas have impact on installations, maybe even some closures. We are making those recommendations to Congress, and Congress, now we want you to wrestle with them.

When I was Governor—I am the only Governor in Virginia that left office with a smaller budget than when I started because I had to. I get no virtue points. I was required to balance the budget during a recession. I had to make a lot of painful recommendations to my legislature, including closing installations, not military installations, but we had schools for the deaf and blind and training facili-

ties and all kinds of things. And I would make recommendations, including closing installations.

And invariably—and you know this, Governor Shaheen—my legislature would say I was a heartless dope and I had not thought about it enough. And then after about 3 or 4 months of looking at the budget, they would basically approve about 75 percent of what I proposed. And they would not take back the heartless dope comment, but they would eventually come to see that, well, maybe I had thought about it and maybe I was making some good recommendations.

So a second way to come at this installation issue is not the massive BRAC process that gets everybody all worked up, but is just for the Chairman of the Joint Chiefs in tandem, after discussion with the branches, to make a series of recommendations on cost savings. It would not be limited to installations. It would not be installation-specific but it would be mission-driven and because they are mission-driven would probably include some installation recommendations. Then it would be on Congress and we would have to make hard decisions.

I think BRAC was sort of set up as kind of almost an anti-accountability mechanism. It enables us to make decisions without anybody's fingerprints being completely on them. But the more of those things we do, the more of these sort of anti-accountability strategies we come up with, and the more we try either as an executive or a legislature to keep our fingerprints off things, it does not seem like we are going the right way in making the fiscally responsible choices. It seems like the more things we come up with, we kind of go the wrong way.

So I am just saying this sort of for my colleagues, and I said it briefly at the full hearing the other day and I would kind of say it to you as well. If we have excess capacity, is the big BRAC round the right way to deal with the questions of excess capacity? And that is, I guess, the question that I would pose to everybody.

I would love to hear your thoughts.

Mr. CONGER. I will take that. A couple of things.

First of all, I am sympathetic to the heartless comments. As you might imagine, being the person who has to come up to the Hill and talk about BRAC, I am not winning a whole lot of popularity points myself.

As far as \$2.5 billion being a relatively small amount of money, as you might remember, there is the old quote that says a billion here, a billion there, and sooner or later you are talking about real money. I think that that is reflected in the fact that these savings recur. And if you are talking about \$12 billion out of a big budget, that is one thing, but if you are talking about \$12 billion that happens every single year, that is like getting a new aircraft carrier every year or six submarines. And \$2.5 billion might not seem like a lot of money in the budget, but if the alternative to doing a BRAC round was cutting a submarine, there might be some other folks who might have an issue with that. I am using naval examples because they are big, but it is reflected across all of our things.

With regard to JFCOM, the dynamics are different with the JFCOM facility because it was within the scope of the BRAC law. There is a specific law that says we cannot just go off and close

bases in the same way, and because JFCOM was part of a larger base, it did not have the same legal triggers. And you are familiar with all of this. And that is why that was a different scenario.

But I tell you what. We are looking for ways where we do not authority specifically from Congress to go ahead and go save money. We are not sitting idle waiting for BRAC. That is why we kicked off the European round already because we do not need authority to go off and do that. So we went off and started working it. There are other examples where we are driving towards efficiencies throughout the Department, and we have to do that. Installations is just one piece of the puzzle.

But as we cut down in force structure, it would be irresponsible of us not to try and propose ways to cut the tail as we cut the tooth. And so we have to look for a way to find this money.

I respect the drama that goes on in communities as they prepare for BRAC. It is a difficult process, but it is a fair process. And one of the dynamics that led to BRAC in the first place was that when base closures were proposed, there was politics. It depended on who the chairman was based on what got closed and what did not get closed. And this was a way to take politics out of the process and put it into a "you cannot edit this list" type of dynamic. So you did not have the base closures depending on who was the most senior person at the table. So it is about fairness in that regard. There is a whole other dynamics in the BRAC law, but I think that is the one that is pertinent to this part of the discussion.

Senator SHAHEEN. Does anybody else want to respond to that question?

Ms. HAMMACK. Yes, I just want to make a comment that in Europe where we are reducing our force structure by 45 percent, we are systematically closing bases and we are consolidating. And Navy and Air Force are also looking at their infrastructure. What OSD is doing is taking a look at what is already in process, underway, to see if there are additional opportunities.

Now, anytime Army, Navy, or Air Force has property that is excess, the first thing you do is you go to the other Federal agencies and you essentially say, hey, does anybody need this. And at that point in time—you know, the Army is moving into a Navy facility that was excessed. I think it was the Navy or was it Air Force? Air Force, okay. And so we do some of that already.

OSD is looking to see if there is anything else that could be done if all options have been evaluated. And so when we talk about BRAC in the United States, we are reducing our force structure size, and with the programmatic environmental assessment, we announced that there are 21 locations that might have force structure reductions. And what that is going to do is create excess space. Each brigade combat team takes up a little over a million square feet. So we are going to have holes. We are going to have empty buildings, and we are going to have places that we could move other units or other options into. And in order to consolidate our infrastructure, we need the authority. The Congress has told us you cannot close any of these facilities without our authority.

Senator KAINE. Congress has not said you cannot recommend to us things that should be closed. I agree. You cannot close without our approval, but there is no prohibition to the DOD making rec-

ommendations about how to take those gaps and consolidate and then leave them subject to our approval. So I get that you cannot do it unilaterally, but you can still propose.

Mr. CONGER. And that is why BRAC was designed to take politics out of the process.

Senator SHAHEEN. Senator Lee?

Senator LEE. Thank you, Madam Chair.

Thanks to each of you for joining us today.

Mr. Conger, Under Secretary of Defense Robert Hale stated multiple times during a hearing last week, during the DOD posture hearing last week, that the 2015 BRAC proposed by the President in his budget would be significantly different from the last BRAC that we had in 2005. Can you elaborate on what Under Secretary Hale might have had in mind when he made that statement?

Mr. CONGER. Sure. And as I noted at the beginning of the hearing, I think he was right. The BRAC 2015 will not look like BRAC 2005. BRAC 2005 was conducted while force structure was growing, while budgets were growing, and under leadership that directed the use of the authority to accomplish transformative change, not just elimination of excess. Today force structure is shrinking, the budget is shrinking, and we are firmly focused on reducing our future costs. That is the dynamics that we are dealing with here.

You know, you get to a point under the BRAC law and constrained by the BRAC law where even if we were in an environment without excess, we would not be able to shift things around because BRAC says you cannot move functions around. And so one of the things that happened, in addition to eliminating excess during the 2005 round, was that Secretary Rumsfeld said I want to optimize where we are all located. So not everything was driven by savings. Should it have been that way? That I leave open to the committee to judge. But that was part of what drove the recommendations that we got in 2005. It is different from the recommendations that were in the 1990's.

And I would offer that Mr. Hale's comments drive to that point which is that we are focused on saving money and eliminating excess because of the dire budget situation that we are in. We are looking to save money and this is going to be a round much closer to the ones from the 1990's.

Senator LEE. Okay.

Ms. HAMMACK. If I may make a comment.

Senator LEE. Yes.

Ms. HAMMACK. Another thing that is not well understood is the Army moved units back to the United States from overseas. So in Korea and in Europe, we had facilities that were optimized for those units. When we moved them back to the United States, we had to build new infrastructure to house them. From an Army standpoint, we did not really reduce our overall square footage. For us it was a realignment more than it was a closure. Although there were some facilities that were closed, it was realigning a lot of our units and realigning our forces. So it was a very different BRAC from all of the other BRAC rounds.

Mr. CONGER. And to add on that point, the closures overseas are not calculated as part of the savings as GAO audits them. The savings that we calculate are domestic savings.

Senator LEE. Okay. Given that factor and the set of circumstances you identified, economically we are in a different position now.

Ms. Ferguson, I want to talk about the F-35 for a minute. Last week there was an announcement that the EIS for the F-35 basing decision has been delayed until I think this fall. And that following the incorporation of new census data into the EIS and the determination, additional public commentary was necessary in a lot of that data.

Do you think this will have any impact on the arrival of the first operational units of the F-35 that are scheduled for 2015?

Ms. FERGUSON. No. Based on our analysis, the delay of the EIS to the fall of this year will have no impact. Now, there could be other impacts to delivery beyond the environmental impact statement, but directly related to the delay of the environmental impact statement, no.

Senator LEE. On this one alone, you do not see it having that impact.

Ms. FERGUSON. No, it should not impact.

Senator LEE. Are you concerned that even if there is not an impact, that this could at least create less of a margin for delays, for any other delays that might come up? We are slicing it thinner and thinner. I assume you would agree with that.

Ms. FERGUSON. Certainly as we get closer to the delivery of the first aircraft and we have construction still to do at the first operational location, then we need to make sure that construction is done to the maximum extent practicable before that first aircraft arrives. But we have taken a look at that, and we are not concerned at this point.

Senator LEE. Okay. The reason I raise the concern, as you can imagine, is that we have had a number of delays in connection with the F-35, but it sounds like at this point you are not anticipating any additional delays.

Ms. FERGUSON. We are not.

Senator LEE. Can you tell me why originally census data from over a decade ago was being used in the EIS process?

Ms. FERGUSON. When they started working on the EIS, that was the only data that was available. The 2010 Census data had not yet been published. And so they got through the end of the process, published the document, and then by that point in time, the 2010 data was published. And for one of the locations, that data was significantly different. So we went back and modified the EIS to incorporate that new data.

Senator LEE. Right. Can you help me understand why it is that the incorporation of the new census data necessarily required new hearings to be conducted for new input on the EIS?

Ms. FERGUSON. We are not going to do new hearings. What we are going to do is we are going to put the environmental impact statement out on the street for a public comment period, but we will not accomplish additional hearings, but it will provide the pub-

lic the opportunity to comment on the updated information that will be contained in the environmental impact statement.

Senator LEE. Now, we know that sequestration is likely to slow the input, will slow down the induction of some aircraft into depot. What impact do you think the slowdown will have on the working capital fund and depot labor rates?

Ms. FERGUSON. On depot labor rates, I do not have that specifically, but we do know with the combination of the reduction in weapons systems sustainment, we are reducing weapons systems sustainment by about 18 percent. We have got civilian furlough that the civilians—that the 35,000 civilians at the depot will be out. We are anticipating 60 less aircraft will be inducted and about 35 less engines will be inducted. And through a combination of those factors, it will take us a period of time to build out of that bow wave. It could take us a year or more to come out of that after we realize the effects of sequestration from 2013.

Senator LEE. And how can the department work to kind of address and anticipate and mitigate against the so-called bow wave that will be caused by the slowdown in depot inductions that we are seeing?

Ms. FERGUSON. What I would tell you is about the Air Force Mobility Command staff, the staffs at each one of the depots, headquarters Air Force, my staff—they are working that very closely with everyone at our lifecycle management center to try to mitigate that. But right now, with a 18 percent reduction in weapons systems sustainment, the furlough, reduction also in flying hours contributes to that as well. There will be a readiness impact associated with that.

Senator LEE. Okay. All right, thank you.

Thank you, Madam Chairman.

Senator SHAHEEN. Thank you.

Mr. Conger, I want to go back to the European infrastructure question because there was one piece of it that I did not get to, and that is the fiscal year 2013 Defense Authorization Act required the Department to evaluate the feasibility and cost savings that could be realized by closing and consolidating operations of the 16 major defense agencies of the Department that are also maintaining facilities and personnel overseas.

So are these facilities going to be part of the Secretary of Defense's review of the infrastructure in Europe?

Mr. CONGER. We are doing a comprehensive look. It is going to include the defense agencies, yes.

Senator SHAHEEN. And do you believe that they also maintain excess or under-utilized facilities overseas?

Mr. CONGER. I think it is fair to say that defense agencies, in particular those that support the force structure, are proportional to the force structure. And so, therefore, if we find efficiencies and optimization in basing of our forces, what will happen is, if people consolidate in a particular location, you may need fewer schools, fewer medical facilities, et cetera, et cetera. Those are the supporting requirements of having a force in a particular location.

Senator SHAHEEN. Thank you. I look forward to seeing that report when it is completed. I certainly hope that the urgency about expediting it will be conveyed to the Department.

I want to go now to some issues that were raised in a report by this committee's review of overseas basings that looked at some of the projects that are built with in-kind payments from foreign governments. For example, the committee's review found that the Army does not approve construction projects that are built with in-kind payments in Korea.

Secretary Hammack, can you let us know why the Army does not review and approve these projects? And is this something that should be approved and reviewed by the Army? And how can we make sure that they are subject to that same review as other projects?

Ms. HAMMACK. They are reviewed by the Army, but they are also subject to the requirements of the Korean Forces commander, which is a COCOM that works through the OSD. So I would defer to Mr. Conger.

Mr. CONGER. In general, the requirements are—they originate from one of the service subcommands inside a theater, come up through the combatant command, come over to the Joint Staff, and they are being reviewed at each step in this process for approval inside OSD. So there are a variety of looks at each of these.

Senator SHAHEEN. Well, as we discussed yesterday, some of the projects that have been discussed raise questions about whether there is urgency to those projects, given all the other demands that currently exist. So I wonder if you are looking at legislative or procedural changes that could help ensure that the projects that are being funded and undertaken are those that are real priorities and not something that is less than a priority for the various services.

Mr. CONGER. And I understand that point. You know, as we discussed the other day, the report led to the Washington Post article. Several of the examples were highlighted in there.

One thing I did want to make sure that everybody was aware of is that when a project list is approved at the Department, the Deputy Secretary of Defense sends a letter over to Congress saying this is the list of items that we are looking to pursue. In particular, I am talking about the payment in-kind projects in Germany because those were the ones highlighted in the article the other day. That oversight process is responsive to Congress.

In particular, I would point out that one of the projects sent over in July of 2011 was a warehousing project that this committee sent a letter to the Pentagon on and said we have concerns about. We, as a consequence, even though it was 2 years later, put a hold on that. We are looking at it, and in fact, the facts on the ground do change. The warehousing project in particular that, once again, we notified the Hill about 2 years ago, because of the reduction in forces at Grafenveer, while the requirement has not changed, there is more space available, and so we did not necessarily need to build the project.

The oversight of this committee helped us to save some money. And so that is valuable. We send these reports over to Congress not because we think you are going to file them in a drawer, but because we value your feedback.

Senator SHAHEEN. Sure, and I appreciate that, although the report suggested that there were some projects that had gone for-

ward without sufficient notification to the appropriate committees in Congress. Do you disagree with that?

Mr. CONGER. We can look through those in particular, and I think we need to have an ongoing conversation about that. Some of the ones that were highlighted have not actually been submitted for approval yet. I mean, they are in the preliminary stages. We have not even gotten them in OSD. But the investigators from this committee went out to Europe and they looked at the lists of projects that they were looking at, and some of those made it into the report even though they were pre-approval. They were just under consideration.

Senator SHAHEEN. Well, again, I guess I am not sure I quite understand what recommendations you might have to improve the current process so we do not have things like sunroom additions to senior officer housing in Germany done at a time when there are other priorities that supersede that.

Mr. CONGER. Yes. The sunroom one was sent over in 2010, the particular project. It was \$200,000 total for changes to three housing units in order to bring them up to the standards for the individuals that they were hoping to station in them. Those projects in retrospect—were they ideal? Well, it brings the housing up to standard. So we do not want to be subject to the churning of the sound bite in that it does not sound particularly like a high priority to add sunrooms to housing. But it is a question of there is a certain amount of space that is associated with a certain rank of officer, and they were trying to make sure that the housing was up to standards for the people that they wanted to station in the housing.

Senator SHAHEEN. I appreciate that. I guess my concern—and I am still not clear on how or whether you think it is appropriate to address it—is the oversight of the projects that are undertaken and to what extent there is appropriate oversight and how you prioritize how those in-kind contributions are done. And it is still not clear to me exactly how that works.

Mr. CONGER. Well, I think that securing construction from foreign governments is valuable to the Department of Defense and to the country. I think it is important to be able to receive those payments in kind, to receive military construction from other nations.

Senator SHAHEEN. And I am not taking issue with that.

Mr. CONGER. Is there enough oversight? I think we can have a conversation. There certainly is oversight. Is there enough oversight? That is something that we should engage in. In all honesty, given the degree to which we are looking to reduce force structure in Europe and given the degree to which we expect probably an increase in those payments in-kind coming up in the future as we go through our reductions, as we hand bases back after brigades are removed, after we go through our European base review, there is going to be a lot more of this. And so as a consequence, we are going to want to do more oversight, and we should do that with this committee.

I do not question for a second that this committee should be involved in the oversight or should OSD or should the services be doing oversight over these projects. What was a small list relatively

in the past may become a bigger list, and we need to make sure that we are all on the same page.

Senator SHAHEEN. Certainly I think this subcommittee would appreciate the recommendations that you will be looking at for how to improve the oversight process.

Mr. CONGER. Yes, ma'am.

Senator AYOTTE. I thank the chair, and I would share in her request that we do greater oversight for these in-kind contributions. I understand that we are grateful that these nations are willing to give in-kind contributions, but given that they are on our bases, the oversight is still very, very important. So I would share her request that we be more engaged in that oversight and more vigorous oversight.

I wanted to ask Mr. Natsuhara about the plan that I referenced in the opening that we recently received that was required pursuant to the 2012 NDAA, the modernization of naval shipyards.

And as I referenced in the opening, we certainly have some facilities that are aging with our shipyards. Looking at the facilities, some are approximately 60 years old. The average dry dock age is 79 years old. So the overall condition of infrastructure is certainly a big challenge. And as I mentioned in the opening, the Navy will need, according to the report, about 17 years at the current funding rates to clear the current maintenance backlog.

So I appreciate that you are trying to look at ways to more quickly address the maintenance backlog. So can you help us understand what additional annual funding you will need to achieve this goal? And I would also like to understand what is the impact on sequestration, thinking about especially 2013 and 2014. I know you have submitted a budget request with us assuming that sequestration gets resolved, but I think we need to understand what are the implications if this thing stays in place.

And I would also open up that question beyond this issue with the backlog on the maintenance and ask all of the witnesses to talk about if it is not resolved, what are the long-term implications.

Mr. NATSUHARA. Thank you.

Based on our plan, we believe that our projected budgets out through the 17 years, that we will be able to meet that 17-year plan. It was all based on very detailed analysis and study with our CNO staff, our NAVSEA staff, and NAVAC staff to really kind of balance the risks to determine what is that right risk to recapitalize, clear the backlog of the shipyards to maintain their mission, but also balance the rest of the Navy's priorities in facilities to make sure that we do not fix one part of the Navy at the expense of the other. So it was a very balanced approach we took trying to balance the risks of the shipyards and the rest of the facilities. So we believe our budget will be able to match the 17 years.

As far as 2013, we will be able to meet for the shipyards, the 6 percent requirement. We have already funded that. We will be able to meet—but for the rest of the depots, the FRCs, we have not got there yet because of sequestration, but for the shipyards for 2013, we are going to meet the 6 percent.

For 2014, we do not know yet. Our plan is in our budget we will, but we do not know what the sequestration is going to be. So we will do that analysis if that happens.

Senator AYOTTE. So you have not done the analysis yet if sequestration goes into place, how this thing impacts the maintenance going forward.

Mr. NATSUHARA. We have not done the analysis yet.

Senator AYOTTE. I would ask for follow-up information on that. It is just important for us to all understand here because the more information I think Members of Congress receive on the implications of this long term to the overall readiness of our forces, I think it, hopefully, will help get people off the sidelines here to try to resolve this in a sensible way.

So I would also ask the other witnesses to be able to comment on what do we do look at going forward in terms of each of the areas that you are responsible for.

Mr. CONGER. Before we get into the specifics of each individual service impact, let me speak a little bit broadly about sequestration and how 2014 is different than 2013.

In fiscal year 2013, sequestration is an appropriations/authorization issue. It is all about individual accounts, how much money is available in individual accounts and the specific cuts that were taken, in fact, that we are trying deal with halfway through a year. So they are severe. They are rigid. And without question, as I mentioned earlier in my opening statement, they have consequences.

That said, in fiscal year 2014, the President's budget request and the administration position is that we are not taking sequestration cuts in the defense budget but rather their deficit reduction plan, the administration's deficit reduction plan, accommodates those cuts elsewhere. Now, what that means is that this becomes a budget resolution issue as opposed to an individual appropriation type of issue. And the question is—and frankly, it is up to the Congress to decide how that is dealt with, whether the particular offsets that the administration proposed are rejected or if—

Senator AYOTTE. Well, let me just interject for a minute.

Mr. CONGER. Yes.

Senator AYOTTE. We are where we are. So the Senate did a budget resolution. The House did a budget resolution. Who knows if they will get reconciled. The President's is hanging out there, a post-budget thing. I think we are where we are right now.

And so can you just sort of let us know, assuming the status quo going forward and the President's plan does not get passed, which I think at this point is unlikely that it would, where are we?

Mr. CONGER. So if the question is what is the impact to the Department if in fact there is another broad-based—there is another 8 percent across-the-board cut—

Senator AYOTTE. Yes, because the law stays in place really as it is. It is just the only thing you have differently is you do not have—the Appropriations Committee can work with you versus the across-the-board approach, which they have already done. We did in the CR. But going forward, the numbers are where they are unless we make a change around here, as I understand it.

Mr. CONGER. And so I think that that sort of broad-based answer—I defer to my colleagues to say if they took that specific cut in each of their areas, what would it be. But I think from a broader perspective, I think that rather than this panel answering the

question in a narrow sense, I think it has to be a wider Department answer for you, and we would have to get back to you.

Senator AYOTTE. Well, I want you to know I have been asking this. All of us have been asking this in every hearing we have had, you know, with the service chiefs, with everyone. So to the extent you cannot answer us, I think it is important because there needs to be a full understanding around this place about what the real implications are.

Thank you.

Ms. HAMMACK. For the Army, the fiscal year 2013 budget is a 63 percent reduction in our sustainment, restoration, and modernization. It is a risk and it does create what has been called a bow wave of a backlog of what needs to be done. An analogy that I heard, it is like not maintaining your car. There is a risk. And when we are focusing only on the most critical life, health, and safety, we are taking a risk by not maintaining our existing infrastructure.

Senator AYOTTE. So after a while, if you do not change the oil, you got an issue.

Ms. HAMMACK. You got an issue. And that cost of not changing the oil is much higher than if you had maintained the oil regularly. And that holds true for maintaining our HVAC equipment. It holds true for maintaining our infrastructure, replacing roofs when they are at end of life versus waiting for failure. It is a higher cost if you wait for failure.

In our 2014 budget, we took a reduction and we are taking a risk. And it is 10 percent lower than what we thought was ideal, but it is taking a risk and that is how we are responding to the effects of a reduced fiscal environment. If we have to go further, if we have to go as deep as we did in 2013, it is going to be even much more of a bow wave. It is critical and it is something that we are going to have to respond to and fund at some time. Buildings need to be maintained. That is a fact.

Senator SHAHEEN. Senator Kaine?

Senator KAINE. I just want to come in on Senator Ayotte's point. We had an interesting interchange kind of in the same way at the full committee hearing last week with Secretary Hagel and General Dempsey. And I thought it was interesting because I think the questions from the Senate side—they might have seemed like hostile questions, but I think they were actually helpful questions.

I fully support the budget. The way it was constructed said sequester is a bad idea. Here is the better way. Completely agree. Sequester is a bad idea. There is a better way and that is to significantly moderate the effects of sequester by reducing the size of the cuts, by making them targeted and not strategic, by not spreading them evenly across the 10-year budget but back loading, you know, these kinds of concepts. I am glad you prepared it that way.

But the challenge we have is with our colleagues to really demonstrate why the administration's version is much better than the sequester version. And so part of that is if you had to live with the sequester as is, if there is no alternative, instead of the budget that you have put on the table, which is not really your optimal budget—I mean, you are dealing with the cut already, as you described.

You have presented it and you have had to sharpen the pencil and multiple drafts.

But if you, the DOD, could show in large scope and if we do not get that and we have to live with the sequester, here is what this looks like down the road, I think we will create more momentum within our colleagues. And this is what a lot of us are trying to do, create momentum within our colleagues to say we like the administration's version better than the status quo. So that was a request that was made DOD-wide, but it was a helpful request. I think this is going to help us add allies to try to come up with a budget that is better suited to what you are trying to do which is to keep our country safe.

Senator SHAHEEN. Thank you, Senator Kaine.

I want to go back to the in-kind burden-sharing issue for a minute, Mr. Conger, because one of the areas addressed by the Armed Services Committee report was South Korea, and one of the items in the budget that got my attention was a request for \$52 million to replace a school at Camp Walker in South Korea. And I wondered if, before requesting those funds, the Department had considered trying to use South Korean in-kind contributions for that, and if not, why not. Is this not exactly the kind of project that we might be able to use in-kind burden-sharing funds to support?

Mr. CONGER. I will tell you what. I do not have a specific answer to that question right now. I will get you one for the record because I think you deserve a thoughtful, deliberative one rather than me just trying to answer off the cuff.

Senator SHAHEEN. Okay. I appreciate that.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Senator SHAHEEN. And I think we will have some follow-up questions for the record about some of the differences that we see in what the report found than I understood your answers to be.

Mr. CONGER. That is fair enough.

Senator SHAHEEN. I appreciate that.

I want to go now to one of the issues that I have been very concerned about and very appreciative of the lead that the DOD and particularly all of our branches of the military have taken around energy use. I think some of you have heard me talk about my appreciation for the work that has gone on around energy and energy efficiency, in particular, which is one of the things that I am particularly concerned about. I know in our conversations, Mr. Conger, you talked about the bill that the Department has for energy use on an annual basis, which is significant. So I wondered if each of you might talk about some of the areas where you think you are making real progress around energy use and then, if you could, indicate whether sequestration is having an effect on those areas and how you see the long-term implications of any impacts from sequestration on those energy efforts.

Mr. CONGER. Let me take the second part of your question and defer the first one to my colleagues.

Under sequestration, the O&M accounts have been hit particularly hard and, in particular, the facilities sustainment accounts which have been limited to sort of the life, safety, health types of repairs. Those accounts are where many of the energy efficiency

upgrades occur. Now, that is not to say that we are making a lot of changes to buildings just to increase the energy efficiency, although that is certainly the case. But when you replace the HVAC system, when you add insulation, when you replace the roof, you are making energy efficiency upgrades, and you are lowering your future bill by doing things the right way.

Those proactive, bill-lowering efforts that are normally part of our sustainment budget were deferred because of sequestration in fiscal year 2013, and we have limited the investments that we are making in repair of our buildings. And so is there an impact? Absolutely, there is an impact on the energy investments that we are making.

Ms. HAMMACK. From the Army's standpoint, we have focused on what we call leveraging the public/private partnerships, and those are the energy-saving performance contracts. And so in fiscal year 2012, we tripled the number of energy-saving performance contracts that we executed and we are on a path to have about the same, if not a higher amount this year. And so by leveraging private sector investments, we are able to continue with our energy efficiency.

That being said, as Mr. Conger mentioned, there were some programs that are being delayed and those were the direct-funded programs.

And sequestration also affects us because those in the acquisition community will face furloughs, and that slows down the acquisition process. So that means our processing of the contracts and the task orders is going to slow. So while we are currently on target, we are unsure how it is going to affect us at the year end because there may be some slippage due to the effects of sequestration on our acquisition community.

Senator SHAHEEN. Do you have data that quantifies what the savings are from those performance contracts that you have put in place already?

Ms. HAMMACK. Absolutely, and we can get you that information.

Senator SHAHEEN. I would really be interested in getting that.

[The information referred to follows:]

[SUBCOMMITTEE INSERT]

Ms. HAMMACK. Certainly.

Senator SHAHEEN. Thank you.

Mr. Natsuhara?

Mr. NATSUHARA. At the Department of Navy, we have been very aggressive in our goals. We too are going to be leveraging the third party financing for a lot of our larger projects.

We are very concerned with the sequestration. The Marine Corps has right now cut about 50 percent of what they planned to do on their energy efficiency for fiscal year 2013. That will cause problems in the out-years because the investment that we planned to take this year—we have already taken the savings on the energy. So we are working hard to try to get those investments back because we are just going to create another bill in the out-years. So we are very concerned about that.

On the Navy side, they are taking risk in other areas and trying to recover most of their efficiency projects. They have not got there yet. But we also have the same concerns there. And the main thing

is not only, like I said, getting the energy savings today, it is if we do not do them today, we are going to have another problem in the out-years. So we are very concerned about that on the shore side.

On the operational energy side or forces side, we have been working hard with our systems commands to make sure to try to keep all those energy efficiencies. There it is really about the combat effectiveness, making sure the warfighter gets the extra energy savings not so much just to save energy or money, but it is really to increase their effectiveness for the warriors out there.

Senator SHAHEEN. And will the impact of sequestration be enough to prevent you from getting to the 50 percent savings goal by 2020?

Mr. NATSUHARA. Right now, we think we are going to be okay. We are still doing some analysis because we just got the numbers, but if you like, we can get you a brief on that.

Senator SHAHEEN. That would be helpful.

I also understood that the Navy had been reluctant to engage in performance contracting. Is that the case, or is this a change that you are undertaking? Are you beginning to do that now?

Mr. NATSUHARA. We are beginning to look at those. We have programmed some money to do some analysis, up-front studies, and they take a little bit of time, but we are looking at those and we anticipate having some of those in the near future.

Senator SHAHEEN. Secretary Hammack, perhaps you could share your experience with the Navy.

Ms. HAMMACK. Absolutely. They can leverage the same contracting mechanisms that we have been using.

Senator SHAHEEN. Ms. Ferguson?

Ms. FERGUSON. In 2012, the Air Force avoided \$1.5 billion in energy costs due to initiatives that we have put in place, which I think is a really good-news story. Part of that was from reducing aviation fuel consumption. We exceeded our goal early. We reduced our aviation fuel consumption by 12.4 percent since 2006. We have gone now and we have updated that goal, and we are going to look at improving our aviation energy efficiency by 10 percent by 2020, and so really looking at how we operate the airplanes, including in a deployed environment.

Some of the things we have done to reduce the fuel costs is we have done KC-135 engine upgrades, which has both an operational efficiency and an energy efficiency. We have C-5 engining. That showed a 3 percent improvement in burn rate. So we are getting benefits from that. We have reduced our facility energy consumption by 22 percent, and we are on track to meet the 2020 goal. And we have done that since 2003. And in 2012, we avoided \$300 million in facility energy costs because of the initiatives we have put in place.

The impact of sequestration. We are delaying about 220 energy-related facility projects. The cost for those projects was right around \$150 million, but the annual savings for those would be about \$25 million. So it would pay back in about 5 to 6 years. So we are deferring that, but we are continuing to look for opportunities. I envision that there could be similar issues that come up on the operational side, but we are going to continue to look at that.

Energy, of course, is a high priority for the Department, and we will continue to focus where we can.

Senator SHAHEEN. And so when you talk about the aviation savings, is most of that accomplished through changing out the engines for more efficient engines or are you also looking at biofuels as a way to save long term on energy use?

Ms. FERGUSON. We have looked at biofuels and all of our aircraft have been certified both on HRJ and Fischer-Tropsch fuels. Those are there. We are not going out and actively purchasing those, but those are there if it makes sense to buy them.

Where we are really seeing savings is by changing the way we fly, how we load C-17's and C-5's and doing them more efficiently and seeing how we can operate in a more efficient manner. So it is really changing the culture of how we fly, how we operate. I think when General Spencer was in front of the committee recently, he gave an example of when he was on a C-17 and he was in the cockpit, and the crew talked about how to save fuel as they were going on their mission. So it is really about changing also the culture of our pilots.

Senator SHAHEEN. I know that the Navy has done a lot of work around biofuels. Do you share those technologies with the Air Force and the Army as you look at developing new biofuels?

Mr. NATSUHARA. Yes. All the services now have a Deputy assistant Secretary of Energy. So collaboratively I think they have all been working very closely together sharing information, including the biofuels initiative.

Senator SHAHEEN. Thank you.

No further questions, Senator Kaine? At this point, I do not have any either other than the questions that we will submit for the record.

So thank you all very much for your testimony this afternoon and for your service to the country.

[Whereupon, at 4:14 p.m., the subcommittee adjourned.]