

# **MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 2005**

**TUESDAY, MARCH 30, 2004**

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

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

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

**DEPARTMENT OF DEFENSE**

**OFFICE OF THE SECRETARY**

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

**OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON**

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

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

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

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

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

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

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

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

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

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

#### STATEMENT OF SENATOR DIANNE FEINSTEIN

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

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

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

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

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

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

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

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

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

Senator HUTCHISON. Okay. We will have—

Senator STEVENS. Madam Chairman.

Senator HUTCHISON. Oh, I'm sorry.

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

Senator FEINSTEIN. Not really.

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

#### STATEMENT OF SENATOR TED STEVENS

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

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

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

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

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

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

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

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

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

Senator HUTCHISON. That's right.

Senator STEVENS. Thank you very much.

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

#### STATEMENT OF RAYMOND F. DUBOIS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[The statement follows:]

PREPARED STATEMENT OF RAYMOND F. DUBOIS

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

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

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

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

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

#### INFRASTRUCTURE INVESTMENT STRATEGY

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

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

#### COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

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

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

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

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

#### *Facilities Support Investment and Operating Expenses*

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

## SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's Budget in Millions of Dollars]

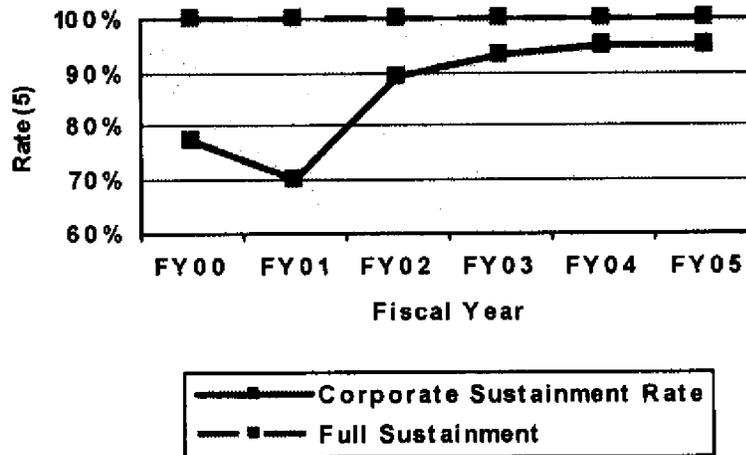
	Fiscal Year 2004 Request	Fiscal Year 2005 Request
Sustainment (O&M-like <sup>1</sup> ) .....	6,382	6,531
Restoration and Modernization (O&M-like) .....	1,012	1,243
Restoration and Modernization (MilCon) .....	2,350	3,161
<b>TOTAL SRM</b> .....	<b>9,744</b>	<b>10,935</b>

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

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

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

## Historic Sustainment Rates



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

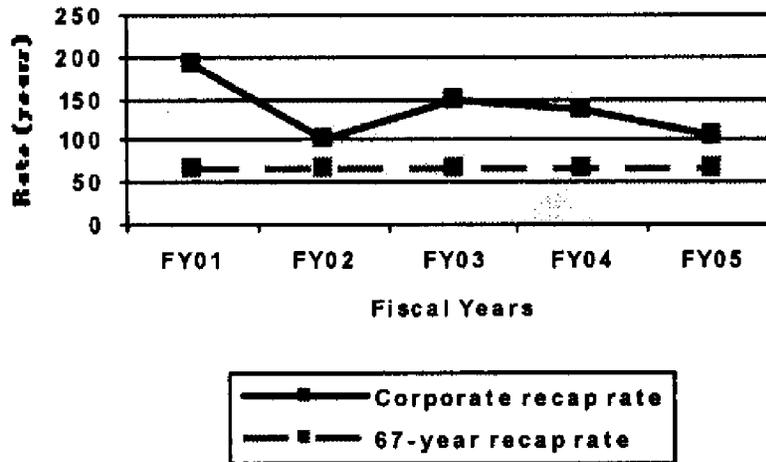
Restoration and modernization, together called recapitalization, provides resources for improving facilities and is funded with either operations and maintenance or military construction appropriations. Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment,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

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

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

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

### Historic Recapitalization Rates



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

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

#### *Improving Quality of Life*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *Range Sustainment*

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

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

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

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

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

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

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

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

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

*Improving Environmental Management*

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

ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST <sup>1</sup>

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

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

<sup>1</sup> Includes operations and maintenance, procurement, RDT&E, and military construction funding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Utilities Privatization and Energy Management*

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

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

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

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

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

BASE REALIGNMENT AND CLOSURE

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

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

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

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

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

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

#### CONCLUSION

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

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

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

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

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

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

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

Mr. DUBOIS. Uh-huh.

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

Mr. DUBOIS. As I indicated——

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

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

Senator HUTCHISON. I was talking about——

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

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

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

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

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

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

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

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

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

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

Mr. DUBOIS. Yes, ma'am.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. DUBOIS. Yes, ma'am.

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

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

Mr. DUBOIS. Yes, ma'am.

PERCHLORATE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Senator FEINSTEIN. April 30th.

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

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

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

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

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

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

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

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

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

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

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

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

Senator FEINSTEIN. And dairy.

Mr. DUBOIS. Dairy products.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### STATEMENT OF SENATOR CONRAD BURNS

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

Mr. DUBOIS. Yes, sir.

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

#### ENVIRONMENTAL WORK

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

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

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

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

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

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

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

And I thank you this morning for your report.

[The statement follows:]

## PREPARED STATEMENT OF SENATOR CONRAD BURNS

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

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

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

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

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

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

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

Mr. DUBOIS. Thank you, sir.

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

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

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

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

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

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

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

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

#### O&M BUDGET

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

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

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

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

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

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

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

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

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

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

Mr. DUBOIS. Yes, ma'am.

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

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

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

Senator HUTCHISON. Sure.

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

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

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

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

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

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

#### SPECIAL OPERATIONS FORCES

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

Mr. DUBOIS. Let me address—I'm sorry.

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

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

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

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

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

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

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

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

Mr. DUBOIS. Uh-huh.

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

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

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

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

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

Mr. DUBOIS. Yes, ma'am.

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

Mr. DUBOIS. I see—

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

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

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

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

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

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

#### EUROPEAN BASES

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. DUBOIS. When we—yes, ma'am.

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

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

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

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

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

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

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

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

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

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

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

Senator FEINSTEIN. I know you did.

Mr. DUBOIS. Because of these very reasons.

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

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

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

## KOREA

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

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

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

Mr. DUBOIS. Uh-huh.

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

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

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

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

Senator FEINSTEIN. Is there an approved agreement?

Mr. DUBOIS. My understanding is there is.

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

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

Senator FEINSTEIN. I appreciate that very much.

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

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

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

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

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

Senator FEINSTEIN. No, I understand. I understand.

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

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

#### ADDITIONAL COMMITTEE QUESTIONS

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

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

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

#### QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

##### OVERSEAS BASING/BRAC

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

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

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

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

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

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

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

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

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

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

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QUESTION SUBMITTED BY SENATOR TED STEVENS

UTILITY PRIVATIZATION

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

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

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

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

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

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QUESTIONS SUBMITTED BY SENATOR CONRAD BURNS

BRAC

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

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

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

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

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

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

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QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BRAC ENVIRONMENTAL CLEANUP

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

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

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

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

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

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

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

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

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

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

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

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

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

#### RESERVE COMPONENTS

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

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

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

#### RENEWABLE ENERGY RESOURCES

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

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

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

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

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

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

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

#### MINOR CONSTRUCTION THRESHOLDS

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

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

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



DEPARTMENT OF THE AIR FORCE

STATEMENTS OF:

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

ACCOMPANIED BY:

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

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

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

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

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

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

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

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

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

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

Senator HUTCHISON. Just questions.

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

Senator HUTCHISON. I do.

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

Senator HUTCHISON. Yes, I do have that.

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

Senator HUTCHISON. Thank you very much, General Fox.

#### STATEMENT OF MAJOR GENERAL DEAN FOX

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

#### MILITARY FAMILY HOUSING

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

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

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

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

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

#### PRIVATIZATION

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

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

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

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

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

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

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

[The statement follows:]

#### PREPARED STATEMENT OF NELSON F. GIBBS

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

#### INTRODUCTION

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

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

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

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

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

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

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

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

#### *Overseas Military Construction*

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

#### *Planning and Design / Unspecified Minor Construction*

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

### SUSTAIN, RESTORE, AND MODERNIZE OUR INFRASTRUCTURE

#### *Operations and Maintenance Investment*

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

### INVEST IN QUALITY OF LIFE IMPROVEMENTS

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

#### *Family Housing*

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

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

#### *Dormitories*

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

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

#### *Fitness Centers*

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

#### CONTINUE ENVIRONMENTAL LEADERSHIP

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

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

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

#### ACCOMMODATE NEW MISSIONS

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

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

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

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

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

#### OPTIMIZE USE OF PUBLIC AND PRIVATE RESOURCES

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

#### CONTINUE DEMOLITION OF EXCESS, UNECONOMICAL-TO-MAINTAIN FACILITIES

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

#### CONCLUSION

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

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

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

#### BUILD-TO-LEASE HOUSING OVERSEAS

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

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

#### GERMANY

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

Senator HUTCHISON. Federal government of Germany?

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

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

Senator HUTCHISON. He said that, however—

Mr. GIBBS. Certainly.

Senator HUTCHISON. Is it something that you would consider?

Mr. GIBBS. Oh, absolutely.

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

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

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

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

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

Mr. GIBBS. Absolutely.

#### GUARD AND RESERVE

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

#### AIR NATIONAL GUARD

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

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

#### RESERVE

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

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

#### C-17

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

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

C-17 BASING

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

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

Senator HUTCHISON. Well, some aren't.

They're going to California, Alaska—

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

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

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

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

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

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

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

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

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

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

#### GENERAL OFFICER QUARTERS

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

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

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

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

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

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

Senator HUTCHISON. Thank you. Senator Feinstein.

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

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

#### BEDDOWN FOR C-17 AND C-5

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

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

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

Senator FEINSTEIN. Pardon me?

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

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

#### VANDENBERG AIR FORCE BASE

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

Mr. GIBBS. I think it's—

Senator FEINSTEIN.—and it was requested.

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

General FOX. 2008.

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

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

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

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

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

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

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

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

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

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

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

Mr. GIBBS. Absolutely.

Senator FEINSTEIN. Let me just ask you—

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

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

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

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

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

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

Mr. GIBBS. That's correct.

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

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

#### VANDENBERG AIR FORCE BASE

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

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

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

#### ADDITIONAL COMMITTEE QUESTIONS

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

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

#### QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

##### FITNESS CENTERS

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

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

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

##### GENERAL OFFICER HOUSING

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

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

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

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

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

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

#### C-17 BASING DECISION

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

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

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

#### QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

##### REDUCED REQUEST

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

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

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

##### FAMILY HOUSING REQUESTS

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

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

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

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

#### DERF FUNDS USE

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

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

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

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

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

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

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

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

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

#### AIR FORCE BRAC

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

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

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

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

#### MC CLELLAN AFB

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

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

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

SUBCOMMITTEE RECESS

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

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

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