S. HRG. 109–255

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2006

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

ON

H.R. 2528

MAKING APPROPRIATIONS FOR MILITARY QUALITY OF LIFE FUNCTIONS OF THE DEPARTMENT OF DEFENSE, MILITARY CONSTRUCTION, THE DEPARTMENT OF VETERANS AFFAIRS, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006, AND FOR OTHER PURPOSES

Printed for the use of the Committee on Appropriations

Available via the World Wide Web: http://www.gpoaccess.gov/congress/index.html

U.S. GOVERNMENT PRINTING OFFICE

99–875 PDF WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
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MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2006

TUESDAY, MARCH 8, 2005

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

The subcommittee met at 2:35 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison, Allard, Feinstein, and Landrieu.

DEPARTMENT OF DEFENSE

STATEMENT OF HON. TINA W. JONAS, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

ACCOMPANIED BY PHILIP W. GRONE, DEPUTY UNDER SECRETARY OF DEFENSE (INSTALLATION AND ENVIRONMENT)

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. I will call the Military Construction Subcommittee meeting to order and say that I am very pleased this is our first hearing of the year. I am very happy that I am able to chair this subcommittee once again. It is a subcommittee I have really enjoyed, and I also very much enjoy my partnership with my Democratic colleague. We have been chairman and ranking member together in order, reverse order, and order again, and we have always worked very well together. And I am very happy that we have this team again. We have been able to have the experience now to know some of the issues, and I think it is going to be a very good year.

I will just say for the record too that I think Senator Feinstein and I have had some major impact since we have been chair and ranking member of this subcommittee in two areas. Senator Feinstein particularly has been attuned to environmental cleanup that has been so important for closed bases and making sure that that is done correctly.

I think together our efforts on the Overseas Basing Commission and really focusing on getting a timely assessment of foreign bases and problems in foreign deployments before we address our own BRAC, which we are now in the beginning stages of addressing, are beginning to pay off.

I am pleased that the Department of Defense did start looking at foreign bases and training constraints and operational con-

straints and made the announcement last year that they are, indeed, going to have a global realignment. I think it is going in the right direction. I think the Department of Defense did look at this and is making some very wise decisions for the long term for not only the best training and the best way to operate, but also better quality of life for our military and its families. So I am very pleased with that and glad that we are all here once again.

This year's military construction budget request is $12.1 billion, up 27 percent from last year's request. There is a wedge of $1.9 billion intended to cover the initial costs of the 2005 round of base realignment and closure, and I think that is going to be something we are going to want to have some specificity about as we go down the road.

I am pleased that for the third consecutive year the administration's request for Reserve Component funding is up significantly from last year's request. Reserve Component facilities have long been underfunded through the years, and this Department has made good on its commitment to improve that situation. We all know the huge load the Guard and Reserve are sharing in this war on terrorism, and I think bringing their facilities up to a higher standard is not only the right thing to do but well deserved.

I am also pleased to receive what I believe is a more focused request for construction at overseas bases. In the past few years, we have had a dialogue with the Department regarding these overseas bases, and I think we are now coming to a very good point where Congress is going to be able to evaluate the overseas facilities through our own Overseas Basing Commission, and I think we are going in the right direction.

Related to overseas construction is the NATO Security Investment Program. The request for this program is up 25 percent over last year. I do support NSIP, but I am concerned that the program is increasingly funding non-infrastructure expenses in favor of high technology electronics and software systems. NATO is now considering what could be a significant expenditure for a battle management command and control system for missile defense. I certainly support missile defense, but I think we are getting farther away from the intent of the Security Investment Program, which is to fund common infrastructure projects, and we need to assure that the United States gets more than a one-for-one return on the investments it is making in the program. So I intend to look carefully at this program and make sure that we are doing what we intended to do.

A major initiative this year is the 2005 round of Base Realignment and Closure. That commission is in the process of being appointed. Sixteen percent of this budget request is for beginning to implement that 2005 BRAC if Congress agrees with the BRAC recommendations made later this year. While we all know and hope that BRAC will save in the future, we also know that it does not save in the short term, that you have the costs of closing bases, and we are now looking at major restructuring of the Army and the Marine Corps; bringing 70,000 troops home from bases abroad; and repositioning remaining forces overseas into new facilities. So we know this is going to cost money and we certainly want to have a

close look at the recommendations that will be coming from the Department to prepare for this kind of a realignment.

I also want to comment on the housing privatization program, for which the Department is requesting $216 million this year. I am a strong supporter of the privatization program. I have seen the results. They are terrific. But I also think we need to make sure that we are making good decisions on these privatization projects and that we are monitoring the way the money is spent. In a few instances the privatization has not gone the way it was intended, and we need to make sure that where we do appropriate this money, it is being spent on quality construction that is doing the job we are asking be done.

I certainly will have a number of questions, but I would like at this time to turn the microphone over to Senator Feinstein, my able ranking member who has been a great partner through the years on this subcommittee.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thank you very much, Madam Chairman, and I think you know that it has also been a pleasure for me to work with you, and I look forward to the year. I also look forward to the year because there is much more money to deal with and some new challenges in this. So I am delighted.

I do not want to repeat what you said but there are a few things that kind of come through to me. I just want to point them out.

The fact that the Army is down 16.5 percent over the requested amount, or 24.6 percent below the enacted amount of last year's request, I would like to ask about that.

I am delighted to see that the BRAC environmental cleanup is nearly $132 million, 33.5 percent up from last year's request. I think that is very good news.

The Navy's request this year includes $143 million, plus an estimated $133 million derived from land sales at El Toro and Oakland, totaling $276 million. My understanding is the Navy has planned to spend at least $172 million of that in California. I am very grateful for that. We had 29 bases closed in the last round, and just getting the environmental cleanup done has been a huge problem.

It is also my understanding that the military family housing request has increased by $70 million and that the initiative of DOD to privatize over 75,000 housing units are designed to reach its goal by 2007. I think that is good news as well.

You and I have worked together on overseas basing. That total is $782 million: $238 million for Germany, $28 million for Italy, $215 million for Korea, $125 million to Guam, and $109 million to the UK. So that is 25 percent over last year's request, and I think we need to take a look at it as well.

Let me just forewarn the people. I have been very concerned about, in your State and my State and about 26 other States, the advent of perchlorate. Perchlorate comes from rocket fuel. It is really all a military responsibility. This was their subcontractors. It has leached into groundwater. It has contaminated drinking water wells. And so my question will be whether some of this envi-

ronmental cleanup money can be used for perchlorate cleanup, and we will get to that.

I do not want to take any more time. We will get on with it and say welcome to the witnesses.

Senator HUTCHISON. I would like to now call on our newest member of the subcommittee. We welcome him, and we are very pleased that he is a new member of the full committee. I am pleased that he is now on our subcommittee as well. Senator Allard from Colorado.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Well, thank you, Madam Chairman. I do not have much of an opening statement. I look forward to working with you and Senator Feinstein from California. I know that you vacation from time to time in Colorado.

Senator HUTCHISON. We both do actually.

Senator ALLARD. I really appreciate that.

I just look forward to the opportunity to serve here.

You have seen me now in front of a number committees, Ms. Jonas. You never know when I might pop up, but I have a different set of questions for you this time around. So you will perhaps appreciate that. So I look forward to hearing your testimony.

Thank you, Madam Chairman.

SUMMARY STATEMENT OF TINA W. JONAS

Senator HUTCHISON. Now we welcome the Under Secretary of Defense who is the Comptroller and Chief Financial Officer of the Department of Defense, Secretary Tina Jonas. Welcome.

Ms. JONAS. Thank you, Madam Chairman.

I am going to just quickly summarize a few things. I have got a written statement for the record and request that it be placed in the record. I appreciate the opportunity to be here, and Senator Feinstein, I appreciate the opportunity to work with you and with the rest of the members of the committee.

I would specifically like to thank this committee for its strong support of our men and women in uniform. We look forward to continuing to work with you to ensure that our armed forces have everything they need to carry out their difficult and dangerous missions.

The President's budget request for the Department of Defense for 2006 is $419.3 billion. This is a $19.2 billion increase over the 2005 enacted level, and this will sustain the President's pledges to defeat global terrorism, restructure America's armed forces and global defense posture, as well as take care of our forces and develop advanced warfighting capabilities.

Of special importance to this committee, the President's budget shows his clear commitment to our military people and their families, with emphasis on quality facilities and family housing and on restructuring our military basing. I will not go over the specifics. As you have pointed out, Madam Chairman, $12.1 billion is the request for military construction and family housing requirements. I would like to reemphasize our commitment to funding the elimination of all inadequate housing in the continental United States

by 2007 and the elimination of all overseas inadequate housing by 2009.

PREPARED STATEMENT

I know that you will have plenty of questions. You are well aware of the issues regarding the restructuring overseas in our BRAC process, so I will not belabor that.

I would just like to say thank you for the opportunity to be here and I look forward to addressing your questions.

[The statement follows:]

PREPARED STATEMENT OF TINA W. JONAS

Madam Chairwoman, members of the committee, I am honored to be here to discuss military construction and other quality of life components of President Bush's fiscal year 2006 defense budget request.

First, I want to thank this committee for its strong support for our men and women in uniform. We look forward to continuing to work with you to ensure that our armed forces have everything they need to carry out their difficult and dangerous missions.

The President's budget request for the Department of Defense (DOD) for fiscal year 2006 is $419.3 billion in discretionary budget authority, a $19.2 billion increase (4.8 percent) over the fiscal year 2005 enacted level. Combined with fiscal year 2005 supplemental appropriations, this request includes sufficient funding to sustain the President's pledges to defeat global terrorism, restructure America's armed forces and global defense posture, develop and field advanced warfighting capabilities, and take good care of our forces.

Of special importance to this committee, the President's budget shows his clear commitment to our military's quality of life—with emphasis on military compensation and health care, quality facilities and family housing, and restructuring our military basing.

MILITARY COMPENSATION AND HEALTH CARE

The fiscal year 2006 budget maintains the President's commitment to take good care of our military people and their families. It reflects our conviction that people are the Nation's most important defense asset. The budget includes a 3.1 percent increase in military base pay and provides significant funding to ensure high quality health care for our military families. The fiscal year 2006 budget provides about $20 billion for the Defense Health Program and $7 billion for the military personnel who support the health care program. The budget sustains our commitment to no out-of-pocket costs for military members living in private housing.

FACILITIES AND FAMILY HOUSING

The President's request for Military Construction and Family Housing appropriations totals $12.1 billion in discretionary budget authority and funds the Department's most pressing military construction and family housing requirements. The request will improve our military's working and living conditions through strong sustainment and modernization for existing facilities and replacement of facilities that are no longer economical to repair.

Family Housing.—The fiscal year 2006 budget keeps the Department on track to fund by fiscal year 2007 the elimination of all inadequate military family housing units in the United States, and to fund by fiscal year 2009 the elimination of all inadequate units worldwide. To reach the fiscal year 2009 goal, the Army will complete funding the elimination of inadequate housing at its overseas bases in 2008, and the Air Force will complete funding its overseas eliminations by 2009. The Department's privatization program is key to its progress in eliminating inadequate housing. It enables the Department to leverage its funding and get more military families into top quality accommodations much sooner than would otherwise be possible.

RESTRUCTURING U.S. BASING

Two closely related initiatives will substantially affect our military's quality of life in the years ahead: the 2005 Base Realignment and Closure (BRAC) Commission and President Bush's restructuring of America's global defense posture.

BRAC 2005.—The work of the 2005 BRAC Commission will be critical to streamlining DOD facilities and saving billions of dollars that would be better spent on our military people and capabilities, not excess facilities. The President's budget includes funding for implementation of BRAC 2005 decisions, beginning with $1.9 billion in fiscal year 2006.

Global Posture.—Closely linked to the BRAC process is the President's global posture restructuring, which will ensure that United States forces and equipment are located where they can best respond to likely requirements in today's security environment. It will return 70,000 military personnel and 100,000 family members to the United States, and relocate forces and equipment that must remain overseas. As the 2005 BRAC Commission considers how to streamline and restructure the Department's installations, it will have the benefit of our global posture restructuring plan.

Congressional support of both these initiatives is critical.

FISCAL YEAR 2005 SUPPLEMENTAL APPROPRIATIONS

Before closing, I want to thank this committee for beginning work quickly on the President's fiscal year 2005 supplemental appropriations request of $74.9 billion for the Department of Defense. Rapid and full approval of the request is crucial to fulfilling our military's requirements for the rest of this fiscal year.

Of critical importance, this supplemental provides significant resources to address wear and tear on our military equipment, to create a larger and more combat capable Army and Marine Corps, and to train and equip Iraqi and Afghan security forces to empower them to take the fight to the extremists and to help them take control of their future.

The President's supplemental request includes $5.3 billion for restructuring the Army and Marine Corps because acceleration of this effort is urgent and vital to the war on terror. In fiscal year 2005 and fiscal year 2006, the Department proposes to fund Army restructuring through supplemental appropriations, which will accelerate the restructuring of the ground forces moving into the combat theater and reset those forces rotating out of theater. This effort will expand the operating combat force of the Army—making our forces more effective and reducing the demand and strain on our military units and troops. About $.3 billion of the request is for military construction to support this force restructuring, and again that is an immediate and critical requirement for our forces in the war on terror.

The supplemental also includes $1.0 billion for military construction in the U.S. Central Command (CENTCOM) area of responsibility. This will fund urgently needed facilities and improve the living and working conditions for U.S. troops in the theater. The request includes $303 million for force protection for key facilities; $253 million to improve airfields and their operations and safety; $155 million to improve the movement, handling, and storage of munitions and fuel; $146 million for temporary troop billeting; and $59 million for troop medical facilities. The vast majority of these CENTCOM projects are designed to temporary standards and do not reflect a United States commitment to permanent basing in the area.

CLOSING

In closing, I thank you for this opportunity to describe the President's commitment to military quality of life in his fiscal year 2006 budget. The request will enhance the well being of our service members and their families, strongly support current requirements and missions, and support the needed streamlining and recapitalization of DOD facilities. I urge your support for the President's fiscal year 2006 budget and his fiscal year 2005 supplemental appropriations request. Thank you.

Senator HUTCHISON. Well, thank you so much, Madam Secretary.

Now we have Mr. Philip Grone, the Deputy Under Secretary of Defense for Installations and Environment. Welcome to the committee.

SUMMARY STATEMENT OF PHILIP W. GRONE

Mr. GRONE. Thank you, Madam Chairman.

Madam Chairman, Senator Feinstein, and distinguished members of the Subcommittee on Military Construction and Veterans Affairs, I am pleased to appear before you this afternoon to discuss

the President's budget request for the Department of Defense for fiscal year 2006.

Madam Chairman, I have prepared a written statement and, with the committee, request that it be placed into the record.

Senator HUTCHISON. Without objection.

Mr. GRONE. At the outset, I want to associate myself with the statement made by my colleague the Under Secretary of Defense (Comptroller). The President's budget request for the Department of Defense continues the efforts of the administration to place our military infrastructure on a sound management foundation.

The business area comprising the Department's support of military installation and the stewardship of natural resources includes programs totaling over $46 million in the budget for the coming year. The Department's management responsibilities extend to an infrastructure with 510,000 buildings and structures and a plant replacement value of $650 billion and stewardship responsibilities for roughly 29 million acres, or 46,000 square miles of land, which is roughly the size of Connecticut and my native Kentucky combined.

Military construction and military family housing and funds necessary to support Base Realignment and Closure, which the subcommittee will consider, are a portion, but a vitally important portion, of our management approach. The President's management agenda contains three key elements for which my office has primary responsibility, including the privatization of military housing and real property asset management, the last of which is the focus of Presidential Executive Order 13327, issued on February 4th last year.

On those areas of focus for which the subcommittee is concerned, we have made significant progress with the assistance of Congress. The military housing privatization initiative, as the chairman indicated, is achieving results. As of the beginning of this month, leveraging the power of the market and the expertise of industry, we have awarded 43 projects privatizing 87,000 units, contributing $767 million in appropriated funds. To achieve the scope of these 43 projects, the taxpayer would need to provide $11 billion in military family housing construction, and over the life cycle, these privatized projects will save the taxpayer 10 to 15 percent, even when taking into account the allowances paid to our military personnel. Ten of those projects have reached the end of their initial development phase and tenant response is very positive. By the end of fiscal year 2007, we expect 185,000 units of housing, 84 percent of the inventory, to be privatized.

The Department's efforts to more properly sustain and recapitalize our facilities inventory are also demonstrating results. Four years ago, the recapitalization rate stood at 192 years. The President's budget request supports a recapitalization rate of 110 years, and we remain committed to our goal to achieve a 67-year recapitalization rate in fiscal year 2008.

Facilities sustainment is budgeted this year at 92 percent of the requirement. In both cases, we have built the program around private sector best practices and commercial benchmarks wherever they can be applied, and we continue to refine our models and

guidance to keep them current with those practices and benchmarks.

We also continue our effort to strengthen the Nation's defense through the Global Posture Review and BRAC. Abroad, we will reconfigure our basing and presence abroad to meet the challenges of the 21st century as opposed to the static defense of the Cold War. At home, we will rationalize our infrastructure to further transformation and to improve military effectiveness and business efficiency.

PREPARED STATEMENT

Our most recent defense installations strategic plan issued last year, entitled Combat Power Begins at Home, reflects our focus on improving the management of our installation assets and to ensure their ability to contribute to military readiness. All of our efforts are designed to enhance the military value of our installations and to provide a solid foundation for the training, operation, deployment, and employment of the armed forces, as well as to improve the quality of life for military personnel and their families.

While much remains to be done, we have accomplished a great deal. With the support of this subcommittee, we will continue to do so.

Thank you, Madam Chairman.

[The statement follows:]

PREPARED STATEMENT OF PHILIP W. GRONE

Madam Chairwoman and distinguished members of this Subcommittee, I appreciate the opportunity to appear before you today to address the President's Budget request for fiscal year 2006 and the plan of the Department of Defense to improve its infrastructure and facilities.

The Department of Defense recognizes the long-term challenges associated with its infrastructure strategy. The Department has developed a strategy and several tools to address these challenges. The President's Management Agenda recently added the stewardship of Federal real property as a new initiative. The Department is a full participant in the Federal Real Property Council established by Executive Order 13327.

Working in full cooperation with the military services and other Defense components, the Department set out in 1997 to build a corporate-wide inventory of assets. The idea was and remains that the Department's funding requirements for installations is a function of the assets currently on hand and planned for the future. Hence, an accurate inventory and a forecast of those assets are fundamental to determining and assessing budget requirements. The Department is continuing to improve its inventory process and is working extensively in the interagency process to support a more useful Federal inventory that can be used for management purposes.

In 1998, the Department set out on a 6-year program to eliminate 80 million square feet of obsolete and excess facilities. Six years later, we concluded that effort by exceeding our target—removing a total of 86 million square feet. As part of a continuing effort to dispose of unneeded facilities, the Department recently completed a new survey of demolition requirements.

In 2001, the Department issued its first ever Defense Facilities Strategic Plan. In September 2004, we issued a comprehensive, capabilities-based, and performance-oriented Defense Installations Strategic Plan. Our new plan begins to integrate more fully environmental management systems, safety, and occupational health into a comprehensive approach to asset management. The 2004 plan addressed recommendations made by the Government Accountability Office (GAO) and was approved by OMB as being consistent with the guiding principles of the Federal Real Property Council in meeting the objectives of the President's Management Agenda.

Global Posture Realignment

While the Department addresses better business practices, we also are working to realign our infrastructure to deal effectively with military transformation and

21st Century threats. The Defense posture of the past 50 years reflects the Cold War strategy, with U.S. forces forward deployed primarily to fight near where they were based. Today's environment requires more agile, fast and lean forces able to project power into theaters that may be distant from where they are based. This agility requires not only a shift in military forces, capabilities and equipment, but also a new basing strategy.

Last fall, the Department completed a 2-year comprehensive review of its global posture and basing strategy, which will result in the most profound restructuring of U.S. military forces overseas since the end of the Korean War. This review was conducted with extensive participation by the Combatant Commanders, the Joint Chiefs of Staff, and our interagency partners. We provided the Congress with a copy of the report in September 2004.

The new posture will enable the Department to respond more quickly to worldwide commitments and make better use of our capabilities by thinking of our forces globally. In terms of "footprint", we will tailor our forces to suit local conditions while strategically pre-positioning equipment and support. We anticipate realigning or closing a number of large permanent bases in favor of small and scalable installations better suited for deployments to trouble spots. This will also reduce friction with host nations. For example, removal of the U.S. Air Expeditionary Wing from Prince Sultan Air Base should help improve our relations with Saudi Arabia, and relocating U.S. forces out of densely-populated Seoul, Korea, to hubs further south will resolve problems with the Korean public while bolstering our military capabilities on the peninsula.

Senior officials of this Department and the Department of State have already begun the process of consulting with our friends and allies around the world to incorporate their input into our plan. We recognize that our allies are sensitive to changes in our overseas posture, and we will continue to consult with them as we make final decisions and begin executing the strategy. We will continue to consult with Members of Congress on our plan and will seek your support as we implement these far-reaching and enduring changes to strengthen America's global defense posture.

Since some overseas personnel will return to the United States, global posture changes will influence BRAC recommendations that will be announced in May 2005. Even though global posture changes will be executed over several years and will continue to be adjusted as strategic circumstances change, the Department will incorporate projected overseas posture changes into the BRAC process.

BRAC 2005

The domestic BRAC round and the global posture review are key elements that support transformation. A well supported, capabilities-based force structure should have infrastructure that is best sized and placed to support emerging mission requirements and national security needs. DOD must configure its infrastructure to maximize both warfighting capability and efficiency. Through BRAC and the global posture changes the Department will support the warfighter more effectively and efficiently. The Secretary will provide his recommendations for domestic closures and realignments to the Commission and Congress by May 16th as required by the BRAC 2005 statute.

From a domestic perspective, the Department recognizes it has an obligation to assist communities impacted by BRAC 2005. The Defense Economic Adjustment Program will include assistance for communities to plan for the civilian redevelopment of available real and personal property; and implement local adjustment actions to assist impacted workers, businesses, and other affected community interests. The Department will work to partner with affected communities as we both seek opportunities for quick civilian reuse of former military installations. For communities engaged with installations that will receive new missions, we also recognize the importance of cooperatively planning to ensure our mission can effectively be stood up and supported.

MANAGING INFRASTRUCTURE

The Department currently manages nearly 517,000 buildings and structures with a plant replacement value of over $650 billion, and over 46,000 square miles of real estate. 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 objective, business-oriented basis.

Infrastructure Investment Strategy

Managing our facilities assets is an integral part of comprehensive asset management. The quality of our infrastructure directly affects training and readiness.

Facilities sustainment, using primarily operations and maintenance-like [1] appropriations, funds 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.

Full funding of sustainment is the foundation of our long-term facilities strategy, and we have made significant progress in achieving this goal. The Department increased funding for facilities sustainment consistently from fiscal years 2002 through 2005, sustaining facilities at an average of 93 percent of benchmarks. In the fiscal year 2006 budget request, the Department shows a slight decrease in the department-wide rate to 92 percent. The budget request, however, is an improvement upon the plan for the fiscal year 2006 contained in the fiscal year 2005 FYDP, which funded facility sustainment at 90 percent. Our priorities have not changed and with the support of the Congress our goal remains to reach full sustainment by fiscal year 2008.

Restoration and modernization, collectively termed recapitalization, provide resources for improving facilities and are 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 alteration of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years.

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. In fiscal year 2001, the Department's recapitalization rate stood at 192 years. This budget request supports a recapitalization rate of 110 years, and we remain committed to achieving our 67 year recapitalization goal in fiscal year 2008.

SUSTAINMENT AND RECAPITALIZATION REQUEST

[President's Budget in Millions of Dollars]

	Fiscal year 2005 request	Fiscal year 2006 request
Sustainment (O&M-like [2])	6,515	6,529
Restoration and Modernization (O&M-like)	1,321	1,008
Restoration and Modernization (MilCon)	3,161	3474
Total SRM	10,997	11,011

[2] Includes O&M as well as related military personnel and host nation.

As a key component of our facility program, the Military Construction appropriation is a significant contributor to the Department's comprehensive approach to asset management practices. The fiscal year 2006 Department of Defense Military Construction and Family Housing appropriation request totals $12.05 billion. This budget request will enable the Department to transform in response to warfighter requirements, to enhance mission readiness, and to take care of our people. We do this, in part, by restoring and modernizing our enduring facilities, acquiring new facilities where needed, and eliminating those that are excess or obsolete.

COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS

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

	Fiscal year 2005 appropriation	Fiscal year 2006 request
Military Construction	4,745	5,284

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

COMPARISON OF MILITARY CONSTRUCTION AND FAMILY HOUSING REQUESTS—Continued

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

	Fiscal year 2005 appropriation	Fiscal year 2006 request
NATO Security Investment Program	166	207
Base Realignment and Closure	246	2,258
Family Housing Construction/Improvements	1,622	2,020
Family Housing Operations & Maintenance	2,547	2,220
Chemical Demilitarization	81.9	.....
Homeowners Assistance	.....	.....
Family Housing Improvement Fund	2.5	2.5
Energy Conservation Investment Program	50	60
Total	9,460	12,052

Improving Quality of Life

At the outset of this Administration, the President and Secretary Rumsfeld identified elimination of inadequate family housing as a central priority for the Department and set an aggressive target of 2007 to meet that goal. Greatly expanded use of the privatization authorities granted under the fiscal year 1996 Military Housing Privatization Initiative has enabled achievement of that target at United States based installations where those authorities apply. Sustaining the quality of life for our military families is crucial to recruitment, retention, readiness and morale. The fiscal year 2006 budget funds elimination of all inadequate domestic family housing by 2007, and eliminates remaining inadequate houses overseas by 2009.

DOD policy relies on the "community first" (private sector) to provide quality housing. Only when the private market demonstrates that it cannot supply sufficient levels of quality housing does the Department provide housing to our military families using privatization as its primary option followed by government-owned and leased housing. For example, we address our housing needs overseas through military construction and leasing in the absence of privatization authority.

To ensure the Department is making the best investment decisions in determining the appropriate level of housing, the government provides a single and consistent methodology for calculating the requirement which was introduced in January 2003 and is being extensively utilized by the Services. Currently, 73 percent of military families reside in privately owned housing, including 11 percent in privatized military housing and 27 percent in government-owned housing areas.

The Department has skillfully used privatization to more quickly eliminate inadequate housing and to provide additional housing where shortfalls existed. As of February 2005, the Department has awarded 43 projects. This includes over 87,000 military family housing units, which is a 58 percent increase since January 2004. DOD policy requires that privatization yield at least three times the amount of housing as traditional military construction for the same amount of appropriated dollars. The 43 awarded projects have permitted the Department, in partnership with the private sector, to provide housing for about $767 million in military construction investment. The same level of construction activity would otherwise have required over $11 billion if the traditional military construction approach was utilized. This reflects an average ratio of over 14 to 1, well exceeding program expectations.

The Department's privatization plans in the fiscal year 2006 budget will privatize 84 percent of its domestic family housing inventory, or roughly 185,000 units privatized by the end of fiscal year 2007. By the end of fiscal year 2006, we will have privatized 172,400 housing units.

For fiscal year 2006, the Department requests $4.243 billion in new budget authority for family housing construction and operations and maintenance:

—$1.9 billion to construct 3,447 new/replacement units and improve 3,584 existing units.

—$2.2 billion to operate and maintain approximately 123,452 government-owned family housing units, and lease another 26,281 units worldwide.

Funding to support the privatization of family housing is programmed and budgeted in the family housing construction appropriations and is transferred to the DOD Family Housing Improvement Fund (FHIF) when the privatization projects are executed. The fiscal year 2006 construction account requests a total of $281 million in funding for privatization. Of this amount, approximately $182 million is anticipated to be transferred to the Family Housing Improvement Fund during fiscal year 2006 along with $428 million in previously appropriated construction funds.

This $610 million will be used to finance the privatization of approximately 34,964 units.

Utilities Privatization and Energy Management

The Department seeks to reduce its energy consumption and associated costs, while improving utility system reliability and safety. The Department has developed a comprehensive energy strategy and issued new policy guidance 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. The comprehensive energy strategy supports 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.

DOD, as the largest single energy consumer in the Nation, consumes over $2.8 billion of energy per year. Conserving energy and investing in energy reduction measures makes good business sense and frees up resources for sustaining our facilities and for higher DOD priority readiness and modernization. Recent dramatic fluctuations in the costs of energy significantly impact already constrained operating budgets, providing even greater incentives to conserve and seek ways to lower energy costs. These include investments in cost-effective renewable energy sources or energy efficient construction designs, and aggregating bargaining power among regions and Services to get better energy deals.

Conserving energy in today's high-priced market will save the Department 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 2004, military installations reduced consumption by 1.1 percent despite an 8.8 percent increase in the cost of energy commodities from fiscal year 2003. With a 26.8 percent reduction in standard building energy consumption in fiscal year 2004 from a 1985 baseline, the Department has deviated slightly from the track required to achieve the 2005 and 2010 facility energy reduction goals stipulated by E.O. 13123. This is mostly attributable to the lapse of Energy Savings Performance Contract (ESPC) authority which typically accounts for more than half of all facility energy savings. However, with ESPC authority reauthorized in the fiscal year 2005 National Defense Authorization Act, DOD has launched an aggressive awareness campaign and plan to get back on track to meet fiscal year 2010 reduction goals.

DOD has significantly increased its focus on purchasing renewable energy and developing resources on military installations. The Department has increased the use of Energy Conservation Investment Program (ECIP) funds for renewable energy projects from $5 million and $11 million in fiscal year 2003 and fiscal year 2004, respectively, to $13 million and $18 million in fiscal year 2005 and fiscal year 2006, respectively.

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 2006 budget contains $60 million for the ECIP program to implement energy saving measures in our existing facilities.

To improve utility systems, the Department has reaffirmed its preference to modernize military utility systems through privatization. The DOD Utilities Privatization Program has made solid progress over the past 2 years. The Services have greatly simplified and standardized the solicitation process for obtaining industry proposals. Request for Proposal (RfP) templates were clarified to improve industry's ability to obtain private sector financing and manage risks. Of 2,601 utility systems serving the DOD, 463 systems have been privatized and 733 were already owned by other entities. Over 950 systems are currently under solicitation as each Service and the Defense Logistic Agency continue aggressive efforts to reach privatization decisions on all systems.

Installations Support

The Installations Support function consists of two major programs: Installation Services (formerly referred to as "base operations support") and Facilities Operations (formerly referred to as "real property services"). The current budget request

of $22.5 billion includes $16.8 billion for Installations Services and $5.7 billion for Facilities Operations in fiscal year 2006. The Defense Installations Strategic Plan articulates the need to define common standards and performance metrics for managing Installations Support. The Department has initiated an effort to define and model each sub-function of Facilities Operations (utilities, leases, custodial services, snow plowing and the like) by fully utilizing commercial benchmarks. For the more diverse tasks within Installation Services, the Department has established a cross-Departmental working group to examine definitions and budget structures.

Range Sustainment

In concert with the President's August 2004 Executive Order "Facilitation of Cooperative Conservation" the Department has developed a program of Compatible Land Use Partnering that promotes the twin imperatives of military test and training readiness and sound conservation stewardship through collaboration with multiple stakeholders. The Executive Order defines "cooperative conservation" as actions that relate to use, enhancement, and enjoyment of natural resources, protection of the environment, or both, and that involve collaborative activity among Federal, State, local, and Tribal governments, private for-profit and nonprofit institutions and other nongovernmental entities and individuals. The Department's Range Sustainment Program is fully consistent with the President's goals in this area. Section 2811 of the 2003 National Defense Authorization Act authorizes the Services to take a proactive role in developing programs to protect our installations and ranges from urban sprawl by working with States and non-governmental organizations to promote compatible land use through cooperative conservation efforts. This authority has enabled DOD to initiate the Readiness and Environmental Protection Initiative (REPI)—a multi-year program to sustain test and training space for our troops while simultaneously assisting in the protection of valuable habitat and open space. This program provides a lasting solution and a long-term framework for 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, as well as work with our other Federal landowners on cooperative conservation projects. In the coming years, military readiness will still require substantial resources, air, land and water areas where military forces can test and train as they would fight. It is imperative that we be able to posture our test and training infrastructure for transformational and sustainable operations.

The Department appreciates greatly the $12.5 million in fiscal year 2005 funding provided by Congress to fund the REPI program, and the military Services are already executing critical projects in many States. A recent agreement to address encroachment at Fort Carson, Colorado, and to enhance regional environmental conservation is one example of this win-win approach. Other projects are under consideration in Hawaii, at MCB Camp LeJuene, North Carolina, and in California and Florida. In fiscal year 2004, the Services implemented successful partnerships with State and Non-Governmental Organizations (NGOs) at locations such as NAS Pensacola (Navy and Escambia County), Camp Blanding (National Guard Bureau and State of Florida). These multi-faceted conservation partnerships will ensure the long-term sustainability of test and training centers supporting the military mission. Thus, the Administration has requested $20 million for the REPI program for fiscal year 2006 and we are in the process of refining the Service priorities for those funds. I have requested that the Services prepare and submit requirements associated with fiscal year 2007 and out-years to support a long-term funding strategy for the REPI program. These compatible land use partnering efforts will become even more critical to our ability to protect and preserve our test and training missions as we enter our post-BRAC transformational environment. We look forward to participation in the White House Cooperative Conservation Conference later this year to find ever more innovative ways to work with others to help secure critical test and training ranges. I look forward to working with Congress to ensure our ability to fulfill the important programming requirements for these new efforts.

Safety and Occupational Health

The Department is aggressively supporting the SECDEF's priority to reduce mishaps in DOD by implementing SOH management systems and by making it a priority in our Defense Installations Strategic Plan. Our programs focus on continuous incremental improvement in Safety and Health, but we're also involved in implementing significant changes in safety through our partnership with the Under Secretary of Defense for Personnel and Readiness, who chartered the Defense Safety Oversight Committee (DSOC). Together, we are leading DOD's efforts to cut mishaps in half by the end of fiscal year 2005. The DSOC, composed of senior leaders

throughout the Department, is finding ways to decrease the detrimental effect on our readiness caused by mishaps. We are focusing on acquisition; base operating support; training; and deployment operations. For acquisition and training, the Army and Marine Corps is responding to deaths from HMMWV rollovers by acquiring improved seat belt systems for tactical vehicles and by training deployed soldiers and marines to improve their driving skills. For deployment health protection, we began a program for the factory treatment of Army and Marine Corps combat uniforms with permethrin. This will provide protection against mosquitoes, and the diseases that they transmit, for the life of the uniform. Factory treatment ensures that all uniforms are treated and deployment-ready and that soldiers are not exposed to concentrated pesticides.

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 Management Systems

To make our operations more efficient and sustainable across the Department, we are continuing our aggressive efforts to implement environmental management systems (EMS) based on the "plan-do-check-act" framework of the international standard for EMS (ISO 14001). We are embedding environmental management as a systematic process, fully integrated with mission planning and sustainment. This transformation is essential for the continued success of our operations at home and abroad. Implementing EMS will help preserve range and operational capabilities by:

—creating a long-term, comprehensive program to sustain training and testing capability while maintaining healthy ecosystems;
—conducting environmental range assessments to ensure that we protect human health and the environment; and,
—funding and implementing the INRMPs for our ranges.

In addition, EMS will help maintain and preserve our historic properties, archaeological resources, Native American, and other cultural assets for the benefit of future generations. Today, DOD has a large inventory of historic properties: 75 National Historic Landmarks, and nearly 600 places on the National Register of historic places, encompassing more than 19,000 individual properties, including buildings, structures, objects, and sites located at over 200 installations. Over the next two decades, tens of thousands more buildings will reach an age requiring evaluation of their historical significance.

ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST [3]

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

	Fiscal year 2005 as appropriated	Fiscal year 2006 request
Environmental Restoration	1,352	1,370
BRAC Environmental [4]	328	449
Compliance	1,666	1,561
Pollution Prevention	142	143
Conservation	175	205
Technology	274	206
International [5]	3	3
TOTAL	3,937	3,934

[3] Includes operations and maintenance, procurement, RDT&E, and military construction funding.
[4] Funding levels reflect total requirement.
[5] International is included in Pollution Prevention and Compliance.

In fiscal year 2006, the budget request includes $3.9 billion for environmental programs. This includes $1.4 billion for cleanup, $0.4 billion for BRAC environmental, $1.6 billion for compliance; about $0.1 billion for pollution prevention, and about $0.2 billion each for conservation and environmental technology.

Managing Cleanup

The Department is committed to the cleanup of property contaminated by hazardous substances, pollutants, and military munitions. We have achieved remedy in place or restoration complete at 15,950 out of 19,710 sites on active installations. At the end of fiscal year 2004, 4,046 out of the 4,832 BRAC sites requiring haz-

ardous waste remediation have a cleanup remedy constructed and in place, or have had all necessary cleanup actions completed in accordance with Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) standards. Hazardous waste cleanup at Formerly Used Defense Sites (FUDS) achieved remedy in place or response complete at 1,539 out of the 2,647 sites.

Managing Compliance and Preventing Pollution

The Department is committed to going beyond mere compliance. But compliance with existing laws and regulations is the base line for our program and we continue to plan and fund for this requirement. Our ability to meet these compliance driven goals continues to improve. In a letter to the editor of USA today, acting EPA Assistant Administrator Skinner publicly complemented the Department by stating, "The Department of Defense (DOD) has been a leader in pollution prevention and implementing environmental-management systems that serve as models for other facilities." Pollution prevention techniques continue to save the Department needed funds as well as reduce pollution. The Department continues to demonstrate pesticide use risk reduction on installations and was recognized by the EPA as Pesticide Environmental Steward Program Champion, for the third year in a row.

Emerging Contaminants

In January 2005 the National Academy of Sciences (NAS) released a review of the science used to determine the public health risks from perchlorate, a chemical with important national defense applications due to its use in missile and rocket propellants, munitions, pyrotechnics, and flares which was funded jointly by DOD, DOE, EPA, and NASA. Even before the start of the NAS study, Federal agencies were working hard to understand and address potential risks of perchlorate. The NAS report yielded an independent assessment of the available science. Now Federal agencies will be able to take actions based on sound science to address the issue of perchlorate in our Nation's drinking water supply.

We continue to develop more comprehensive strategies to enable us to protect public health while sustaining our assets and better managing our liabilities. In 2004, in advance of any legally promulgated standard for perchlorate, the Department issued a policy to sample for perchlorate that has enabled the Department to better characterize the nature and extent of perchlorate plumes associated with its facilities. Over the last year, a joint effort between the Department and the State of California yielded a sampling prioritization protocol to ensure that active and former DOD sites with the greatest potential to cause a perchlorate-based health threat were investigated first. All current and formerly used DOD sites have now been jointly assigned a priority for sampling according to that protocol.

The Department is moving ahead with efforts directed toward removing perchlorate from the environment. In advance of any requirement, DOD proactively initiated remediation demonstration projects at several sites in California, Texas, and Massachusetts. We have taken corrective measures to ensure proper disposal and added additional wastewater treatment to manufacturing facilities using perchlorate. We continue to fund remediation technology research and, this year, we launched a $9.5 million wellhead treatment demonstration effort with several Southern California communities. The Army's effort to find substitutes for some of its training uses of perchlorate is also yielding positive results.

We are using these comprehensive approaches as a model to more proactively and cooperatively address other emerging contaminants such as trichloroethylene (TCE) and Royal Demolition eXplosive (RDX). The Department continues to engage with other agencies in a sustained collaborative effort to address emerging contaminants by creating mutually satisfactory sustainable solutions. Last fall, DOD began working with the Environmental Council of States to define opportunities for States, DOD, DOE, and EPA to address emerging contaminants more effectively in the future.

BUSINESS TRANSFORMATION

Business Management Process Transformation

The Business Management Modernization Program (BMMP) was established 3 years ago and has made significant progress in establishing key foundational elements necessary to enable broad business transformation across the Department. In April 2003, the DUSD (I&E) was designated as the Domain Owner for the Installations and Environment Domain of BMMP. Because the foundation is now laid, the program is redefining itself to focus on facilitating rapid delivery of DOD Enterprise capabilities.

The I&E Domain has achieved significant accomplishments over the past year. We developed a real property unique identification concept that will enable greater

visibility of real property assets and associated financial resources. Our efforts focused on reengineering the business process for real property inventory, resulting in standard data elements and data definitions for physical, legal and financial attributes of real property. Our efforts also produced, for the first time in DOD, an end-to-end process of real property management that articulates the interfaces with real property asset accountability and financial records. Our focus on data (data strategies, elements and definitions) will facilitate rapid implementation of the real property inventory capability upon deciding on our systems implementation strategy. Additionally, we developed a process model for environmental liabilities recognition, valuation, and reporting that contributes to our overall auditability. During this past year, we also established the Defense Installation Spatial Data Infrastructure project to implement DOD-wide policies and resource oversight for geospatial information resources that support the Installations and Environment business mission area.

During this fiscal year, we will conduct an analysis of system alternatives and prepare a transition plan to determine the best implementation strategy for the real property inventory reengineering effort. We will continue to make improvements across the Department in managing hazardous material by developing an enterprise-wide procedure for hazardous materials management. We will define I&E geospatial information needs and continue to minimize redundant acquisition of I&E geodata resources. Lastly, we are aggressively working to put into operation a DOD registry for physical locations. This registry will identify all DOD sites with a unique identifier and will be associated with firm boundary information. The registry will be available across the DOD enterprise and to potential users include the warfighting community and business mission areas. The site registry will allow for personnel and weapons system information systems to be linked to DOD's sites.

Competitive Sourcing

Competition is a driving force within the American economy, causing organizations to improve quality, reduce cost, and provide rapid delivery of better products and services. The President's Management Agenda identifies Competitive Sourcing as one of the five primary Federal initiatives. The Department of Defense has long been the Federal leader in using public-private competition under the process defined by OMB Circular A–76 to decide the least costly and most efficient source for commercial functions. It is essential that we continue to utilize the process, where it makes good military and business sense, to improve support to the warfighter and increase readiness. Many important base support functions fall into this category. The fiscal year 2006 budget supports continued use of the improved process described in the recent revision to OMB Circular A–76 competitions for functions involving approximately 100,000 full time equivalents (FTE). This will allow achievement of the Department's targets in the President's Management Agenda.

CONCLUSION

The Department is transforming its installations and business practices through an asset management strategy, and we are now seeing 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 efficiently 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 past few years, and we are well on our way to achieving our goals across the Installations and Environment Community. In closing, Madam Chairwoman, 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. Thank you, Mr. Secretary.

I will start with a few questions. I am going to try to give everyone a chance to do round one, and then I will likely come back with round two.

MORE SPECIFICITY FOR BRAC FUNDING

First of all, Mr. Grone, the budget request includes $1.9 billion for the 2005 BRAC round. There are $392 million for costs associated with the Global Presence and Basing Strategy, but the rest is not earmarked at all. I wondered if you would tell us how the Department intends to determine the uses for this money. What do you plan for this, and will we have a mechanism by which you will come to Congress with more specificity for almost $2 billion?

Mr. GRONE. Madam Chairman, that is an excellent and quite appropriate question. As we were budgeting for base realignment and closure activities at the Department for the coming fiscal year, of course, the first year of implementation is always a bit of a challenge. We do not know at the time we build the budget what the recommendations of the Secretary will be, nor do we know, obviously, what the recommendations of the commission and the disposition of those recommendations by Congress will be.

We took a good, hard look at lessons learned from the past, as we were building the budget. In 1993, the Department had requested funds which, if inflated appropriately, would amount to approximately $1.5 billion. We took a look at the 1995 round, applied the appropriate inflators to that, and the request was about $1 billion.

Having said that, the General Accounting Office on numerous occasions, in commenting on the 1995 round, indicated to the Secretary and to the Congress that the Department's recommendations in that year were smaller than it had projected at the start and that their analysis, the GAO's analysis, at the time found that the services' concerns over closing costs played a role in limiting the number of options that were actually recommended to the commission and ultimately enacted into law.

So when we took a look at the lessons of the past, as well as considering the costs associated with the initial phase of realigning forces to the United States from abroad, we came to the conclusion that that level of funding, approximately $1.9 billion, was an appropriate level for the first year.

As to the process, in 1995, as with prior rounds of BRAC, the Department's budget justification included simply a reference that we had requested a certain level of funding. Once the Congress disposes of the commission's recommendations, we will provide a report to the Congress that details the first year implementation funding associated with the amount appropriated by Congress, and subsequently for fiscal year 2007 and beyond, we will include a complete breakdown of how we expect to expend those funds, as we would with any other budget justification. So we certainly will not begin to expend funds until we provide such a report for the committee's review, but we believe that that initial tranche of funds is an appropriate level to get us started.

We do not have a target for the number of bases we expect to close, nor do we have a target for the expected amount of savings. But we have taken a good, hard look at lessons learned from the

past, and we want to put ourselves in the position to begin to expeditiously implement BRAC recommendations and we do not, obviously, want to be short of the resources necessary to make that happen.

Senator HUTCHISON. Thank you. We will look forward to having something that assures that we will have some specificity as you get to the point. I understand, obviously, we do not know what bases are being closed and what the needs are at this time.

PROCEEDS FROM SALES OF CLOSED FACILITIES

Speaking of lessons of the past, after nearly a decade of debate over the future of the former El Toro Marine Corps Air Station property, which was closed in the 1993 BRAC, the Navy has sold the property to a developer for a reported almost $650 million. We are told that the Navy probably will sell much of the property at the now-closed Roosevelt Roads Naval Air Station in Puerto Rico.

Is this something you expect the Navy and other services to do following the 2005 BRAC round? If so, will it offset some of the costs of base closing? How will that money be allocated? And is this sort of a new mode of operation that is different from trying to work with community redevelopment corporations and giving property back to the community to the best extent possible? Just in general, the overview of is this a harbinger of the future.

Mr. GRONE. It is an indicator of, in many ways, where we would like to be after the 2005 round. And at the outset I want to emphasize that in both the case of El Toro and in the case of Roosevelt Roads, should the Navy proceed with sale—and Mr. Penn who will follow us in the next panel can elaborate on this point. But in both cases, those decisions and those redevelopment packages are reflective of what we have taken to refer to as the mixed tool kit. In both instances, there are public purpose conveyances. There are economic development conveyances, as well as parcels for public sale. Both resulted from extensive consultation with local governments concerned, and that is the way in which we see a good deal of the future.

Our approach, taking good lessons learned from the past, we probably significantly as a Department over-estimated our ability to sell in the early stages of the first BRAC rounds. Later on, given a whole history, which I will not belabor, we probably took that pendulum too far over to the right. Where we want to be—and we have had extensive conversation with redevelopment authorities, local governments, State governments, the National Association of Installation Developers, and others, and we expect we will continue to have dialogue with the Hill on these points as well.

Where we would like to be is to put ourselves in the position where we proceed from a series of four or five key principles. One is if we choose to close a base, we need to look at ways to accelerate the movement of that mission. Doing so will enable the second principle, which is to put the property into effective economic reuse as expeditiously as we can. As we do that, our approach will be a highly tailored, locally tailored effort, working with State and local governments and redevelopment authorities, to put that mixed tool kit parcel into place and, where it is appropriate, to sell.

As we sell property and we take revenue in, of course, that will offset some of the cost, particularly over the long term, of our environmental remediation and caretaker cost activities. So it is not insignificant in that regard. But we recognize that our ability to do that is entirely dependent upon our ability to work in cooperation and in partnership with local government. We cannot sell and maximize value on our own. We must work together, and that is a foundation of our policy as we are developing it in the middle of our policy review going forward.

Senator HUTCHISON. Thank you very much.

I will now turn to my ranking member, Senator Feinstein, and I do have a couple of other questions, but I would like to spread the opportunity.

CHEMICAL WEAPONS DEMILITARIZATION

Senator FEINSTEIN. Well, thank you very much, Madam Chairman. I will try and be brief.

Let me ask my first question because Senator Allard is here hailing from Colorado, and that is about chemical weapons demilitarization. There is no funding for the chem demil construction in your 2006 MILCON request, and I think there has been a great deal of discussion of how Defense intends to proceed with the destruction of munitions stockpiled at the Blue Grass, Kentucky and the Pueblo, Colorado facilities. In 2005, we appropriated a total of $81.8 million for construction of the Kentucky and Colorado facilities. In 2004, $104 million was appropriated for construction. And this is all on top of nearly $100 million that was appropriated for these facilities in prior years. So that is almost $300 million that has already been appropriated.

You are not requesting any chemical demil funds. I would like to know why not. I would like, if I might, to know whether the Department intends to proceed with construction of the Kentucky and Colorado facilities, and if these facilities are delayed or ultimately canceled, how will that affect DOD's ability to comply with the deadlines for chemical stockpile destruction imposed by the Chemical Weapons Convention?

And are you considering the feasibility of shipping these weapons from these facilities across State lines, and what is the status of the funding? How much has been spent and how much of it remains unobligated? I have got them written down. So if you forget one, I will get you on another.

Ms. JONAS. Senator, let me start out and then I will let Mr. Grone talk to some of the specifics on the MILCON piece.

Senator Allard was present at a Senate Budget Committee where the Deputy Secretary of Defense committed to working with the Congress on the issue. We understand that there are concerns here and working some alternatives to deal with the situation as it is. Mike Wynne, who is the acting Under Secretary for AT&L, of course, is the principal in charge of this program. I would be happy to make sure that we get for you for the record all the answers to those questions. I am not sure I have them all.

[The information follows:]

The Department has released funding previously withheld in fiscal year 2005 to commence the redesign and construction of the destruction facilities managed by the

Assembled Chemical Weapons Alternatives (ACWA) program. The ACWA program has completed sufficient analysis of methods that balance cost, schedule and performance objectives to make a determination as to which is the most prudent design approach to maximize the opportunity to meet the extended 100 percent Chemical Weapons Convention destruction deadline of April 29, 2012. The fiscal year 2005 funds and those funds requested for fiscal year 2006 should be sufficient to manage the ACWA program through the end of fiscal year 2006.

Ms. JONAS. My understanding is that—and I do not have the specific numbers on the obligations, but on the prior year obligations, a good portion of those funds have been obligated. There are some that have not been, and Mike Wynne is looking at a spend plan on that to try to deal with the situation.

But I would say that the Deputy Secretary of Defense committed to working with the Congress on potential alternatives regarding those two sites.

Senator FEINSTEIN. Well, you really have not answered the questions. But what you are saying is we are working on it. $285.5 million has been appropriated by this committee.

Ms. JONAS. Right.

Senator FEINSTEIN. What I am asking for, I guess, if you are not going to use it at these sites, tell us now. Tell us what you are going to do with the money.

Ms. JONAS. Certainly.

Senator FEINSTEIN. This has been going on for what? This is the third year now.

Ms. JONAS. Senator, I would be happy to get with Mike Wynne and get back with you and your staff to give you the exact information that you are requesting. My understanding is there is some money that Mike has got on a withhold because he is concerned about a spend plan and some cost overruns on that. But I would be happy to work with you on that.

Senator FEINSTEIN. Can you tell us if you are going to go ahead with these two sites? Yes or no?

Mr. GRONE. Senator, where I think are now—and I would like to elaborate on a couple of the points that my colleague has made.

So far through the program, we have met all our required milestones to date, to speak to the point on demilitarization. We have destroyed 35 percent of the stockpile. The next milestone requires destruction of 45 percent of the stockpile by December 2007, and as we sit here today, that deadline is achievable.

As the subcommittee is aware, we have seen significant cost growth in the chemical demilitarization program overall.

Senator FEINSTEIN. I do not want to take up your time. I am asking about two sites: Pueblo, Colorado and Kentucky.

Mr. GRONE. The acting Under Secretary has asked for a number of alternatives to be looked at. Once that spend plan and those alternatives are assessed, we would be in a better position to answer the question. All options are on the table. None are off the table. And in order to fulfill our responsibilities as a Department to ensure that we have a cost effective, safe, treaty-compliant program, we need to look at all the options given the cost growth that we have had in the program, and that is what we are trying to do.

Senator FEINSTEIN. Well, let me just ask this. You basically have not answered the question. You may not be able to. I appreciate that. But for 3 years we have appropriated money. It seems to me

we ought to know whether this money is going to be used for that. It is a lot of money. And if it is not, whether it is unobligated and it can be used for other things.

Ms. JONAS. Senator, I would be happy to get with you in the next couple of days. I will work with Mike Wynne to make sure that we get an answer to that question. But my understanding was that he was looking at a spend plan on it and that is why the withhold took place.

[The information follows:]

Yes, we are going to go ahead with these two sites. The Department has now released all prior years and fiscal year 2005 appropriated funds for Blue Grass and Pueblo.

Senator FEINSTEIN. Okay, but the bottom line is you are uncertain whether you are going to go ahead or not go ahead. Right?

Ms. JONAS. I need to talk with Mike Wynne about where they are with respect to his spend plan. I will not make any assumptions right now, but I will be glad to get back to you in short order.

Senator FEINSTEIN. When you get back to us, if you could bring the information, exactly how much has been spent and for what it has been spent, and also what the alternatives are that you are considering.

Ms. JONAS. Absolutely.

Senator FEINSTEIN. I appreciate that.

I will reserve my questions so others have a chance.

Senator HUTCHISON. We will have a second round.

Senator Allard.

Senator ALLARD. Madam Chairman, thank you very much, and I want to thank Senator Feinstein for pursuing that line of questioning. It is exactly the same line of questioning that I put before you, Ms. Jonas, in previous hearings. I have asked the same line of questions at the Subcommittee on Defense, asked the same line of questions at the Budget Committee when we had our hearing there, and we have the same line of questions here. I think they are very important questions that we are asking.

We are not going to be in compliance with the Chemical Convention Treaty which has been ratified by the Senate. We had testimony from the Secretary of State, Condoleezza Rice, saying that if we do not comply with the treaty, it just makes her job that much more difficult. So this is an important issue to the country, not just Kentucky and Colorado.

Mr. Grone—did I pronounce your name right? Grone?

Senator HUTCHISON. Grone.

Senator ALLARD. I am sorry.

Mr. GRONE. That is quite all right.

Senator ALLARD. Mr. Grone, I apologize.

But the point I want to make is that you say all options are on the table and the study that you are making includes all options. Now, we have in Federal law a provision that says that you will not ship interstate chemical weapons or material from these chemical weapons stockpiles without permission from the Governor or a declared emergency by the President. And none of those conditions exist in either Kentucky or Colorado or the neighboring States.

We have already had three studies in Colorado at the Pueblo site. Now, why in the world, after we have had three studies, are

we having another study? We are spending $150,000 on that, which could easily be used to begin to put in some of the infrastructure ahead of time. To me it seems like an absolute waste of taxpayer dollars.

Now, if you have problems with cost overruns, then I think we ought to address that issue. But I do not see why you are spending taxpayer dollars on a study on an activity that is illegal. You are not going to ignore the law, are you?

Mr. GRONE. No, sir.

Senator ALLARD. So I do think this does require serious consideration. The Pentagon has simply just not treated this as seriously I think as they should, and I hope they do.

Ms. JONAS. Senator, I would just add that it was the Deputy Secretary that committed to work with you and other Senators on this very matter.

Senator ALLARD. That is correct.

Ms. JONAS. And I know he is hard at work at that. It is very much on his plate, and I know he has held several meetings on it already. So we would be happy to get back to this committee on plans for the future.

Senator ALLARD. I for one would be very interested in getting the information that was requested by Senator Feinstein, and she would probably be interested in getting the information that you might provide to my office too.

BUFFER AREA AROUND FORT CARSON, COLORADO

I am going to go on to something that is probably a little easier subject. One of the things that we are looking at Fort Carson—we have introduced legislation for this—is a buffer area around the base. National bases all around the country are having urban encroachment occurring on them. I think we have probably all experienced this in our States. As a result of that, it is difficult for them to carry out their mission.

We have a unique situation in the State of Colorado in that we have a large amount of open space around Fort Carson that is owned by very few landowners. This provision, which was just passed by Congress last year, has not been applied to any base. So Fort Carson I think is going to be our first test as far as this is concerned.

I would like to get some of your views on this. We are in the process now of negotiating with the local property owners and it is strongly supported by the local community, strongly supported by the commanders at the base. From what I can tell, everybody in the Pentagon is enthusiastic about it. I would just like to have maybe some comments that you might have on this approach and what concerns you may have, if any.

Mr. GRONE. Well, Senator, I appreciate the opportunity to comment on it because the general initiative is managed by my office.

We had requested funds last year. Several years ago we had sought authority from the Congress to begin this type of important buffer initiative which Congress graciously enacted. We would have the ability with this to improve the long-term stewardship and management of encroachment around many of our installations.

We had requested $20 million in funds last year from the Congress, and through the budget process, we ended up with $12.5 million for fiscal year 2005. We followed up that request with an additional request which will be pending in the Defense Subcommittee for $20 million in fiscal year 2006.

The issues at Fort Carson are a high priority issue. For us it is a priority for the Army. We are working now on how to begin to implement a good deal of the program there. We do have some initial experience with these kind of initiatives. A lot of what we are doing now was rooted in some local initiatives in and around Fort Bragg, North Carolina, and pursuant to the authority provided by Congress 3 years ago, we have conducted two agreements in the State of Florida, one around Camp Blanding to benefit the Florida National Guard, and the other around NAS Pensacola, Eglin Air Force Base, between the Navy and Escambia County.

So we are looking at locations all across the country not just to use the defense-wide fund, the $20 million we have requested this year, but also the services have the ability to tap their own O&M funds for this if they have a willing seller and if it is something that needs to be critically executed in that fiscal year. So we are looking very hard at it.

It is a very, very positive initiative. It rests on a serious of cooperations and cooperative relationships between us, the State, and nongovernmental entities. It holds out the long-term prospect of being a very key part of our ability to guard against encroachment at our installations. We certainly support those efforts.

Senator ALLARD. I thank you for your response and look forward to working with you on that.

Thank you, Madam Chairman.

Senator HUTCHISON. Thank you.

Senator Landrieu has joined us. Welcome.

STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you, Madam Chair. I just want to say how glad I am to be again joining you on this committee. There was some question as to our organization. I am happy that our committee not only survived but picked up the oversight of veterans and look forward to working with all of you in that regard.

I also have a statement for the record, and I apologize for being late. So I will just submit it. But I would like to just refer to part of that opening statement and then get to my questions.

I wanted to mention in the opening the success that we have had—and to thank our panel—in Louisiana for our public/private venture program, as we refer to it, PPV. Many of our States have experienced similar successes. But, Madam Chair, that success that was experienced at our naval air station, now the joint reserve base in Belle Chasse, is very worth noting.

Because of the basic radical transformation in an extremely positive way of the housing there and the establishment of a brand new school, which was done, as I understand, because I helped to do it, in quite a unique way, a new partnership between the State, the local school board, and the Federal Government, at minimal expense to the Federal Government, frankly at minimal additional expense, based on the way that it was done, we now have just an

excellent school operating right here next to this base with 600 children and plans for a second, brand new housing, morale lifted, families together.

It leads me, as we begin this cycle, to really think about the quality of life and retention related to keeping families together and happy. We might recruit a soldier, but we retain families. And part of our committee structure is underlining and supporting the notion that whether you are the soldier or the spouse or the child, the whole family is really serving, and the obligation that we have to that entire family for their housing, their security on base and off of base.

So I wanted to cite that in my opening and submit the rest of my statement.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Madame Chairman: Thank you for calling this hearing to review the President's budget for Defense-Wide and Navy and Marine Corps Military Construction. We use very clinical terms in the present setting like "BAH" (Basic Allowance for Housing), and "BEQ's" (Basic Enlisted Quarters) of MHA's (Military Housing Areas). While every field needs its acronyms, I wonder if we don't sterilize the items we are referencing. One of the core missions of this portion of our defense budget is to provide homes for our soldiers. Not housing but homes.

When you think of it in those terms, questions about quality of life flow more naturally. If this base is a home for our sailors returning from a year or more at sea, or leaving their families behind as they deploy to the far corners of the earth, what kind of place is it? Do these homes give comfort to our troops when they are deployed or do they generate more worry? Has the government helped create a community, or have we simply "housed" our military families like we do equipment.

These are the questions that we must ask ourselves as we give closer scrutiny to the President's request for Defense-wide, Navy and Marine Corps military construction. Madame. Chairman, I'd like to mention one area that has been a notable success, and that is the execution of the Public, Private Venture program, or PPV, by the Department of the Navy. I know, because our former Naval Air Station, and now Joint Reserve Base, in Belle Chasse, Louisiana has been through this process. At minimal cost to the government, dilapidated housing stock was completely replaced with new on-base accommodations. They are clean, comfortable and worthy of the commitment that our men and women make to their government. It has also had a notable impact on the number of geographic bachelors serving at Belle Chasse. So-called geographic bachelors are servicemen and women who leave their families behind at their previous service station because they do not want to move them to new locations.

There are a variety of reasons for geographic bachelors lack of base housing, poor public schools, and lack of economic opportunity for non-military spouses. What we do know is that the proliferation of geographic bachelors contributes to high military divorce rates. Compound that fact with the current operations tempo for all the branches of service, and you begin to understand why military families are under stress. In light of this strain, we must make every effort to eliminate geographic bachelors in order to support our troops and military families. The PPV program has been a valuable tool in this mission.

The other excellent aspect of PPV for our State is that the project request was made in such a way that local Louisiana companies could compete for the work. To me, that is a win, win, win situation. Our servicemen and women get homes much faster than they would have under the status quo, the Navy and the DOD get high quality homes at a fraction of the cost of building it themselves, and the local economy benefits as jobs are created in the surrounding community. What is more, unlike other projects, you actually have an accountable developer who is tied to the local community, and therefore, whose reputation will suffer if the work is not up to par.

In too many construction projects undertaken by the DOD, the RFP's are designed so that only the usual suspects can participate. They are so enormous in scope, and carry such high requirements for previous experience that only a handful of companies in the country can compete, much less local firms. I do not believe that this approach is good for the bases, good for the contracts, or good for the taxpayer's dol-

lar. When it comes to craftsmanship, schedules and oversight, bigger is not always better.

Finally, let me say a word about Base Realignment and Closure. There are two items that concern me about this process. The first is that I am unconvinced that there has been sufficient communication between the DOD and its sister agencies about the BRAC process. In particular, I am concerned about a lack of consultation with the Department of Homeland Security. Many military facilities and certainly some in my State, have a dual function. Belle Chasse is not just an airfield for the Navy, Marine Corps and Air Force. It also plays host to aviation assets of the Customs Service. It does not appear that there has been any systematic attempt to consider the needs of other Federal agencies in the BRAC process. Nor does there appear to be any coherent way for the full Federal Government to participate in realignment. Are there Federal agencies that would benefit from integrating functions and facilities with a defense installation? Absolutely. Would the Department benefit from tenants, and shared overhead? Certainly. Yet, there is no way in this BRAC process to identify and quantify these prospects or savings.

Secondarily, and this returns to the issue of quality of life, as we consider relocating our troops in Europe to locations that may be closer to perceived fault lines, it is important that we again consider the impact of our global footprint on military families. It may be possible to save some transportation costs by forward deploying our troops into countries where they will not bring their spouses and families. But contributing to the unaccompanied spouse phenomenon is not in the long-term interests of the military. As my friend Max Cleland was fond of saying, we recruit a soldier, but we retain a family. So if we expect to dig ourselves out of the recruitment and retention holes in which we currently find ourselves, it is vitally important that we keep an eye on the future. If we force our soldiers to choose between their families and their uniform, we must expect that they are going to leave their uniforms behind in many instances.

Madame Chairman, Senator Feinstein, thank you both for your leadership on these issues. I look forward to the testimony of our witnesses.

TAKING INTO ACCOUNT OTHER FEDERAL AGENCIES IN BRAC ANALYSIS

Senator LANDRIEU. These are my two questions, again getting back to this separation, Mr. Secretary. As you know, one of them is about separation. This is about BRAC.

As you know, we are going through the BRAC process. We are all engaged in that. Because of the conversations I have had with folks in my State, my question is, is there a process, formal or informal, that you engage in with other non-military but Federal tenants related to decisions related to BRAC? In other words, is that taken into consideration, other Federal tenants in or around military bases? And if that is taken into consideration, how do you? And if not, why are we not taking that into consideration?

Mr. GRONE. Senator, the way I can answer the question best, maybe not completely, but the best way I can answer it at the present time is that the statutory authority for a 2005 round of base closure and realignment requires us to take into account the effect of our actions on other Federal agencies.

Senator LANDRIEU. Requires you to do so.

Mr. GRONE. Requires us to take into account our actions on other Federal agencies, and we are doing that. I would prefer not to detail how that is being done, as it is part of the internal deliberations over the BRAC process, but we do have a statutory mandate to take into account the effect of the Secretary's recommendations on other Federal agencies, and we will certainly comply with the statutory requirement.

Senator LANDRIEU. I appreciate that, and I will discuss that with you further because there is some concern about that process basically related to the Belle Chasse area because there are other Federal agencies that have plans for the future already firmly in place.

That would have some bearing on the outcome of that. But I will follow up.

KEEPING MILITARY FAMILIES TOGETHER

The other is on the issue of families. Secretary Rumsfeld announced he wants to reshape our military global footprint. This committee is in the process of working with him to do that. As you know, we had a lot of bachelors basically based in Okinawa and Korea. Whether they were real or military bachelors, it is because their families could not join them.

Now, as we reshape that base, what is our philosophy or plan for keeping families together, given the rise of divorce rates sometimes with our military families, our values to keep families together, keep families happy, keep them encouraged, keep the morale up because deployments are high? Could you just give us a comment about your views about reshaping this footprint relative to keeping spouses and children serving together where possible?

Ms. JONAS. I will let Phil talk to the bachelors quarters.

I will say I am the wife of a retired marine, and I am quite familiar with the separation and understand the importance to families of support.

There are some initiatives in our overall budget and in the supplemental also for recruiting and retention bonuses. We do have a family support center that we have begun. I would be glad to provide for you all those types of things for the record that we are doing to make sure that the families get the support they need. This Military One Source is a center that is available 24/7 to military families to answer a plethora of questions apparently from where can I find a plumber to can you help me with my health care. So there are many initiatives like that.

[The information follows:]

The following bonuses, authorized in Chapter 5 of title 37, United States Code, were included in the Department of Defense fiscal year 2006 budget request.

(NOTE: Programs marked with an asterisk (*) are for members on active duty; all others are for Reserve Component personnel on other than active duty.)

Enlistment/Accession

—*Enlistment Bonus
—*Accession Bonuses for Nuclear Officers, Dental Officers, Pharmacy Officers, and Registered Nurses
—Selected Reserves Non-Prior Service Enlistment Bonus
—Prior Service Enlistment Bonus
—Accession or Affiliation Bonus for New Reserve Component Officers

Retention

—*Selective Reenlistment Bonus
—*Critical Skills Retention Bonus
—*Special pay for retention of Aviators, Nuclear Officers, Special Warfare Officers, Surface Warfare Officers, Officers in the Health Professions (Medical and Dental Officers, Optometrists, Certified Registered Nurse Anesthetists), and Pharmacy Officers
—Reenlistment Bonus for Selected Reserves
—Special pay for retention of Critically Short Wartime Health Specialists in Selected Reserves

Other

—*Incentive Bonus for Conversion of Military Occupational Specialty to Ease Personnel Shortages
—Affiliation Bonus for Service in Selected Reserves
—IRR Enlistment, Reenlistment or Extension Bonus

Senator LANDRIEU. Well, I am generally familiar with those. I guess I was not specific. If I could, Madam Chair, have just a minute.

I am generally familiar with the variety of services that are offered, but specifically when it comes to the part of our budget, which is partly housing and building housing and a new footprint, are we building the family housing units, whether renovating the current ones that we are in like one of the examples I just gave, or as we develop this new footprint, is our goal to build them in such a way that families can basically not deploy, of course, to the front line together, but if they are building in the Mideast or Europe or back here where they can be housed at least together and serve from a base together? Is that part of our philosophy or are we doing something different?

Mr. GRONE. Senator, let me attempt to answer the question in this way. Currently roughly two-thirds of our military families live in the private economy. As we develop our on-base housing for privatization options, those are being renovated and new construction constructed to appropriate commercial private sector standards. So they provide and will provide our families with more housing options, better quality housing options, whether they choose to live off base, on base in a concentrated military community, or elsewhere.

We are also looking at barracks privatization as one of our options to continue to advance this program forward to be able to begin to deal with quality of life concerns of the unaccompanied.

The senior enlisted recently testified before your colleagues in the House. Ms. Jonas and I were before Chairman Walsh not too long ago, and the question arose with regard to child care specifically as an example where the senior enlisted have expressed concern. The Congress and the leadership of the Department have always responded, and I think responded appropriately and well, when the senior enlisted have raised issues and we have begun a process, internal to the Department, to look at ways in which we can improve child care options for our people. We do not have a program yet to bring forward with a revised set of priorities or policies, but we are taking a hard look at it.

So whether it is the family support centers that my colleague referenced or housing privatization, child care, we are doing the things that we think we can to improve the ability of the military community to be supported and supported appropriately.

ARMY MILITARY CONSTRUCTION

Senator LANDRIEU. Thank you so much.

Senator HUTCHISON. Secretary Jonas, I notice that—and Senator Feinstein mentioned this—the Army MILCON request is down 16 percent from last year. Air Force is up 61 percent. I realize that every service has its own spending plans and you cannot tie them together necessarily.

However, it seems that the Army is facing the most severe facility demands. They are bearing the biggest brunt of the war on terror, and they are also going to be the primary forces moving back from overseas. Yet, the restationing of the Global Posture Review is going to come out of the Army's own MILCON, meaning that you are going to be asking them to take $2.5 billion out of their own

FYDP. This is a concern to me, and I wonder if it is a concern to you and if the Department has really looked at this carefully.

Ms. JONAS. Well, let me begin. I certainly understand your concerns.

With all services, as you know, they build their budgets and we work very carefully and closely with them. The Army made a choice—and Mr. Grone may want to discuss this a little bit—to realign some of their resources. As you may know, there are many things going on within the Army. I will mention the Army's modularity program and restructuring of their forces. If you are not familiar with it, let me just explain.

General Schoomaker is trying to increase the operational size of his Army and adjusting his brigades so that where you might have had for a division with three brigade combat teams, you now would have four. So our supplemental request is asking for funds to outfit that fourth unit. The importance of that, of course, is to take the strain off the force. If you have four units instead of three, you do not have to call up the Guard or Reserve units to go. So that is an important part of this mix there.

I am not intimately familiar with the BRAC process. I have been outside of that process. But that is consistent with the global posture things that they are doing. This was the Army's best judgment as to how to realign its resources.

I understand your concerns. Maybe Phil can further speak to their specific judgments there, but I understand your concerns, Senator.

Mr. GRONE. Senator, I would just add one point to that. While the Army did accept a little bit more risk with this budget request, in terms of comparing one budget request to the other, comparing it to the appropriate level, the Army's recapitalization rate, for example, is just about right on the corporate profile at 111 years. So they are not, with this budget request, too far out of phase with the overall general direction of the Department.

And certainly within the context of BRAC, as we rebase forces from abroad, as we realign missions domestically, a good deal of construction activity will accompany that through the BRAC account. Historically roughly one-third, or 30 percent, of the $22 billion we spent in prior BRAC activity was for military construction and military family housing purposes. We do not know precisely how much yet and we do not know what the phasing of it will be and how much of it would be Army in the first year of implementation, but there will be money that will be coming back to the Army in terms of the Army's ability to reset the force through basing as a result of BRAC.

So certainly there are things we would like to continue to accelerate for the Army, but the Army's program, given all the other demands on the Army, is reasonably well balanced.

Senator HUTCHISON. Let me just say I am familiar with what General Schoomaker is doing, but I think the Department has a responsibility to look at the allocations that it is giving to each of its services. I believe the Army is doing the most restructuring. It is bearing the greatest part of the war that we are fighting now. The Marines are as well, but that is a smaller unit. And to say that they are going through this upheaval with four brigades instead of

three means, it seems to me, that they are going to need more, not less.

I have visited every kind of base. I have visited Air Force, Navy, Army, and Marine. I think basically the Army is behind and getting further behind. I do not think that is the right trend when we are asking them to do so much. I have never talked to General Schoomaker about this. He has never raised it with me, but when I step back and look at all the other things he is doing and then look at this program, it does not seem balanced to me.

So I would just ask you to look at that again very carefully. I know that you probably give each of the services a top line and this is what they have to spend, and he has chosen wisely on his first priority to spend it on the reconfiguration. But I do not think that means he does not also very much need more in this area.

I have been out to Fort Bliss and Fort Hood, and we are putting more troops particularly into Fort Bliss where they are going to have to do a lot of temporary housing for the troops that are going in. They have plenty of space at Fort Bliss. It is a great place to add, and it can take another 5 or 10 brigades. But I just think we need to be planning for all of that and making sure we are looking at what this influx back from Europe is doing, plus the reconfiguration, plus the added troops they are putting in combat to relieve guard and reserve.

All the things that are being done are very efficient from an operational standpoint when it is done, but it just seems to me that you also are going to need to take care of the housing and schools and the things that are going to be necessary to augment those changes. This does not, on its face, show that.

Any comments?

Ms. JONAS. We appreciate your comments. We will certainly work with the Army on that. I would just note the supplemental request does ask for some funds associated with the restructure in the MILCON area.

Senator HUTCHISON. Yes. It may be that we have to do some things in a supplemental, which I am prepared to do.

MARINE CORPS RESTRUCTURING

Just one last point and then I will go to the others. On that same point, the Marine Corps is, in the supplemental, asking for $77 million for restructuring from its force structure review, but that does not look like it is enough. You are probably going to have to have some temporary housing for the marines from everything that we can tell. So is $77 million enough to do what you are going to need to do with the marines arriving this summer at their new locations? I think they are coming in this summer.

Ms. JONAS. Of course, we are working with them. At the time we put the supplemental together, the $75 million was where we were. Of course, requirements always change and I understand that they had some additional requirements for explosive ordnance disposal and other things. We will continue to work with the Marine Corps. We do a lot also during the year and the year of execution to understand where people are at and where the services are at with respect to their requirements.

Senator HUTCHISON. Be sure you do this before we pass the supplemental. If there need to be adjustments, we certainly want to do it now and not to have to have another supplemental. As you know, it is very difficult to get these and to manage them.

Ms. JONAS. Absolutely. But we will have a mid-year execution review here shortly, so we should have a good idea of where we are.

Senator HUTCHISON. Thank you.

Senator Feinstein.

Senator FEINSTEIN. Yes. Thank you very much.

FISCAL YEAR 2006 BRAC FUNDING

Mr. Grone, the MILCON budget request includes a $1.88 billion wedge to implement the 2005 BRAC round, of which $314 million is earmarked for the Pentagon's global basing plan. Now, that is a large amount of money to be obligated within 1 year, particularly given the long budgetary lead times that the Department so often cites in justifying decisions to fund such Army modularity through the supplemental.

What types of activities will be funded in 2006 with the BRAC wedge? And how did the Department come up with the figure of $1.88 billion? What metrics were used?

Mr. GRONE. Senator Feinstein, the purposes of the account support all of the activities associated with the closure and realignment decisions. So military construction, operations and maintenance, PCS costs, family housing, environmental remediation——

Senator FEINSTEIN. It is $1.5 billion.

Mr. GRONE. Yes, ma'am.

From the perspective of how we put it together, again what we did was we took a lesson from our prior BRAC activity. In the 1993 round, we asked for an amount of funds in the first year that was roughly equivalent in today's dollars to $1.5 billion. In 1995, we asked for a request that would be in today's dollars approximately $1 billion. Knowing that we are not able to know precisely today, given the state of the recommendations, what we are able to sort of work through, we took a good, hard look at those lessons. The GAO's criticisms of the Department from the 1995 round suggested that we hold back on recommendations we might otherwise have brought forward out of cost considerations. So when looking at the experience of history, when looking at the needs for global posture realignment that would be executed through BRAC, $1.9 billion seemed an eminently reasonable figure, and I would fully expect that we would expend those funds.

As I indicated to Senator Hutchison earlier during a question, we will provide a full report upon the disposition of the BRAC recommendations that will detail at great length how we will expend those funds in fiscal year 2006, and then in all subsequent fiscal years, it would become part of the normal budget justification process where we will detail all of that expenditure.

Senator FEINSTEIN. Could we also get an analysis of how these funds were spent in the past round?

Mr. GRONE. Yes, ma'am. But I can give you a very broad overview at this point, and we can certainly provide more detail for the record.

[The information follows:]

DOD Base Realignment and Closure (BRAC) Justification Data for previous BRAC rounds was provided to Congress in February 2005. A copy of that report is attached.

DOD Base Realignment & Closure

BASE REALIGNMENT AND CLOSURE OVERVIEW

Background

The Defense Secretary's Commission on Base Realignment and Closures was chartered on May 3, 1988 to recommend military installations within the United States, its commonwealths, territories, and possessions for realignment and closure. The Congress and the President subsequently endorsed this approach through legislation that removed some of the previous impediments to successful base closure actions. The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100–526, as enacted October 24, 1988, provides the basis for implementing the recommendations of the 1988 Commission. Under this Act, all closures and realignments were to be completed no later than September 30, 1995. Funding for these actions was included in the Base Realignment and Closure Account—Part I (BRAC I) which covered fiscal years 1990 through 1995.

The National Defense Authorization Act for fiscal year 1990 and 1991, Section 2831, allowed for the one-time transfer of $31 million from BRAC I into the fiscal year 1990 Homeowners Assistance Fund (HAP). The HAP funds are used to assist employees who are forced to move as a consequence of base closures and who find that they must sell their homes in real estate markets which have been adversely affected by the closure decision.

In the Committee Reports accompanying the fiscal year 1990 Military Construction Appropriations Act, the Congress began applying some restrictions on the use of BRAC I funds. Concerned that the one-time implementation costs had increased by $1 billion when compared to the 1988 Commission's estimate, the House Appropriations Committee (HAC) adopted a spending cap for military construction and family housing of $2.4 billion. This cap was reflected in the fiscal year 1990 act itself. The fiscal year 1992 Military Construction Appropriations Act lowered the cap to $1.8 billion commensurate with the budget request.

On November 5, 1990, The President signed Public Law 101–510, Title XXIX, Defense Base Closure and Realignment Act of 1990, establishing an independent commission known as the Defense Base Closure and Realignment Commission which met only during calendar years 1991, 1993, and 1995. The purpose of the Commission was to ensure a timely, independent, and fair process for closing and realigning U.S. military installations. The actions to implement the recommendations of the 1991, 1993, and 1995 Commissions are underwritten from the Base Realignment and Closure Account 1990 (BRAC II). By statute, action must be initiated no later than 2 years after the date on which the President transmits a report to Congress and all closures and realignments must be completed no later than the end of the 6 year period beginning on the same date. The implementation period for the 1995 authorized round of base closure was complete as of 13 July 2001.

Public Law 101–510 included a number of other provisions affecting base closure, one of which, section 2923, designated the Base Closure Account (BRAC I) to be the exclusive source of funds for environmental restoration projects at round one closure sites. The National Defense Authorization Act for fiscal year 1992, Section 2827, designated Base Closure Account 1990 as the exclusive source of funds for environmental restoration projects at closure sites approved by the 1991, 1993, and 1995 Commissions.

The intent of this section was to preclude the cleanup actions at bases slated for closure from competing with other sources of funding for environmental cleanup such as the Defense Environmental Restoration Account (DERA). A total of $9,007.1 million has been made available for cleanup for the four rounds of base closures through fiscal year 2005. The fiscal year 2006 budget program includes $449.1 million for environmental restoration at BRAC bases.

The fiscal year 2002 National Defense Authorization Act, authorized an additional round of base realignment and closure in 2005 by amending the Defense Base Closure and Realignment Act of 1990 (Public Law 101–510). The Secretary of Defense's BRAC 2005 recommendations for base closure and realignment must be provided to the BRAC 2005 Commission not later March 16, 2005. The Department of Defense Base Closure Account 2005 (Treasury code 0512) has been established as a single account on the books of the Treasury to execute actions to implement BRAC 2005 approved closures and realignments.

Budget Justification Requirements

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100–526, is specific in the types of information required as to budget justification. The Act states, "As part of each annual budget request for the Department of Defense, the Secretary shall transmit to the appropriate committees of Congress:

—A schedule of the closure and realignment actions to be carried out under this title in the fiscal year for which the request is made and an estimate of the total expenditures required and cost savings to be achieved by each such closure and realignment and of the time period in which these savings are to be achieved in each case, together with the Secretary's assessment of the environmental effects of such actions; and

—A description of the military installations, including those under construction and those planned for construction, to which functions are to be transferred as a result of such closures and realignments, together with the Secretary's assessment of the environmental effects of such transfers."

The fiscal year 2006 budget justification material has been developed to comply with the above requirements. The BRAC Executive Summary Book provides an overview of the BRAC costs and savings for each DOD Component through the 6 year implementation period. The DOD Components have prepared separate justification books providing detailed information by realignment and closure package, broken out by one-time implementation costs, anticipated revenues from land sales, and expected savings. This comprehensive approach addresses the total financial impact of realignment and closure actions and provides justification for the funds requested in the Base Closure Accounts.

DOD Base Closure Account Capitalization and Funding

The Department has complied with the guidance contained in the House of Representatives Report 101–76, Military Construction Appropriations Bill, 1990, July 26, 1989, to determine the proper method of capitalizing the DOD Base Closure Accounts. In denying general transfer authority to the Secretary of Defense, the Committee expressed the belief that the necessary one-time costs to implement base realignments and closures be requested as new appropriated amounts to facilitate improved accounting of the funds appropriated. Additionally, the Committee indicated that any savings or cost avoidance due to base realignment or closure should be reflected through reduced requirements in the annual budget requests for the affected appropriations.

The manner in which the impacts of base realignments and closures are reflected in BRAC appropriations accounts is consistent with this language. The new BRAC appropriations requested represent the costs of environmental restoration and caretaker functions at bases closed under the prior rounds of base closure authority. Also included in the appropriation request are funds to be transferred to the Homeowner's Assistance Program for the purpose outlined in Section III. Since the fiscal year 1991 budget request, parcels of land have been transferred, without compensation to the Department, thereby reducing projected offsetting receipts. Section IV provides examples of anticipated revenue from the sale of land and facilities and the anticipated revenue loss from land transfers.

The implementation of base realignment and closures requires the relocation of units and activities from one site to another. Recurring savings (reduced base operations costs) are realized through the increased efficiencies inherent in the consolidation of functions on fewer bases. The net savings are reflected as savings in the specific appropriations, primarily operation and maintenance, and are not incorporated in the DOD Base Closure Accounts.

Estimates for savings or cost avoidance have been incorporated into the DOD Component appropriation account where they are to accrue, resulting in corresponding reduced budget requests for those appropriations. The annual recurring saving from the four prior rounds of base closure and realignment are projected to be about $7 billion after the implementation period ending in fiscal year 2001.

Financial Management Procedures

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100–526, established the Defense Base Closure Account (BRAC I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. Public Law 101–510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (BRAC II) as a mechanism to provide the required funding to implement the approved recommendations of the BRAC 1991, 1993, and 1995 Commissions. From aspects of management, budgeting and accounting, both Ac-

counts are treated in the same fashion. Funding approved by Congress in both Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

The Deputy Under Secretary of Defense (Installations & Environment) is responsible for issuing policy for management of the BRAC program and overseeing the DOD Components' execution of the program.

To properly account for and manage appropriated fund resources, the DOD Base Closure Accounts were established on the books of the Treasury to aid the DOD Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 97–0103 to identify the DOD Base Closure Account—Part I, 97–0510 to identify DOD Base Closure Account 1990—Part II, Part III, and Part IV, and 97–0512 to identify DOD Base Closure Account 2005.

Funds made available to the DOD Components are subdivided and distribute to the activities responsible for base closure actions. Separate allocations are made for each of the accounts by program year. Each DOD Component distributes the base closure funds in accordance with its normal fund distribution procedures. The applicable reporting requirements include:

Military Construction:
—Construction
—Planning and Design
Family Housing:
—Construction
—Operations
Environmental
Operation and Maintenance (O&M):
—Civilian Severance Pay
—Civilian Permanent Change of Station (PCS) costs
—Transportation of things
—Real Property Maintenance
—Program Management (civilian work years, TDY travel, and related support dedicated to implementation efforts)
Military Personnel (limited to PCS expenses dedicated to implementation efforts)
Other (including procurement-type items)

The Under Secretary of Defense (Comptroller) makes funds available to the DOD Components based on their official financial plans. Financial plans are prepared by the DOD Components in cooperation with and at the direction of the program manager, the Deputy Under Secretary of Defense (Installations & Environment). The DOD Components' financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the Under Secretary of Defense (Comptroller) in sufficient detail to support the DOD Component's Financial plan. The DOD Components are allowed to revise planned execution as the situation dictates but must notify the Deputy Under Secretary of Defense (Installations & Environment) and the Under Secretary of Defense (Comptroller) of all changes. To keep the Under Secretary of Defense (Comptroller) apprised of these changes, the DOD Components are required to submit a revised current year financial plan and supporting documentation on a quarterly basis to reflect the status of the current plan being executed. When a military construction or family housing construction project is to be executed, but does not appear on the approved construction project list, the prior approval of the Under Secretary of Defense (Comptroller), and Congress is required. This will ensure that the Department has complied with the notification requirements of the House of Representatives Report 101–176, Military Construction Appropriation Bill, July 26, 1989, prior to the expenditure of DOD Base Closure Account funds. Each DOD Component is allocated funds based upon its official budget justification and financial plan.

Decision Rule for Determining the Validity of Charging Cost to the DOD Base Closure Accounts.—In addition to being supported by the detailed budget justification, the general criterion to be applied when deciding whether to charge specific costs to the DOD Base Closure Account is that the cost in question is a one-time implementation cost directly associated with the overall base closure effort. For example, the one-time operation and maintenance-type costs at R&D-funded installations are charged to the appropriate sub-account of "Operation and Maintenance." Low-dollar value construction projects budgeted as lump sum under the real property maintenance category are charged to that sub-account and not the construction subaccount of military construction, which is reserved for projects listed individually on the fi-

nancial plan accompanying the fund allocation document. Recurring costs driven by the transfer of workload from one location to another is budgeted for and charged to the non-base closure accounts.

BUDGET SUMMARY

The tables on the following pages provide information on one-time implementation costs, expected savings, and revenues from land sales by DOD Component and approved BRAC closure round. BRAC I closures and realignments have been projected to cost $2.8 billion and will generate total savings of $2.4 billion and land sale revenue of $65.7 million during the fiscal year 1990–1995 implementation period. BRAC II closures and realignments have been projected to cost $5.2 billion and will generate total savings of about $8.1 billion and land sale revenue of $25.7 million during the fiscal year 1992–1998 implementation period. BRAC III closures and realignments have been projected to cost $7.6 billion and will generate total savings of $8.3 billion and land sale revenue of $3.4 million during the fiscal year 1994–1999 implementation period. BRAC IV closures and realignments are projected to cost $6.8 billion and will generate total savings of $6.2 billion and land sale revenue of $230.2 million during the fiscal year 1996–2001 implementation period.

FISCAL YEAR 2006—BUDGET ESTIMATES BASE REALIGNMENT AND CLOSURE ACCOUNT PARTS I–IV

[In millions of dollars]

	Fiscal year			
	2003	2004	2005	2006
BRAC Parts I–IV Continuing Environmental and Caretaker Costs				
Army:				
Environmental	162.821	61.851	92.050	89.380
Operations & Maintenance	18.557	10.145	8.255	4.473
Navy:				
Environmental	462.166	96.509	101.700	236.581
Operations & Maintenance	12.268	13.402	13.350	39.392
Air Force:				
Environmental	125.569	193.141	127.749	117.167
Operations & Maintenance	22.975	4.796	18.062	17.560
Defense Logistics Agency:				
Environmental	10.168	9.811	6.652	5.974
Operations & Maintenance	.....	1.000	300	300
Total Environmental and Caretaker Costs	814.524	390.655	368.118	510.827
Homeowner's Assistance Program	.....	.....	.....	.....
Prior Year Financing	27.216	18.228	6.952	.....
Estimated Land Sale Revenue	211.738	2.000	115.000	133.000
BRAC IV Budget Request	575.570	370.427	246.116	377.827

The fiscal year 2006 budget requests $377.8 million of new budget authority for environmental restoration and caretaker cost for facilities closed under the previous four rounds of base closure authority. This funding will ensure bases are continuing to be cleaned efficiently to speed the transfer of property to redevelopment authorities.

Anticipated land sale revenue of $133 million will be used to offset a portion of the department's fiscal year 2006 BRAC requirements of $510.8 million.

Annual recurring savings from the four rounds of base closure and realignment are projected to be about $7 billion after the implementation period ending in fiscal year 2001.

BRAC 2005

BRAC 2005 will make a profound contribution to transforming the Department by eliminating excess capacity and reconfiguring infrastructure. The fiscal year 2006 budget request includes $1,881.0 million to implement the anticipated approved recommendations from the BRAC 2005 Commission.

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part I
Cost and Savings by Fiscal Year
(Dollars in Millions)

	1990	1991	1992	1993	1994	1995	1990-1995
ARMY							
One-Time Implementation Costs:							
Military Construction	121.619	137.511	183.375	122.060	12.830	-	577.395
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	0.051	0.490	-	-	-	0.541
Environmental	-	166.610	185.215	100.453	-	88.830	541.108
Operations & Maintenance	38.566	80.348	35.117	31.047	-	-	185.078
Military Personnel - PCS	-	-	-	-	-	-	-
Other	8.925	13.251	3.330	12.691	-	-	38.197
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**169.110**	**397.771**	**407.527**	**266.251**	**12.830**	**88.830**	**1,342.319**
Estimated Land Revenues	(4.337)	(4.159)	(40.597)	(12.680)	-	(3.940)	(65.713)
Budget Request	**164.773**	**393.612**	**366.930**	**253.571**	**12.830**	**84.890**	**1,276.606**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	16.675	-	-	-	-	-	16.675
Operations & Maintenance	-	0.040	1.915	1.489	22.727	-	26.171
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	0.066	0.054	0.032	0.018	0.007	-	0.177
Total Outside of the Account	**16.741**	**0.094**	**1.947**	**1.507**	**22.734**	**-**	**43.023**
Savings:							-
Military Construction	9.200	15.300	19.300	19.400	19.400	19.400	102.000
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	15.033	17.257	18.683	44.259	40.137	135.369
Operations & Maintenance	1.556	3.576	4.341	20.735	89.312	122.403	241.923
Military Personnel	(0.538)	0.868	15.403	60.969	87.346	77.671	241.719
Other	-	-	-	-	-	-	-
Total Savings	**10.218**	**34.777**	**56.301**	**119.787**	**240.317**	**259.611**	**721.011**
Net Implementation Costs							
Less Estimated Land Revenues:	**171.296**	**358.929**	**312.576**	**135.291**	**(204.753)**	**(174.721)**	**598.618**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part I
Cost and Savings by Fiscal Year
(Dollars in Millions)

NAVY	1990	1991	1992	1993	1994	1995	TOTAL 1990-1995
One-Time Implementation Costs:							
Military Construction	76.500	65.242	14.315	36.350	-	-	192.407
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	-	1.287	13.587	33.801	-	-	48.675
Operations & Maintenance	2.108	2.497	8.218	25.900	-	-	38.723
Military Personnel - PCS	0.315	-	-	0.100	-	-	0.415
Other	1.727	1.439	0.230	-	-	-	3.396
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**80.650**	**70.465**	**36.350**	**96.151**	**-**	**-**	**283.616**
Estimated Land Revenues	-	-	-	-	-	-	-
Budget Request	**80.650**	**70.465**	**36.350**	**96.151**	**-**	**-**	**283.616**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**-**	-	-	-	-	-	**-**
Savings:							
Military Construction	7.600	-	38.900	-	-	-	46.500
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	-	26.000	38.000	22.700	32.600	32.200	151.500
Military Personnel	-	-	-	4.000	9.700	6.100	19.800
Other	-	-	-	-	-	-	-
Total Savings	**7.600**	**26.000**	**76.900**	**26.700**	**42.300**	**38.300**	**217.800**
Net Implementation Costs Less Estimated Land Revenues:	**73.050**	**44.465**	**(40.550)**	**69.451**	**(42.300)**	**(38.300)**	**65.816**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part I
Cost and Savings by Fiscal Year
(Dollars in Millions)

AIR FORCE	1990	1991	1992	1993	1994	1995	TOTAL 1990-1995
One-Time Implementation Costs:							
Military Construction	147.484	276.043	35.306	8.999	-	-	467.832
Family Housing - Construction	-	-	0.285	-	-	-	0.285
- Operations	-	-	-	-	-	-	-
Environmental	-	198.515	157.976	40.856	-	-	397.347
Operations & Maintenance	70.949	37.757	54.705	1.919	-	-	165.330
Military Personnel - PCS	-	1.314	2.200	8.910	-	-	12.424
Other	3.116	3.235	0.080	-	-	-	6.431
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**221.549**	**516.864**	**250.552**	**60.684**	**-**	**-**	**1,049.649**
Estimated Land Revenues	-	-	-	-	-	-	-
Budget Request	**221.549**	**516.864**	**250.552**	**60.684**	**-**	**-**	**1,049.649**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	21.300	-	-	-	-	-	21.300
Operation & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	10.359	2.081	0.834	13.274
Total Outside of the Account	**21.300**	**-**	**-**	**10.359**	**2.081**	**0.834**	**34.574**
Savings:							
Military Construction	-	1.600	50.300	50.300	50.300	50.300	202.800
Family Housing - Construction	12.600	16.900	8.500	9.700	11.300	3.500	62.500
- Operations	-	-	4.800	4.800	18.100	23.800	51.500
Operations & Maintenance	4.966	18.789	38.311	77.118	149.886	157.815	446.885
Military Personnel	-	24.504	61.626	126.809	208.622	224.464	646.025
Other	0.445	0.465	0.465	0.665	0.865	0.465	3.370
Total Savings	**18.011**	**62.258**	**164.002**	**269.392**	**439.073**	**460.344**	**1,413.080**
Net Implementation Costs Less Estimated Land Revenues:	**224.838**	**454.606**	**86.550**	**(198.349)**	**(436.992)**	**(459.510)**	**(328.857)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part I
Cost and Savings by Fiscal Year
(Dollars in Millions)

DOD-WIDE	1990	1991	1992	1993	1994	1995	1990-1995
One-Time Implementation Costs:							
Military Construction	345.603	478.796	232.996	167.409	12.830	-	1,237.634
Family Housing - Construction	-	-	0.285	-	-	-	0.285
- Operations	-	0.051	0.490	-	-	-	0.541
Environmental	-	366.412	356.778	175.110	-	88.830	987.130
Operations & Maintenance	111.623	120.602	98.040	58.866	-	-	389.131
Military Personnel - PCS	0.315	1.314	2.200	9.010	-	-	12.839
Other	13.768	17.925	3.640	12.691	-	-	48.024
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**471.309**	**985.100**	**694.429**	**423.086**	**12.830**	**88.830**	**2,675.584**
Estimated Land Revenues	(4.337)	(4.159)	(40.597)	(12.680)	-	(3.940)	(65.713)
Budget Request	**466.972**	**980.941**	**653.832**	**410.406**	**12.830**	**84.890**	**2,609.871**
Funded Outside of the Account:							-
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	37.975	-	-	-	-	-	37.975
Operations & Maintenance	-	0.040	1.915	1.489	22.727	-	26.171
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	0.066	0.054	0.032	10.377	2.088	0.834	13.451
Total Outside of the Account	**38.041**	**0.094**	**1.947**	**11.866**	**24.815**	**0.834**	**77.597**
Savings:							-
Military Construction	16.800	16.900	108.500	69.700	69.700	69.700	351.300
Family Housing - Construction	12.600	16.900	8.500	9.700	11.300	3.500	62.500
- Operations	-	15.033	22.057	23.483	62.359	63.937	186.869
Operations & Maintenance	6.522	48.365	80.652	120.553	271.798	312.418	840.308
Military Personnel	(0.538)	25.372	77.029	191.778	305.668	308.235	907.544
Other	0.445	0.465	0.465	0.665	0.865	0.465	3.370
Total Savings	**35.829**	**123.035**	**297.203**	**415.879**	**721.690**	**758.255**	**2,351.891**
Net Implementation Costs							
Less Estimated Land Revenues:	**469.184**	**858.000**	**358.576**	**6.393**	**(684.045)**	**(672.531)**	**335.577**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part II
Cost and Savings by Fiscal Year
(Dollars in Millions)

ARMY	1992	1993	1994	1995	1996	1997	1998	TOTAL 1992-1998
One-Time Implementation Costs:								
Military Construction	23.600	140.979	264.482	97.992	31.777	-	-	558.830
Family Housing - Construction	-	-	-	-	-	-	-	-
- Operations	-	0.934	0.335	-	0.088	-	-	1.357
Environmental	35.650	53.099	68.677	54.055	236.116	3.719	-	451.316
Operations & Maintenance	0.050	146.427	56.631	23.323	53.850	3.408	-	283.689
Military Personnel - PCS	-	-	-	-	-	-	-	-
Other	-	17.382	1.399	2.831	41.066	10.655	-	73.333
Homeowners Assistance Program	-	-	-	-	-	-	-	-
Commission Expenses	13.000	-	-	-	-	-	-	13.000
Total One-Time Costs	**72.300**	**358.821**	**391.524**	**178.201**	**362.897**	**17.782**	**-**	**1,381.525**
Estimated Land Revenues	-	-	(0.057)	(0.162)	(4.824)	(17.549)	-	(22.592)
Budget Request	**72.300**	**358.821**	**391.467**	**178.039**	**358.073**	**0.233**	**-**	**1,358.933**
Funded Outside of the Account:								
Military Construction	7.477	-	-	-	-	-	-	7.477
Family Housing	-	0.160	-	-	-	-	-	0.160
Environmental	-	-	-	-	-	-	-	-
Operations & Maintenance	44.728	11.559	20.713	1.041	9.009	0.728	-	87.778
Other (DBOF, NAF)	4.139	-	-	0.890	-	-	-	5.029
Homeowners Assistance Program	0.125	0.186	0.454	0.947	2.300	2.300	-	6.312
Total Outside of the Account	**56.469**	**11.905**	**21.167**	**2.878**	**11.309**	**3.028**	**-**	**106.756**
Savings:								
Military Construction	-	-	-	-	-	-	-	-
Family Housing - Construction	-	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	2.080	2.080	4.160
Operations & Maintenance	55.068	105.463	198.934	241.312	276.599	301.745	301.745	1,480.866
Military Personnel	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Savings	**55.068**	**105.463**	**198.934**	**241.312**	**276.599**	**303.825**	**303.825**	**1,485.026**
Net Implementation Costs								
Less Estimated Land Revenues:	**73.701**	**265.263**	**213.700**	**(60.395)**	**92.783**	**(300.564)**	**(303.825)**	**(19.337)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part II
Cost and Savings by Fiscal Year
(Dollars in Millions)

NAVY	1992	1993	1994	1995	1996	1997	1998	TOTAL 1992-1998
One-Time Implementation Costs:								
Military Construction	20.262	152.519	272.672	38.653	88.547	-	-	572.653
Family Housing - Construction	-	-	-	-	-	-	-	-
- Operations	-	0.500	-	-	-	-	-	0.500
Environmental	47.316	95.875	145.341	94.964	82.942	51.589	50.875	568.902
Operations & Maintenance	0.222	88.788	221.839	141.324	233.682	38.098	11.068	735.021
Military Personnel - PCS	-	4.728	6.406	0.318	0.177	-	-	11.629
Other	-	9.600	12.369	45.927	2.315	-	-	70.211
Homeowners Assistance Program	-	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-	-
Total One-Time Costs	**67.800**	**352.010**	**658.627**	**321.186**	**407.663**	**89.687**	**61.943**	**1,958.916**
Estimated Land Revenues	-	-	-	-	(1.328)	(1.393)	(0.349)	(3.070)
Budget Request	**67.800**	**352.010**	**658.627**	**321.186**	**406.335**	**88.294**	**61.594**	**1,955.846**
Funded Outside of the Account:								
Military Construction	5.943	-	-	-	-	-	-	5.943
Family Housing	0.829	-	-	-	-	-	-	0.829
Environmental	25.605	-	-	-	-	-	-	25.605
Operations & Maintenance	0.240	-	-	-	-	-	-	0.240
Other	8.083	4.930	-	-	-	-	-	13.013
Homeowners Assistance Program	-	-	-	-	-	-	-	-
Total Outside of the Account	**40.700**	**4.930**	**-**	**-**	**-**	**-**	**-**	**45.630**
Savings:								
Military Construction	13.870	-	13.619	6.297	3.750	-	-	37.536
Family Housing - Construction	51.128	-	-	-	-	-	-	51.128
- Operations	0.766	1.768	1.618	4.522	9.387	8.201	8.201	34.463
Operations & Maintenance	12.661	18.343	136.037	233.832	301.438	305.557	305.557	1,313.425
Military Personnel	1.623	18.530	49.963	81.890	123.232	151.983	151.983	579.204
Other	19.259	97.719	100.758	163.944	199.893	183.251	183.251	948.075
Total Savings	**99.307**	**136.360**	**301.995**	**490.485**	**637.700**	**648.992**	**648.992**	**2,963.831**
Net Implementation Costs								
Less Estimated Land Revenues:	**9.193**	**220.580**	**356.632**	**(169.299)**	**(231.365)**	**(560.698)**	**(587.398)**	**(962.355)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part II
Cost and Savings by Fiscal Year
(Dollars in Millions)

AIR FORCE	1992	1993	1994	1995	1996	1997	1998	TOTAL 1992-1998
One-Time Implementation Costs:								
Military Construction	21.962	353.791	31.095	40.740	49.714	36.422	-	533.724
Family Housing - Construction	-	-	0.200	-	-	22.973	-	23.173
- Operations	-	-	-	-	-	-	-	-
Environmental	181.778	162.734	63.014	62.196	114.136	121.973	-	705.831
Operations & Maintenance	0.618	112.866	88.846	29.421	30.458	40.312	-	302.521
Military Personnel - PCS	-	0.002	4.559	-		-	-	4.561
Other	0.120	1.179	3.403	-	-	-	-	4.702
Homeowners Assistance Program	-	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-	-
Total One-Time Costs	**204.478**	**630.572**	**191.117**	**132.357**	**194.308**	**221.680**	**-**	**1,574.512**
Estimated Land Revenues	-	-	-	-	-	-	-	-
Budget Request	**204.478**	**630.572**	**191.117**	**132.357**	**194.308**	**221.680**	**-**	**1,574.512**
Funded Outside of the Account:								
Military Construction	9.756	-	-	-	-	-	-	9.756
Family Housing	-	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-	-
Operation & Maintenance	48.617	-	-	8.000	-	-	-	56.617
Other	-	-	-	-	-	-	-	-
Homeowners Assistance Program	-	40.493	23.308	25.286	-	-	-	89.087
Total Outside of the Account	**58.373**	**40.493**	**23.308**	**33.286**	**-**	**-**	**-**	**155.460**
Savings:								
Military Construction	114.528	12.408	19.012	21.487	22.225	22.985	-	212.645
Family Housing - Construction	-	-	-	-	-	-	-	-
- Operations	-	21.851	37.294	42.372	43.812	45.290	45.290	235.909
Operations & Maintenance	-	(3.073)	117.079	151.796	161.958	168.108	168.108	763.976
Military Personnel	-	152.340	359.911	451.325	487.795	507.243	507.243	2,465.857
Other	-	-	-	-	-	-	-	-
Total Savings	**114.528**	**183.526**	**533.296**	**666.980**	**715.790**	**743.626**	**720.641**	**3,678.387**
Net Implementation Costs								
Less Estimated Land Revenues:	**148.323**	**487.539**	**(318.871)**	**(501.337)**	**(521.482)**	**(521.946)**	**(720.641)**	**(1,948.415)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part II
Cost and Savings by Fiscal Year
(Dollars in Millions)

DOD-WIDE	1992	1993	1994	1995	1996	1997	1998	TOTAL 1992-1998
One-Time Implementation Costs:								
Military Construction	65.824	647.289	568.249	177.385	170.038	36.422	-	1,665.207
Family Housing - Construction	-	-	0.200	-	-	22.973	-	23.173
- Operations	-	1.434	0.335	-	0.088	-	-	1.857
Environmental	264.744	311.708	277.032	211.215	433.194	177.281	50.875	1,726.049
Operations & Maintenance	0.890	348.081	367.316	194.068	317.990	81.818	11.068	1,321.231
Military Personnel - PCS	-	4.730	10.965	0.318	0.177	-	-	16.190
Other	0.120	28.161	17.171	48.758	43.381	10.655	-	148.246
Homeowners Assistance Program	-	-	-	-	-	-	-	-
Commission Expenses	13.000	-	-	-	-	-	-	13.000
Total One-Time Costs	**344.578**	**1,341.403**	**1,241.268**	**631.744**	**964.868**	**329.149**	**61.943**	**4,914.953**
Estimated Land Revenues	-	-	(0.057)	(0.162)	(6.152)	(18.942)	(0.349)	(25.662)
Budget Request	**344.578**	**1,341.403**	**1,241.211**	**631.582**	**958.716**	**310.207**	**61.594**	**4,889.291**
Funded Outside of the Account:								
Military Construction	23.176	-	-	-	-	-	-	23.176
Family Housing	0.829	0.160	-	-	-	-	-	0.989
Environmental	25.605	-	-	-	-	-	-	25.605
Operations & Maintenance	93.585	11.559	20.713	9.041	9.009	0.728	-	144.635
Other	12.222	4.930	-	0.890	-	-	-	18.042
Homeowners Assistance Program	0.125	40.679	23.762	26.233	2.300	2.300	-	95.399
Total Outside of the Account	**155.542**	**57.328**	**44.475**	**36.164**	**11.309**	**3.028**	**-**	**307.846**
Savings:								
Military Construction	128.398	12.408	32.631	27.784	25.975	22.985	-	250.181
Family Housing - Construction	51.128	-	-	-	-	-	-	51.128
- Operations	0.766	23.619	38.912	46.894	53.199	55.571	55.571	274.532
Operations & Maintenance	67.729	120.733	452.050	626.940	739.995	775.410	775.410	3,558.267
Military Personnel	1.623	170.870	409.874	533.215	611.027	659.226	659.226	3,045.061
Other	19.259	97.719	100.758	163.944	199.893	183.251	183.251	948.075
Total Savings	**268.903**	**425.349**	**1,034.225**	**1,398.777**	**1,630.089**	**1,696.443**	**1,673.458**	**8,127.244**
Net Implementation Costs Less Estimated Land Revenues:	**231.217**	**973.382**	**251.461**	**(731.031)**	**(660.064)**	**(1,383.208)**	**(1,611.864)**	**(2,930.107)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part III
Cost and Savings by Fiscal Year
(Dollars In Millions)

ARMY	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
One-Time Implementation Costs:							
Military Construction	11.751	63.368	12.898	-	3.181	-	91.198
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	11.070	17.245	25.337	16.491	15.050	5.819	91.012
Operations & Maintenance	11.170	42.929	24.248	9.464	0.453	-	88.264
Military Personnel - PCS	-	-	-	-	-	-	-
Other	2.416	6.181	5.802	-	0.079	-	14.478
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**36.407**	**129.723**	**68.285**	**25.955**	**18.763**	**5.819**	**284.952**
Estimated Land Revenues	-	(0.715)	-	-	(0.046)	(0.037)	(0.798)
Budget Request	**36.407**	**129.008**	**68.285**	**25.955**	**18.717**	**5.782**	**284.154**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	11.059	1.069	2.676	4.959	2.597	0.229	22.589
Other	-	2.113	0.384	0.919	0.061	-	3.477
Homeowners Assistance Program	0.014	-	-	-	-	-	0.014
Total Outside of the Account	**11.073**	**3.182**	**3.060**	**5.878**	**2.658**	**0.229**	**26.080**
Savings:							
Military Construction	12.750	-	-	-	-	-	12.750
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	(1.282)	(5.280)	-	-	0.409	1.668	(4.485)
Operations & Maintenance	(0.572)	3.684	19.902	47.739	59.677	64.565	194.995
Military Personnel	-	-	-	-	-	-	-
Other	-	-	0.418	0.790	0.930	1.494	3.632
Total Savings	**10.896**	**(1.596)**	**20.320**	**48.529**	**61.016**	**67.727**	**206.892**
Net Implementation Costs							
Less Estimated Land Revenues:	**36.584**	**133.786**	**51.025**	**(16.696)**	**(39.641)**	**(61.716)**	**103.342**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part III
Cost and Savings by Fiscal Year
(Dollars in Millions)

NAVY	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
One-Time Implementation Costs:							
Military Construction	273.933	532.611	738.264	216.969	130.445	18.800	1,911.022
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	158.528	207.293	146.033	216.809	196.227	152.904	1,077.794
Operations & Maintenance	307.415	660.071	611.831	222.422	150.270	71.614	2,023.623
Military Personnel - PCS	11.984	21.000	11.703	16.616	9.472	17.734	88.509
Other	32.604	18.121	6.499	4.267	-		61.491
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**784.464**	**1,439.096**	**1,514.330**	**677.083**	**486.414**	**261.052**	**5,162.439**
Estimated Land Revenues	-	(2.578)	-	-	(0.051)	-	(2.629)
Budget Request	**784.464**	**1,436.518**	**1,514.330**	**677.083**	**486.363**	**261.052**	**5,159.810**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Savings:							
Military Construction	38.860	29.580	75.044	39.052	13.948	20.602	217.086
Family Housing - Construction	7.360	-	11.600	-	-	37.100	56.060
- Operations	0.757	7.633	15.464	29.814	49.609	48.986	152.263
Operations & Maintenance	46.919	101.126	425.984	687.421	835.986	892.878	2,990.314
Military Personnel	6.485	55.706	96.796	190.882	281.139	315.852	946.860
Other	2.941	15.114	120.198	186.012	201.716	205.741	731.722
Total Savings	**103.322**	**209.159**	**745.086**	**1,133.181**	**1,382.398**	**1,521.159**	**5,094.305**
Net Implementation Costs Less Estimated Land Revenues:	**681.142**	**1,227.359**	**769.244**	**(456.098)**	**(896.035)**	**(1,260.107)**	**65.505**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part III
Cost and Savings by Fiscal Year
(Dollars in Millions)

AIR FORCE	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
One-Time Implementation Costs:							
Military Construction	120.578	131.566	51.852	24.689	2.007	-	330.692
Family Housing - Construction	0.511	-	-	14.929	46.010	-	61.450
- Operations	-	-	-	-	-	-	-
Environmental	86.430	107.451	33.673	30.187	147.405	99.898	505.044
Operations & Maintenance	60.394	12.575	92.322	43.923	32.153	31.619	272.986
Military Personnel - PCS	0.740	5.355	0.006	-	-	-	6.101
Other	1.163	0.301	0.594	-	-	-	2.058
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**269.816**	**257.248**	**178.447**	**113.728**	**227.575**	**131.517**	**1,178.331**
Estimated Land Revenues	-	-	-	-	-	-	-
Budget Request	**269.816**	**257.248**	**178.447**	**113.728**	**227.575**	**131.517**	**1,178.331**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operation & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	5.079	71.650	-	-	-	-	76.729
Total Outside of the Account	**5.079**	**71.650**	**-**	**-**	**-**	**-**	**76.729**
Savings:							
Military Construction	3.850	14.850	5.890	26.400	12.600	25.430	89.020
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	8.640	19.630	52.700	99.510	111.420	113.860	405.760
Military Personnel	-	24.840	113.380	153.370	156.620	160.140	608.350
Other	-	-	-	-	-	-	-
Total Savings	**12.490**	**59.320**	**171.970**	**279.280**	**280.640**	**299.430**	**1,103.130**
Net Implementation Costs Less Estimated Land Revenues:	**262.405**	**269.578**	**6.477**	**(165.552)**	**(53.065)**	**(167.913)**	**151.930**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part III
Cost and Savings by Fiscal Year
(Dollars in Millions)

DEFENSE LOGISTICS AGENCY	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
One-Time Implementation Costs:							
Military Construction	-	14.068	-	37.650	-	-	51.718
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	1.950	10.798	-	14.043	2.098	0.645	29.534
Operations & Maintenance	19.300	30.101	-	27.204	6.832	4.670	88.107
Military Personnel - PCS	-	-	-	-	-	-	-
Other	-		-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**21.250**	**54.967**	**-**	**78.897**	**8.930**	**5.315**	**169.359**
Estimated Land Revenues	-	-	-	-	-	-	-
Budget Request	**21.250**	**54.967**	**-**	**78.897**	**8.930**	**5.315**	**169.359**
Funded Outside of the Account:							
Military Construction	5.850	0.400	-	-	-	-	6.250
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	6.950	21.357	6.707	-	-	-	35.014
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**12.800**	**21.757**	**6.707**	**-**	**-**	**-**	**41.264**
Savings:							-
Military Construction	8.000	-	-	-	-	-	8.000
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	0.025	0.025	0.025	0.075
Operations & Maintenance	18.869	62.812	82.567	111.824	117.299	124.467	517.838
Military Personnel	-	0.179	0.271	0.590	0.713	0.801	2.554
Other	-	-	-	-	-	-	-
Total Savings	**26.869**	**62.991**	**82.838**	**112.439**	**118.037**	**125.293**	**528.467**
Net Implementation Costs Less Estimated Land Revenues:	**7.181**	**13.733**	**(76.131)**	**(33.542)**	**(109.107)**	**(119.978)**	**(317.844)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part III
Cost and Savings by Fiscal Year
(Dollars in Millions)

DEFENSE INFORMATION SYSTEMS AGENCY	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
One-Time Implementation Costs:							
Military Construction	-	-	-	-	-	-	-
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	29.745	72.300	61.408	31.309	1.097	-	195.859
Military Personnel - PCS	0.025	0.220	0.045	0.050	-	-	0.340
Other	29.200	87.080	54.455	10.228	-	-	180.963
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**58.970**	**159.600**	**115.908**	**41.587**	**1.097**	**-**	**377.162**
Estimated Land Revenues	-	-	-	-	-	-	-
Budget Request	**58.970**	**159.600**	**115.908**	**41.587**	**1.097**	**-**	**377.162**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	28.915	48.072	51.247	51.382	51.385	231.001
Other	-	1.772	1.995	1.995	1.995	1.995	9.752
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**-**	**30.687**	**50.067**	**53.242**	**53.377**	**53.380**	**240.753**
Savings:							-
Military Construction	-	-	-	-	-	-	-
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	8.786	105.857	267.476	297.860	314.955	314.262	1,309.196
Military Personnel	-	2.785	15.828	18.088	19.164	19.164	75.029
Other	-	-	-	-	-	-	-
Total Savings	**8.786**	**108.642**	**283.304**	**315.948**	**334.119**	**333.426**	**1,384.225**
Net Implementation Costs Less Estimated Land Revenues:	**50.184**	**81.645**	**(117.329)**	**(221.119)**	**(279.645)**	**(280.046)**	**(766.310)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part III
Cost and Savings by Fiscal Year
(Dollars in Millions)

DOD-WIDE	1994	1995	1996	1997	1998	1999	TOTAL 1994-1999
One-Time Implementation Costs:							
Military Construction	406.262	741.613	803.014	279.308	135.633	18.800	2,384.630
Family Housing - Construction	0.511	-	-	14.929	46.010	-	61.450
- Operations	-	-	-	-	-	-	-
Environmental	257.978	342.787	205.043	277.530	360.780	259.266	1,703.384
Operations & Maintenance	428.024	817.976	789.809	334.322	190.805	107.903	2,668.839
Military Personnel - PCS	12.749	26.575	11.754	16.666	9.472	17.734	94.950
Other	65.383	111.683	67.350	14.495	0.079	-	258.990
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	**1,170.907**	**2,040.634**	**1,876.970**	**937.250**	**742.779**	**403.703**	**7,172.243**
Estimated Land Revenues	-	(3.293)	-	-	(0.097)	(0.037)	(3.427)
Budget Request	**1,170.907**	**2,037.341**	**1,876.970**	**937.250**	**742.682**	**403.666**	**7,168.816**
Funded Outside of the Account:							
Military Construction	5.850	0.400	-	-	-	-	6.250
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	18.009	51.341	57.455	56.206	53.979	51.614	288.604
Other	-	3.885	2.379	2.914	2.056	1.995	13.229
Homeowners Assistance Program	5.093	71.650	-	-	-	-	76.743
Total Outside of the Account	**28.952**	**127.276**	**59.834**	**59.120**	**56.035**	**53.609**	**384.826**
Savings:							
Military Construction	63.460	44.430	80.934	65.452	26.548	46.032	326.856
Family Housing - Construction	7.360	-	11.600	-	-	37.100	56.060
- Operations	(0.525)	2.353	15.464	29.839	50.043	50.679	147.853
Operations & Maintenance	82.642	293.109	848.629	1,244.354	1,439.337	1,510.032	5,418.103
Military Personnel	6.485	83.510	226.275	362.930	457.636	495.957	1,632.793
Other	2.941	15.114	120.616	186.802	202.646	207.235	735.354
Total Savings	**162.363**	**438.516**	**1,303.518**	**1,889.377**	**2,176.210**	**2,347.035**	**8,317.019**
Net Implementation Costs Less Estimated Land Revenues:	**1,037.496**	**1,726.101**	**633.286**	**(893.007)**	**(1,377.493)**	**(1,889.760)**	**(763.377)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part IV
Cost and Savings by Fiscal Year
(Dollars in Millions)

ARMY	1996	1997	1998	1999	2000	2001	1996-2001
One-Time Implementation Costs:							
Military Construction	84.631	255.162	90.783	28.360	39.260	-	498.196
Family Housing - Construction	-	0.489	-	2.008	-	-	2.497
- Operations	-	0.007	0.400	0.258	-	-	0.665
Environmental	54.818	60.365	196.130	313.926	107.186	257.373	989.798
Operations & Maintenance	85.128	117.024	113.824	153.716	24.842	24.431	518.965
Military Personnel - PCS	-	-	-	-	-	-	-
Other	6.059	5.916	8.240	3.731	-	-	23.946
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Prior Year Financing	-	-	-	-	-	-	-
Total One-Time Costs	**230.636**	**438.963**	**409.377**	**501.999**	**171.288**	**281.804**	**2,034.067**
Estimated Land Revenues	-		(16.605)	(16.124)	(21.360)	-	(54.089)
Homeowners Assistance Program	-	-	-	-	0.771	6.373	7.144
Budget Request	**230.636**	**438.963**	**392.772**	**485.875**	**150.699**	**288.177**	**1,987.122**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	17.413	16.343	21.397	2.690	2.163	2.092	62.098
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**17.413**	**16.343**	**21.397**	**2.690**	**2.163**	**2.092**	**62.098**
Savings:							
Military Construction	-	-	-	-	-	-	-
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	0.230	2.716	4.184	6.943	7.666	21.739
Operations & Maintenance	19.910	28.297	135.646	194.694	273.658	304.947	957.152
Military Personnel	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Savings	**19.910**	**28.527**	**138.362**	**198.878**	**280.601**	**312.613**	**978.891**
Net Implementation Costs Less Estimated Land Revenues:	**228.139**	**426.779**	**275.807**	**289.687**	**(127.739)**	**(22.344)**	**1,070.329**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part IV
Cost and Savings by Fiscal Year
(Dollars in Millions)

NAVY	1996	1997	1998	1999	2000	2001	1996-2001
One-Time Implementation Costs:							
Military Construction	165.450	60.617	213.607	118.756	27.069	-	585.499
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	86.829	79.284	98.647	114.868	125.092	384.552	889.272
Operations & Maintenance	233.989	289.970	114.030	68.204	47.368	41.465	795.026
Military Personnel - PCS	1.679	0.710	2.448	4.555	-	0.009	9.401
Other	1.114	1.035	10.051	3.401	2.387	0.643	18.631
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Prior Year Financing	-	-	-	-	-	-	-
Total One-Time Costs	**489.061**	**431.616**	**438.783**	**309.784**	**201.916**	**426.669**	**2,297.829**
Estimated Land Revenues	-	-	-	(13.697)	(8.800)	-	**(22.497)**
Homeowners Assistance Program	-	-	-	-	3.412	-	**3.412**
Budget Request	**489.061**	**431.616**	**438.783**	**296.087**	**196.528**	**426.669**	**2,278.744**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	13.300	-	15.000	17.126	3.722	**49.148**
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**-**	**13.300**	**-**	**15.000**	**17.126**	**3.722**	**49.148**
Savings:							
Military Construction	4.900	-	1.400	1.100	1.310	15.540	24.250
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	1.836	9.583	20.724	21.383	22.071	75.597
Operations & Maintenance	(11.670)	(30.259)	85.863	106.044	109.000	117.907	376.885
Military Personnel	(0.230)	(0.520)	28.150	47.546	58.272	66.795	200.013
Other	566.082	509.166	549.874	465.262	491.633	505.351	3,087.368
Total Savings	**559.082**	**480.223**	**674.870**	**640.676**	**681.598**	**727.664**	**3,764.113**
Net Implementation Costs Less Estimated Land Revenues:	**(70.021)**	**(35.307)**	**(236.087)**	**(329.589)**	**(467.944)**	**(297.273)**	**(1,436.221)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part IV
Cost and Savings by Fiscal Year
(Dollars in Millions)

AIR FORCE	1996	1997	1998	1999	2000	2001	1996-2001
One-Time Implementation Costs:							
Military Construction	18.245	77.003	61.021	37.700	4.722	12.100	210.791
Family Housing - Construction	-	0.080	0.790	-	-	-	0.870
- Operations	-	-	-	-	-	-	-
Environmental	63.807	60.967	109.070	57.887	126.749	149.416	567.896
Operations & Maintenance	29.713	94.263	245.529	300.741	185.884	112.692	968.822
Military Personnel - PCS	1.341	0.554	-	1.963	1.273	1.734	6.865
Other	1.007	0.826	7.927	2.628	-	-	12.388
Homeowners Assistance Program	-	-	-	-	-	-	-
Air Force O'Hare Move Costs	-	94.602	-	-	-	-	94.602
Prior Year Financing	-	-	-	-	-	-	-
Total One-Time Costs	**114.113**	**328.295**	**424.337**	**400.919**	**318.628**	**275.942**	**1,862.234**
Estimated Land Revenues	-	(94.602)	(30.480)	(19.017)	(6.836)	(2.693)	**(153.628)**
Homeowners Assistance Program	-	-	-	-	0.817	7.093	**7.910**
Budget Request	**114.113**	**233.693**	**393.857**	**381.902**	**312.609**	**280.342**	**1,716.516**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operation & Maintenance	21.362	-	21.093	12.700	18.000	-	73.155
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**21.362**	**-**	**21.093**	**12.700**	**18.000**	**-**	**73.155**
Savings:							
Military Construction	-	-	-	-	-	-	-
Family Housing - Construction	-	0.770	1.676	1.676	1.541	1.541	7.204
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	9.890	33.374	46.966	80.979	197.035	371.969	740.213
Military Personnel	-	14.400	14.700	18.900	24.800	27.100	99.900
Other	-	-	-	-	-	-	-
Total Savings	**9.890**	**48.544**	**63.342**	**101.555**	**223.376**	**400.610**	**847.317**
Net Implementation Costs Less Estimated Land Revenues:	**125.585**	**185.149**	**351.608**	**293.047**	**107.233**	**(120.268)**	**942.354**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part IV
Cost and Savings by Fiscal Year
(Dollars in Millions)

DEFENSE LOGISTICS AGENCY	1996	1997	1998	1999	2000	2001	1996-2001
One-Time Implementation Costs:							
Military Construction	2.350	9.300	-	19.300	1.100	-	32.050
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	6.181	25.749	18.605	16.891	1.140	6.543	75.109
Operations & Maintenance	55.668	136.276	27.626	18.744	7.120	4.538	249.972
Military Personnel - PCS	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Prior Year Financing							-
Total One-Time Costs	**64.199**	**171.325**	**46.231**	**54.935**	**9.360**	**11.081**	357.131
Estimated Land Revenues	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Budget Request	**64.199**	**171.325**	**46.231**	**54.935**	**9.360**	**11.081**	**357.131**
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	6.184	12.300	-	-	-	-	18.484
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**6.184**	**12.300**	**-**	**-**	**-**	**-**	**18.484**
Savings:							
Military Construction	12.545	-	-	-	-	-	12.545
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	0.030	0.071	0.154	0.154	0.154	0.563
Operations & Maintenance	12.020	38.970	103.923	115.743	145.565	148.716	564.937
Military Personnel	0.109	0.227	0.385	0.603	0.916	0.934	3.174
Other	-	-	-	-	-	-	-
Total Savings	**24.674**	**39.227**	**104.379**	**116.500**	**146.635**	**149.804**	**581.219**
Net Implementation Costs							
Less Estimated Land Revenues:	**45.709**	**144.398**	**(58.148)**	**(61.565)**	**(137.275)**	**(138.723)**	**(205.604)**

FY 2006 Budget Estimates
Base Realignment and Closure Account - Part IV
Cost and Savings by Fiscal Year
(Dollars in Millions)

DOD-WIDE	1996	1997	1998	1999	2000	2001	1996-2001
One-Time Implementation Costs:							
Military Construction	270.676	402.082	365.411	204.116	72.151	12.100	1,326.536
Family Housing - Construction	-	0.569	0.790	2.008	-	-	3.367
- Operations	-	0.007	0.400	0.258	-	-	0.665
Environmental	211.635	226.365	422.452	503.572	360.167	797.884	2,522.075
Operations & Maintenance	404.498	637.533	501.009	541.405	265.214	183.126	2,532.785
Military Personnel - PCS	3.020	1.264	2.448	6.518	1.273	1.743	16.266
Other	8.180	7.777	26.218	9.760	2.387	0.643	54.965
Homeowners Assistance Program	-	-	-	-	-	-	-
Air Force O'Hare Move Costs	-	94.602	-	-	-	-	94.602
Prior Year Financing	-	-	-	-	-	-	-
Total One-Time Costs	**898.009**	**1,370.199**	**1,318.728**	**1,267.637**	**701.192**	**995.496**	**6,551.261**
Estimated Land Revenues	-	(94.602)	(47.085)	(48.838)	(36.996)	(2.693)	(230.214)
Homeowners Assistance Program	-	-	-	-	5.000	13.466	18.466
Budget Request	**898.009**	**1,275.597**	**1,271.643**	**1,218.799**	**669.196**	**1,006.269**	**6,339.513**
							-
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	44.959	41.943	42.490	30.390	37.289	5.814	202.885
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	**44.959**	**41.943**	**42.490**	**30.390**	**37.289**	**5.814**	**202.885**
							-
Savings:							
Military Construction	17.445	-	1.400	1.100	1.310	15.540	36.795
Family Housing - Construction	-	0.770	1.676	1.676	1.541	1.541	7.204
- Operations	-	2.096	12.370	25.062	28.480	29.891	97.899
Operations & Maintenance	30.150	70.382	372.398	497.460	725.258	943.539	2,639.187
Military Personnel	(0.121)	14.107	43.235	67.049	83.988	94.829	303.087
Other	566.082	509.166	549.874	465.262	491.633	505.351	3,087.368
Total Savings	**613.556**	**596.521**	**980.953**	**1,057.609**	**1,332.210**	**1,590.691**	**6,171.540**
Net Implementation Costs							
Less Estimated Land Revenues:	**329.412**	**721.019**	**333.180**	**191.580**	**(625.725)**	**(578.608)**	**370.858**

HOMEOWNERS ASSISTANCE PROGRAM

The Homeowners Assistance Program (HAP) provides assistance to eligible service members and civilian employee homeowners who have suffered losses through the depression of the real estate market resulting from actual or pending base closures. Pursuant to section 2832 of Title 10, United States Code, as amended by section 2831 of Public Law 101–89, the National Defense Authorization Act for fiscal year 1990 and fiscal year 1991, the Secretary of Defense was granted authority to transfer $31 million of funds appropriated in BRAC I to HAP. Accordingly, the Department of Defense transferred $31 million in fiscal year 1990 to accommodate valid homeowner assistance requirements arising from implementation of the 1988 Commission's recommendations. From fiscal year 1992 through fiscal year 1999 the required homeowners assistance funding associated with base realignments and closures was budgeted in the Homeowners Assistance Program administered by the Department of the Army as executive agent for the program. Beginning in fiscal year 2000, funds were appropriated in the BRAC program for transfer to the Homeowners Assistance Program during budget execution to allow more effective and efficient use of these funds in support of BRAC implementation. No funds are budgeted within the BRAC program for transfer to the Homeowners Assistance Program in fiscal year 2006.

REVENUE FROM THE SALE OF LAND AND FACILITIES

In capitalizing the base closure accounts, the additional appropriations to pay for the onetime costs of implementation have been offset by the amount of revenues that are anticipated due to the authorized sale of land no longer required by the Department. Since the fiscal year 1991 budget request, parcels of land have been transferred, without compensation to the Department, thereby reducing projected offsetting receipts. The tables on the following pages show the anticipated land sale revenue and examples of projected land sales no longer anticipated due to loss revenue resulting from transfers of property outside of the Department. Land sale receipts from base closures have amounted to $595.1 million through September 2004. These receipts are used to offset anticipated BRAC costs. Anticipated land sale revenue of $133.0 million will be used to offset a portion of the department's fiscal year 2006 BRAC requirements of $510.8 million.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I
ANTICIPATED/REALIZED LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Kapalama Military Reservation, HI	38,529
Pontiac Storage Facility	3,100
Fort Holabird, MD	100
USA Reserve Center Gaithersburg, MD	785
Stand-Alone Housing, Various Locations	23,199
Total	65,713

FISCAL YEAR 2006 BUDGET EXTIMATES—BASE REALIGNMENT AND CLOSURES—PART I LOSS OF LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Lexington	7,379
Army Material Tech Lab	3,124
Jefferson	28,925
AMC Other	8,030
Presidio	42,986
Hamilton	49,550
Sheridan	59,092
Fort Douglas, UT	7,379
Fort Meade, MD	447,770
Cameron Station, VA	212,624

FISCAL YEAR 2006 BUDGET EXTIMATES—BASE REALIGNMENT AND CLOSURES—PART I LOSS OF LAND REVENUE—ARMY—Continued

[In thousands of dollars]

Location	Total
Stand Alone	62,053
Total	928,912

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I ANTICIPATED/REALIZED LAND REVENUE—NAVY AND PART I LOSS OF LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
NRC Coconut Grove, FL	7,134
NH Philadelphia, PA	25
NTB Salton Sea, CA	14
Total	7,173

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I LOSS OF LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
Naval Station New York (Brooklyn, NY)	57,000
Naval Station Puget Sound (Sand Point), WA	60,000
Total	117,000

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
Chanute Air Force Base, IL	13,000
George Air Force Base, CA	90,000
Mather Air Force Base, CA	305,000
Norton Air Force Base, CA	100,000
Pease Air Force Base, NH	120,000
Total [1]	26,582

[1] All anticipated/realized land revenues are accounted for in BRAC IV.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART I LOSS OF LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
George Air Force Base, CA	90,000
Mather Air Force Base, CA	305,000
Norton Air Force Base, CA	100,000
Chanute Air Force Base, IL	13,000
Pease Air Force Base, NH	120,000
Total	628,000

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II ANTICIPATED/REALIZED LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Cameron Station, VA	15,661
Fort Ben Harrison, IN	4,634
Sacramento Army Depot, CA	299
Fort Devens, MA	1,998
Total	22,592

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II LOSS OF LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Fort Devens, MA	112,000
Fort Dix, NJ [1]	83,000
Fort Ord, CA	399,750
Harry Diamond Lab, VA	30,000
Fort Benjamin Harrison, IN	102,227
Sacramento Depot, CA	24,879
Total	751,856

[1] Note: The anticipated revenues from Fort Dix were reduced from $83.0 million to zero. The basis of the reduction is the proposed utilization of Fort Dix by other Federal and State agencies which precludes disposal of the anticipated excess land.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II ANTICIPATED/REALIZED LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
MCAS Tustin, CA	203,500
NAS Chase Field, TX	791
NCBC Davisville, RI	63
NAS Moffett Field, CA	6,250
NH Long Beach, CA	14,075
NS Philadelphia, PA	2,000
Total	226,679

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II LOSS OF LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
NAS Chase Field, TX	2,000
NCBC Davisville, RI	22,000
NH Long Beach, CA	1,400
NS Long Beach, CA	21,250
NS Philadelphia, PA	18,000
NS Puget Sound (Sand Point), WA	12,800
NCCOSC San Diego, CA	3,000
MCAS Tustin, CA	468,500
Total	548,950

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
Carswell Air Force Base, TX	178
Castle Air Force Base, CA	4,136
England Air Force Base, LA	783
Grissom Air Force Base, IN	5,981
Loring Air Force Base, ME	335
Lowry Air Force Base, CO	9,461
Myrtle Beach Air Force Base, SC	10,455
Richards-Gebaur Air Force Reserve Station, MO	300
Rickenbacker Air Guard Base, OH	600
Williams Air Force Base, AZ	4,431
Wurtsmith Air Force Base, MI	49
Total [1]	36,709

[1] All anticipated/realized land revenues are accounted for in BRAC IV.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART II LOSS OF LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
Williams Air Force Base, AZ	8,000
Eaker Air Force Base, AR	8,000
Castle Air Force Base, CA	27,000
Lowry Air Force Base, CO	100,000
MacDill Air Force Base, FL	50,000
Grissom Air Force Base, IN	8,000
Loring Air Force Base, ME	8,000
Wurtsmith Air Force Base, MI	8,000
Richards Gebaur Air ForceReserve Station, MO	8,000
Rickenbacker Air National Guard Base, OH	8,000
Myrtle Beach Air Force Base, SC	8,000
Bergstrom Air Force Base, TX	8,000
Carswell Force Base, TX	8,000
Total	257,000

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III ANTICIPATED/REALIZED LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Various Locations	798
Total	798

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III ANTICIPATED/REALIZED LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
DOD Family Housing Niagara Falls, NY	1,125
MCAS El Toro, CA	525,000
NAWC Trenton, NJ	1,812
NTC Orlando, FL	11,126
NAS Cecil Field, CA	48

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III ANTICIPATED/REALIZED LAND REVENUE—NAVY—Continued

[In thousands of dollars]

Location	Total
NTC San Diego, CA	80
NH Oakland, CA (Oak Knoll)	15,000
PWC San Francisco, CA	10,330
NS Staten Island, NY	602
NSY Charleston, SC	1,100
Various Locations	1,107
Total	567,330

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III LOSS OF LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
NS Mobile, AL	28,000
Various Locations	309,263
Total	337,263

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART III ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
Gentile Air Force Station, OH	54
Griffiss Air Force Base, NY	82
Homestead Air Force Base, FL	488
March Air Force Base, CA	995
O'Hare IAP ARS, IL	65
Plattsburg Air Force Base, NY	1,288
Total [1]	2,972

[1] All anticipated/realized land revenues are accounted for in BRAC IV.

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV ANTICIPATED/REALIZED LAND REVENUE—ARMY

[In thousands of dollars]

Location	Total
Fort Devens, MA	2,500
Fort Ben Harrison, IN	938
Cameron Station, VA	14,861
Stratford AAP, CT	6,590
Army Material Technology Lab, MA	6,284
Bayonne MOT, NJ	278
Hamilton AAF, CA	944
Jefferson Proving Ground, IN	55
Detroit, ATP, MI	5,924
Fort Sheridan, IL	5,150
Stand Alone Housing	110
Savanna AD	8
Fort Ritchie	54
Fitzsimons AMC	172
City of Chicago	15,980
Fort McClellan	460

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV
ANTICIPATED/REALIZED LAND REVENUE—ARMY—Continued

[In thousands of dollars]

Location	Total
Fort Ord	7,250
New Orleans MOT	275
Defense Depot Ogden	680
VHFS	992
Total	69,505

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV
ANTICIPATED/REALIZED LAND REVENUE—NAVY

[In thousands of dollars]

Location	Total
San Pedro (Housing) Long Beach, CA	66,000
NAWC Warminster, PA	63
NAF Key West, FL (Housing)	15,100
NAS Key West, FL	600
Various Locations	700
Total	82,463

FISCAL YEAR 2006 BUDGET ESTIMATES—BASE REALIGNMENT AND CLOSURE—PART IV
ANTICIPATED/REALIZED LAND REVENUE—AIR FORCE

[In thousands of dollars]

Location	Total
City of Chicago, Illinois—O'Hare International Airport [1]	94,602
Kelly Air Force Base, TX	478
McClellan	1,218
Reese Air Force Base, TX	53
Roslyn Air Guard Station, NY	3,031
Total	99,382

[1] Revenue from the City of Chicago for the movement of the Air National Guard facilities to Scott Air Force Base, Illinois.

Mr. GRONE. Of the $22 billion that was expended for prior BRAC activity, 30 percent of that went to construction and construction activity.

Senator FEINSTEIN. No. I mean tell us for what.

Mr. GRONE. Oh, yes, ma'am. But 30 percent of it went to environmental remediation and 40 percent went to PCS, O&M, and caretaker costs. But we will certainly try to break that down for you for the record.

Senator FEINSTEIN. I think the time has come, as we go through these BRAC rounds, to really know dollar for dollar where this money goes, and I would sure like to know.

Mr. GRONE. The justification material for the current fiscal years' request for prior BRAC, the $377 million, should, I believe, provide a comprehensive breakdown of the accounts from prior years. And we certainly would include that in the record here so that it is comprehensive.

SELLING EXCESS PROPERTIES AND APPLYING THE PROCEEDS

Senator FEINSTEIN. Thank you.

Now, the Navy has done a good job selling its excess properties and applying those proceeds to BRAC environmental restoration. I think this year the Navy has requested a $143 million appropriation and expects to apply another $133 million from property sales. Could we have your assurance that, if appropriated, the sum of these funds will be applied to Navy environmental remediation?

Mr. GRONE. I believe I can give that assurance, yes, ma'am.

Senator FEINSTEIN. Thank you. And that further land sales will be treated the same?

Mr. GRONE. Treated the same in which sense?

Senator FEINSTEIN. In that the money is then applied for environmental cleanup.

Mr. GRONE. For prior BRAC, almost all of our costs at this point for prior BRAC is environmental remediation and a very, very small, modest amount for property caretaker costs. So to the extent we have any additional land sales from BRAC rounds one through four, that is certainly how they would be applied.

Senator FEINSTEIN. Thank you. That is very helpful.

STATUS OF GLOBAL REBASING

Mr. Grone, through global rebasing in the coming years we can expect to see the largest reduction of troops permanently based overseas since the end of the Cold War. A series of global rebasing decisions will be subject to BRAC 2005. What is the status of the global rebasing plan? In particular, are there negotiations with foreign countries? Is there a green light? Are we moving ahead? Are we not moving ahead?

There are $314 million set aside in the BRAC wedge, as you mentioned, for global rebasing. Is any of that funding intended to be spent overseas on closed bases in Germany or elsewhere?

Mr. GRONE. Senator, to the latter part of your question, BRAC funds are not an eligible source of funds for closure costs for closure and realignment activity installations abroad.

Senator FEINSTEIN. So the answer is no.

Mr. GRONE. The answer is no.

The scope of our BRAC authority, with regard to global posture. We intend to use the BRAC round to facilitate the return of U.S. forces in the following way. Without BRAC, we would largely be asked to address the question of where could we fit them, in terms of our present basing configuration. BRAC gives us the ability, because the entire domestic chessboard will be open, to ask ourselves a different question, which is where are they best positioned. Through their realignment activities of domestic bases, we will have an ability to put those returning forces where the services and the Secretary believe they are most effective for the future. We will, through BRAC, execute construction activity to support those forces through the BRAC appropriation, but other costs associated with cost overseas would be paid for other accounts that the services have under their financial control.

Senator FEINSTEIN. Thank you. That is helpful.

RENEWABLE ENERGY ASSESSMENT OF DOD BASES

Some time ago, Senator Hutchison and I asked your Department to give us a renewable energy assessment of the bases. We have not received it. Could you give us a sense of the major findings?

Mr. GRONE. I can give you a very direct sense of where the report is because it just hit my desk yesterday.

Senator FEINSTEIN. Good.

Mr. GRONE. I am aware and certainly apologize for the initial part of the report being late. It was due in December. That part of the report was to basically do the assessment. What the committee also asked us for was an implementation plan based on our assessment. When you see the report in a matter of days, if not this week, it will contain both the assessment that we have done, as well as the implementation plan. So it will contain both elements.

We think that there is a lot of benefit that we have gained through this assessment and the study that the subcommittee had requested. In fiscal year 2003, about $5 million of our energy conservation investment funds went to renewable projects. This year it is going to be $18 million principally in geothermal and in solar.

We also think, as a result of the study that we have gone through, that there are opportunities on the purchase side of it for us to begin to engage on a supplier basis with certain suppliers who specialize in renewable energy sources.

So we are learning a great deal through the assessment. We would welcome a continuing dialogue over the implementation plan certainly and would look for any views that you may have on it because we do think it has been a very valuable exercise as we have gone through it.

Senator FEINSTEIN. Thank you very much. We look forward to receiving that.

PERCHLORATE CONTAMINATION

Now my perchlorate question. I will admit I am reaching here. Is there a way to use some of these environmental cleanup monies to take some of the most contaminated sites where they most have affected drinking water and get a commitment to participate in cleanup efforts?

Mr. GRONE. Senator, that question is not a difficult—it is a difficult one but one that sort of, I think, bears a little bit of a sense of sort of where we are now. I am not trying to avoid the question, but I do think this, as you well know, is a very, very complicated issue.

There has been a lot of uncertainty, scientific uncertainty, associated with perchlorate. The National Academy of Sciences recently conducted a review of the toxicity of perchlorate, and that review was completed in January and the administration, including the Department, supported the conclusions reached by the NAS. In fact, EPA has used the conclusions reached by the NAS to develop a reference dose which commonly would be referred to as a 24.5 parts per billion reference dose. We will use that reference dose as a factor in our risk-based assessments.

And I would say also with regard to the work that we are going with the State of California in the prioritization protocol, that work is proceeding very well with a high degree of cooperation between the State and the Department. Certainly as we proceed, we understand that the State of California may well consider a regulatory standard for perchlorate. Once the State establishes, if they should choose to do so, a State standard, as well as once a Federal standard, if one should be promulgated, we certainly will comply with that standard.

Where we are in terms of remediation today is that it becomes part of the risk prioritization as we go through it.

Senator FEINSTEIN. Let me stop you because I need to understand this. Are you saying that you are waiting for the State to declare a standard? Because the State does have a standard.

Mr. GRONE. No. I am not suggesting that. A standard for regulatory purposes. If any State or the Federal EPA declares a standard for regulatory purposes, not a draft, but for regulatory purposes, we certainly will comply with that. But even today we are putting the 24.5 parts per billion reference dose that EPA has promulgated and including that as part of our risk-based prioritization standard. And in those instances certainly where there is a level of significance, we will remediate based on the prioritization of remediation as we develop it.

Senator FEINSTEIN. I want to make this point, though. DOD, as you know, tried to get liability protection on perchlorate and we were able to stop that. Perchlorate is now turning up in mother's milk. In one person tested, it was like 91 parts per billion. It is turning up all over in the food chain. The bottom line fact is DOD has a responsibility to help with the cleanup. We have got towns where the drinking water is really severely compromised, small areas, Rialto, for example. In California their wells are compromised. They have to get cleaned up.

The process we know is expensive. It is about $2 million a well with reverse osmosis.

I have been trying for years now to move EPA to come up with a standard. EPA is not about to be moved to come up with a standard. In the meantime, you are finding it in milk products, you are finding it in lettuce products, and now you are finding it in nursing women's breast milk at three times the level that you just mentioned of 24 parts per billion.

So my view is we have to get cracking and get it cleaned up. It seems to me that this might be a place to start.

Mr. GRONE. Well, Senator, all I can tell you right at the present time, so far we have expended $50 million in toxicological and analytical research. We are continuing to work with the scientific community——

Senator FEINSTEIN. $50 million on research on perchlorate? It cannot be.

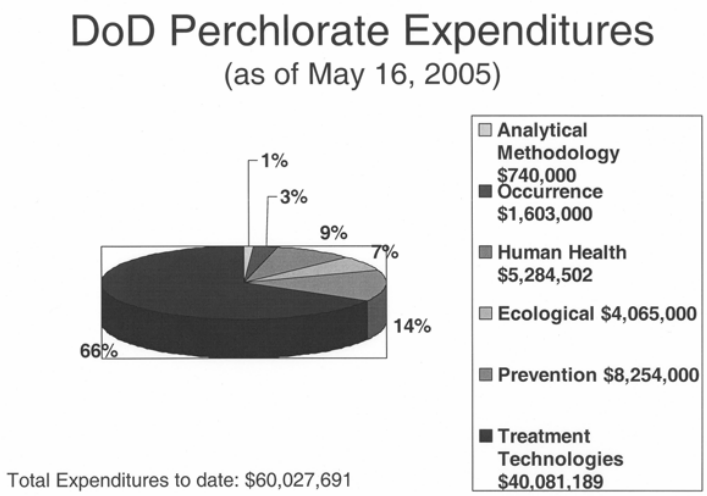
Mr. GRONE. Groundwater treatment technologies for perchlorate and possible substitutes for perchlorate in military applications.

Senator FEINSTEIN. $50 million on studies?

Mr. GRONE. In research.

Senator FEINSTEIN. Okay. Do you have a product for the $50 million?

[The information follows:]



Treatment Technology	Time Period Covered					Expenditure				
Initiative Description	Start date	End date	Release date	FY04	FY05/06	Actual	Proposed	Agencies	Academic	results
Development, deployment, and transition to private sector of *ex-situ* anaerobic biological reactors for the treatment of process effluent from industrial operations associated with manufacture and maintenance of rocket motors (AFRL).			Jun-98			$6,800,000	N/A	DOD		Report Number:AFRL-ML-TY-TR-1999-4524
Development and deployment of ex-situ fluidized bed reactors to biodegrade perchlorate in groundwater (Longhorn Army Ammunition plant)		past				$855,000	N/A	DOD		
Development of a pilot/demonstration perchlorate treatment system to handle varying levels of perchlorate in wastewater in expectation of NPDES permit and higher perchlorate use (mo/Aester AAP)				X		$400,000	N/A	DOD		
Pilot Study for use of regular GAC for perchlorate removal in groundwater (MMR)						$325,000	N/A	DOD		
Rapid Small Scale Column Testing (RSSCT) of various types of GAC to evaluate perchlorate adsorption capacity (MMR)						$185,000	N/A	DOD		
Pilot study for perchlorate treatment ion exchange treatment system (Kansas Army Ammunition Plant)				X		$25,000	N/A	DOD		
Application of Horizontal Flow Treatment Wells for In Situ Treatment of Perchlorate Contaminated Groundwater - Master's thesis, Sep 2000-Mar 2002. Air Force Inst. of Tech., Wright-Patterson AFB, OH.		past	UNK			N/A	N/A	DOD	AFIT	Report Number: AFIT/GEE/ENV/02M-08
Optimizing of In Situ Bioremediation Technology to Manage Perchlorate-Contaminated Groundwater - Master's thesis, Jun 2002-Mar 2003.		past	CY03			N/A	N/A	DOD	AFIT	Report Number: AFIT/GEE/ENV/03-14
Site investigation, laboratory and pilot scale investigations of *in-situ* bioremediation of groundwater, including the use of biologically active permeable reactive barriers and ex situ bioreactors (NWRIP McGregor)				X		$21,000,000	N/A	DOD		
Pilot study into the use of *in situ* bioremediation (NSWC Indian Head)		past	Jan-04			$230,000	N/A	DOD		Report number:NOSSA-TR-2004-001
In-Situ Bioreduction and Removal of Ammonium Perchlorate (SERDP CU-1162)	FY00	past	TBD			$678,000	N/A	DOD		SERDP report CU-1162 available at website (www.serdp.org)
In-Situ Bioremediation of Perchlorate (SERDP CU-1163)		past	May-02			$494,270	N/A	DOD		SERDP report CU-1163 available at website (www.serdp.org)
In-Situ Bioremediation of Perchlorate-Impacted Groundwater (SERDP CU-1164)		past	Jun-02			$336,915	N/A	DOD		SERDP report CU-1164 available at website (www.serdp.org)
EPA-NERL - preliminary work to identify plants able to remediate perchlorate (ASC)		past				$50,000	N/A	DOD		
phytoremediation of perchlorate (ASC)		past				$148,500	N/A	DOD	Univ GA	
Work plan, pilot- and full-scale design/operation ion exhange system for the treatment of groundwater, including investigations with a novel bifunctional exchange resin highly selective to perchlorate and associated resin regenerant system (Edwards AFB)				X		$1,865,000	$1,265,000	DOD		Ongoing; full evaluation still underway. By Sep 04 > 11M gal of groundwater treated; 42# of perchlorate removed. Resin treatment effective to non detect, and regeneration restores resins to near-100% capacity.
Laboratory and pilot scale investigations of anaerobic soil composting (Edwards AFB)		past				$130,000	N/A	DOD		
Longhorn Army Ammunition Plant Bioreactor capital cost only						$650,000	N/A			
Whittaker Bermite in-situ bioremediation (ACOE)						$ 629,643	N/A			
Vandenberg AFB Ion Exchange Unit operation		past	TBD			$98,000		DOD		
investigations into phytoremediation of perchlorate at Longhorn (OSC)		past	TBD			$233,112	N/A	DOD	Univ Iowa	
investigations into phytoremediation of perchlorate at Longhorn (OSC)		past	TBD			$234,233	N/A	DOD	Univ GA	
Comparative Demonstration of Active and Semi-Passive In Situ Bioremediation Approaches for Perchlorate-Impacted Groundwater (ESTCP CU-0219)		ongoing	CY05			$1,010,069	N/A	DOD		Factsheet available at website (www.estcp.org)
Edible Oil Barriers for Treatment of Chlorinated Solvent- and Perchlorate-Contaminated Groundwater (ESTCP CU-0221)		ongoing	FY05			$825,009	N/A	DOD		Factsheet available at website (www.estcp.org)

In Situ Bioremediation of Perchlorate in Groundwater using horizontal flow treatment wells (ESTCP CU-0224)		ongoing	CY05			$868,858	N/A	DOD		Factsheet available at website (www.estcp.org)
Field Comparison of Biofouling Control Measures for In Situ Bioremediation of Groundwater (ESTCP CU-0429)	FY04	ongoing	TBD	X	X	$234,000	$200,000	DOD		Factsheet available at website (www.estcp.org)
Technologies to reduce the cost of groundwater and vadose zone cleanup of perchlorate (ESTCP)				X	X	$1,838,000	$1,400,000	DOD		
Technologies for the treatment of drinking water and wastewater contaminated with perchlorate (ESTCP & SERDP)				X	X	$240,000	$7,824,000	DOD		

Mr. GRONE. We can supply for the record what we have been doing on the analytical agenda on both the toxicological side, the science-based side of perchlorate, as well as looking for alternatives for the use of perchlorate, both of which we have as active parts of the agenda.

Senator FEINSTEIN. Well, I do not want to take up the chairman's time, although the chairman has a problem in her State as well. But if we could talk with you about it, we need to come to some agreement of what DOD is willing to do. I have been trying now for 3 or 4 years, and at some point one runs out of patience. That is all I want to say.

Mr. GRONE. Senator, I am prepared to have whatever discussions you deem necessary. I am prepared to meet with you whenever you feel it appropriate——

Senator FEINSTEIN. Okay, that would be great.

Mr. GRONE [continuing.] To have the continuing discussion.

Senator FEINSTEIN. Thank you.

PERMANENT CONSTRUCTION AT GUANTANAMO BAY

And the last question. It is a question I asked Chairman of the Joint Chiefs Myers at the supplemental hearing of approps, and that is the justification for siting the facility in Guantanamo.

Now my understanding was the original justification was to avoid review by United States courts. Now, putting aside the question of whether that is good policy or not, the United States Supreme Court has made clear that much, if not all, of the legal argument which was based for that justification was unfounded. Simply put, the original justification is no longer compelling.

Now, Senator Hutchison and I with the Secretary had a chance to go to Guantanamo 3 or 4 years ago, and so we saw pretty much the temporary facilities. I think an argument can certainly be made for improvement. But the question is to build a permanent facility, $42 million I guess in this MILCON budget, when the rationale for putting people at Guantanamo may no longer exist.

My question is, with that rationale gone, do you still want to go ahead and build a permanent facility?

Ms. JONAS. Senator, let me just take a few minutes on this. My understanding is that the upgrades were for the humanitarian and operational concerns that they have down there. These are some of the things that were identified by the ICRC. So the security fence and then making the facility a little bit more compliant there on humanitarian purposes not on any permanent basis.

Senator FEINSTEIN. I just said perhaps we should go back and take a look before we do this. You are saying the $42 million is just an upgrade for humanitarian purposes. It is not a permanent facility?

Ms. JONAS. Well, I understand the upgrades are to deal with the humanitarian concerns, some of the things that were identified by

the ICRC and force protection or security, I should say, the security fence around the area. The security fence that they are going to develop there, if funds are provided, would reduce the military personnel there by 350. So I guess that is one of the pieces, but we would sure be glad to have you make a visit and would be glad to provide additional——

Senator FEINSTEIN. Perhaps we can get the detail on that request.

Ms. JONAS. Absolutely.

[The information follows:]

GUANTANAMO NAVAL STATION, CUBA—CAMP 6 DETENTION FACILITY

Item	U/M	QTY	Cost	Cost
Primary Facility:				$26,848
Confinement Facility	SF	43,111	$501.58	(21,624)
Medical Station	SF	7,889	537.29	(4,239)
Sound proofing cell interior wall	SF	20,000	12.26	(245)
Sound proofing cell ventilation	EA	200	90.30	(18)
Prison design recessed sprinkler heads.	EA	280	122.55	(34)
Security Lighting	EA	40	4,644	(186)
Information Systems	LS			(300)
Building Information Systems	LS			(202)
Supporting Facilities:				5,345
Electric Service	LS			(2,556)
Water, Sewer, Gas	LS			(2,194)
Paving, Walks, Curbs And Gutters	LS			(80)
Storm Drainage	LS			(129)
Site Imp (67) Demo ( )	LS			(67)
Information Systems	LS			(319)
Estimated Contract Cost				32,193
Contingency Percent (5 percent)				1,610
Subtotal				33,803
Supervision, Inspection & Overhead (6.50 percent).				2,197
Total Request				36,000
Total Request (Rounded)				36,000
Installed EQT-Other Appropriations				(99)

Description of Proposed Construction.—Construct a maximum security facility at Camp 6 to detain 220 personnel. Primary facilities include pre-engineered concrete modular building units on concrete foundations, isolation cells, showers, restrooms, indoor and outdoor exercise areas, security operations, administrative spaces, interview spaces, security and perimeter fence, lighting, associated pedestrian and vehicular gates, and a Level II detainee medical station which includes a medical ward with 5 total beds; 2 general treatment rooms, a single dental treatment room and a medical administration area. Supporting facilities include communication/security systems, electrical substation and site utilities. Air conditioning is estimated at 120 tons. Project also includes the demolition of existing, substandard, water distribution line to the area.

REQ: 1 Each; ADQT: None; SUBSTD: 1 Each

Project.—Construct a durable maximum security detention facility to support the JTF Detainee Operations.

Requirement.—Provide an adequate maximum security detainee facility to house 220 detainees to support the Global War on Terrorism (GWOT). The facility will use Federal Bureau of Prison Standards and provide a more humane housing for long-term detainees. Provide facility standards meeting provisions highlighted in the Geneva Convention. These include providing housing units and core functions that are contiguous and allow for communal conditions where practical. Address facility and operational concerns of GWOT Allies. Upgrading facility standards will decrease the

personnel required to operate the facility safely. Provide necessary utility infrastructure to support all facilities.

Current Situation.—Current facilities are temporary and no longer meet the mission requirement. The facilities are labor intensive for both security and maintenance resources. Current operations require 150 more personnel than will be required for the requested facility. The new facility will free up this significant number of personnel for combat operations in support of GWOT. The inefficiencies experienced in proper separation, seclusion, and control of occupants forces JTF to maintain a much larger workforce to conduct the mission. Existing temporary facilities at Camps 1, 2, and 3 do not provide the communal living conditions. These facilities are also close to exceeding the utility systems capacity.

Impact if not Provided.—Existing Camps 1, 2, and 3 were designed as temporary facilities and are at the end of their useful life. Maintenance and operation of these facilities will continue to be a significant draw of manpower, materials, and money due to their deteriorating conditions. Mission operations in these antiquated cell blocks will continue to be strained and require an increased number of security and medical personnel due to the weaknesses in the design and materials of the existing facilities. Existing facilities will not meet the Geneva Convention requirements, and there will be continued scrutiny by the International Committee of the Red Cross (ICRC) and the international community until facility standards are raised. The waterline security will remain compromised and the water quality will remain degraded if this project is not provided. The electrical distribution system will become overloaded, unreliable, and a potential safety hazard. Outages will result due to circuit overloading creating additional equipment maintenance and repairs.

Additional.—This project has been coordinated with the installation physical security plan and all physical security measures are included. All required antiterrorism/force protection measures are included. Alternative methods of meeting this requirement have been explored during project development. This project is the only feasible option to meet the requirement. Sustainable principles will be integrated into the design, development, and construction of the project in accordance with Executive Order 13123 and other applicable laws and Executive Orders.

Mr. GRONE. Senator, the only thing that I would add to my colleague's comments is I believe the Chairman indicated that what we are doing, and the Secretary as well, but I know the Chairman had indicated what we are doing is we are transitioning to a long-term detention mission which in the context of both the humanitarian end of this, as well as the reduction—and to be able to operate the facility in a way that provides for a safer and more efficient operation, it will, *(a)*, reduce the manpower but, *(b)*, provide a safer environment for our own military personnel to manage the facility.

The most cost effective construction method for the structure is as it has been detailed to the subcommittee. It will be much easier to sustain than the metal structures we have there now. As the Comptroller indicated, we have a number of important reasons for seeking the funds at this time.

Senator FEINSTEIN. Well, I just was handed the request, and it says, under description of proposed construction, construct a maximum security facility at Camp 6 to detain 220 personnel. Primary facilities include pre-engineered concrete modular building units on concrete foundations, isolation cells, showers, rest rooms, indoor and outdoor exercise areas, security operations, administrative spaces, interview spaces, security and perimeter fence, lighting, and associated pedestrian and vehicular gates. So from what I gather from this, I mean, this is a whole new permanent facility. The word "permanent" is used and "maximum security."

Now, I would just like to know. It may well be that despite the fact that the United States is not going to be able to deny people basic due process rights, you still want to have the facility. But one of the things I think we do not want to do is authorize the money and then find out you change your mind, which has happened.

Mr. GRONE. Certainly, Senator—I am sorry, Madam Chairman.

Senator HUTCHISON. I think there is another factor here which is where is the safest place to house prisoners. I think there has always been a concern about having them in America and within the 48 States because of actions that might be taken to get them released. I do not think it is necessarily a treatment issue so much as where do you put potential terrorist prisoners where you do not endanger the lives of the people around and where is it harder to get to.

Senator FEINSTEIN. Except, Madam Chairman, we do house known terrorists who have committed terrorist acts here in the United States.

Senator HUTCHISON. Well, but we also have a number of them that are not in the United States. They are in Guantanamo Bay. I think having a prison that is pretty hard to get to is a factor to be considered.

Senator FEINSTEIN. I thought they were detainees. I mean, we have people convicted doing time, the 1993 World Trade Center bombing, et cetera. We have a place in Colorado where a number of them are incarcerated.

I just feel I want to be told the truth about this facility, why it is being built, instead of building it somewhere on ex-surplus military land here, why you are building it in Guantanamo. Because none of these people have been convicted of anything. They are all detainees.

Mr. GRONE. Senator Feinstein, what I can best tell you is that the location represents the best military judgment that we have in terms of the location. Neither of us have policy cognizance for this. The Under Secretary of Defense (Policy) and the Deputy Assistant Secretary of Defense for Detainee Affairs are the responsible policy officials, and certainly the combatant commander of Southern Command also has very significant responsibilities in this area. I believe we can work to arrange whatever briefings are necessary for you and the chairman and any other member or staff that may be required to address the question.

But the Secretary and the Chairman I believe addressed the immediate requirement pretty directly. And the type of construction involved that you cited is the most cost effective construction at that location to build the kind of facility that will allow our military personnel to operate in a safe and efficient manner and also provide, consistent with our standards, a more humane environment with a little bit more room for detainees to live in the facility. But certainly we can arrange for whatever briefings may be necessary in that regard.

Senator FEINSTEIN. I appreciate that. Thank you.

Thanks, Madam Chairman.

Senator HUTCHISON. Thank you. I think that is the end for this panel. We very much appreciate your time in coming.

DEPARTMENT OF THE NAVY

STATEMENT OF HON. B.J. PENN, ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND ENVIRONMENT)

ACCOMPANIED BY:

REAR ADMIRAL WAYNE "GREG" SHEAR, JR., DEPUTY DIRECTOR, ASHORE READINESS DIVISION, UNITED STATES NAVY

BRIGADIER GENERAL WILLIE WILLIAMS, ASSISTANT DEPUTY COMMANDANT, INSTALLATIONS AND LOGISTICS (FACILITIES), U.S. MARINE CORPS

Senator HUTCHISON. I want to now ask our second panel to come forward. Making his first appearance before our subcommittee is the Honorable B.J. Penn, Assistant Secretary of the Navy for Installations and Environment. Joining him are Rear Admiral Wayne Shear, United States Navy Deputy Director for the Ashore Readiness Division; and Brigadier General Willie Williams, U.S. Marine Corps, Assistant Deputy Commandant for Facilities.

Secretary Penn, if you would give us a summary of your statement, we would be happy to hear it, and then we will ask questions.

Mr. PENN. Madam Chairman, my pleasure. Madam Chairman, members of the subcommittee, being in this job for about a week, I assure you I have no trouble in being brief.

I am accompanied by Brigadier General, soon to be Major General, Willie Williams for Marine Corps Installations, and Rear Admiral Greg Shear from Commander Naval Installations.

I have spent most of my initial days getting acquainted with my staff and senior leadership of the Navy and Marine Corps. I am quite impressed with their skills and dedication.

I remember when I was on active duty as a naval aviator, serving as commanding officer of Naval Air Station North Island in California in the late 1980s thinking what new policy approaches from Washington might improve installation management. Be careful what you dream of.

Things have obviously changed since that time. I will soon begin visiting bases and stations so that I can listen firsthand to the needs and concerns from installations commanders, sailors, marines, their families, along with the civilian employees and contractor personnel who live or work at our shore installations and surrounding communities. I hope during my tenure to meld their views with those inside the beltway, of Congress, the Secretary of Defense, the service Secretaries, chiefs of staff, to shape a future for naval installations that provides cost effective support for the needs of our warfighters. Clearly implementation of BRAC 2005 decisions will be a major focus of my efforts.

I have submitted a rather detailed statement for the record on our fiscal year 2006 budget request. From a macro perspective, funding levels are strong, although I am admittedly on the front

end of the learning curve on the details. General Williams and Admiral Shear helped shape this budget, so I will rely heavily on them.

I would, however, like to talk about one specific aspect of our fiscal year 2006 budget request—the financing of our prior BRAC cleanup and caretaker needs with the mix of $143 million in appropriated funds and an estimated $133 million in land sales revenue.

It is important to view the fiscal year 2006 prior BRAC request in the context of the 2005 request. The Department expected to finance the entire fiscal year 2005 BRAC program from the sale of the former Marine Corps Air Station El Toro, California and did not request nor receive any appropriations in fiscal year 2005. That sale was delayed by unforseen circumstances. Fortunately, the sale of the former Marine Corps Air Station Tustin, California in 2003 gave the Department the financial flexibility to slow 2004 program executions to conserve cash to cover its fiscal year 2005 environmental commitments, most of which are in the State of California.

With fiscal year 2005 execution depleting prior year BRAC funds and the public auction of the El Toro property still a future event, the Department last fall opted to include appropriated funds in fiscal year 2006 to finance its minimum cleanup and caretaker status, along with a conservative estimate for land sale revenue to accelerate environmental cleanup. Although the auction of the El Toro property has now been completed, with a winning bid of nearly $650 million, I must caution the members of this committee that there is still some measure of risk ahead until the buyer and Navy complete the sales transaction at settlement.

I want to emphasize that we cannot be absolutely sure of having land sales revenue until settlement occurs, which is planned for July. The buyer of previous property in 2003 defaulted at settlement. Even after settlement, our past experience is that it often takes well over 4 months for the sale proceeds to be processed through DOD accounting systems before the funds are available to the Navy for program execution.

We still have a substantial cost to complete environmental cleanup, primarily at closed bases in California, and we are developing plans to responsibly accelerate cleanup. That would be our first priority for use of the land sales revenue.

Even with successful settlement of the El Toro property in July, we may still need some measure of fiscal year 2006 appropriated funds to finance first quarter program commitments.

I look forward to working with the Congress on resolving this situation, along with more challenging installations and facilities issues.

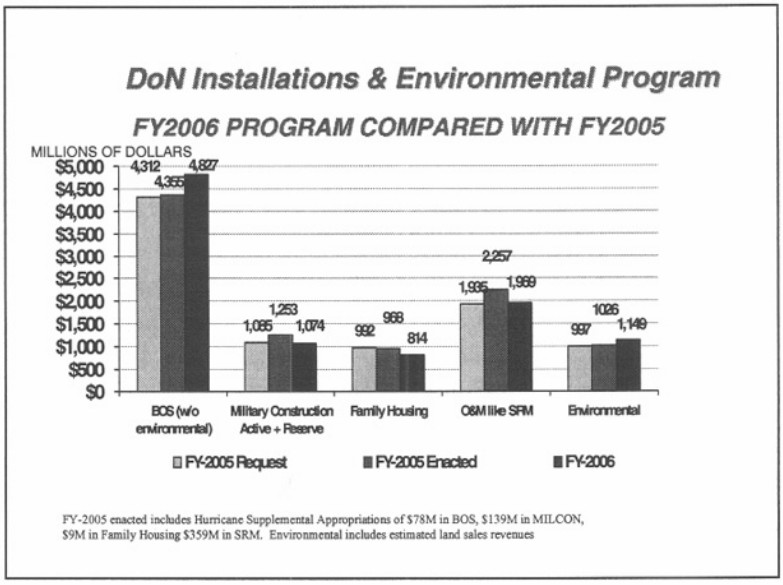
[The statement follows:]

PREPARED STATEMENT OF B.J. PENN

Madam Chairman and members of the Committee, I am pleased to appear before you today, accompanied by Brigadier General Willie Williams, Assistant Deputy Commandant of the Marine Corps for Installations and Logistics, and Rear Admiral Wayne Shear, Deputy Director of the Navy's Ashore Readiness Division. We will provide an overview of the Navy and Marine Corps team's shore infrastructure programs and base closure efforts.

Our bases and stations provide the essential services and functions that help us train and maintain our Naval forces, and enhance the quality of life for our Sailors, Marines and their families. Winning the Global War on Terrorism (GWOT) is our number one priority while we transform our force structure and business processes to meet the readiness needs of today and tomorrow. The Department of the Navy (DoN) has a considerable investment in shore infrastructure: 104 installations in the continental United States and 18 overseas locations with a combined plant replacement value of about $181 billion.

The DoN fiscal year 2006 budget request for installations and environmental programs totals $9.8 billion [1] and provides the funds to operate, recapitalize and transform our shore installations. In this budget, we have focused our efforts on balancing the risks across the operational, institutional, force management and future challenges identified by the Department and the Department of Defense (DOD).



The Base Operations Support (BOS) request of $4.8 billion, excluding environmental which is shown separately, provides fundamental services such as utilities, fire and security, air operations, port operations, and custodial care that enable the daily operations of our bases. The increase of $471 million to the fiscal year 2005 enacted level is primarily due to functional transfers to properly align Navy Marine Corps Internet with Base Operating Support and program growth to accomplish utilities privatization preparation, improve overseas Morale, Welfare and Recreation Programs supporting our forward deployed forces, and to restore funding required to execute shore mission support without degrading quantity or quality of support. We believe we have properly priced BOS to avoid execution year adjustments as we have experienced in the past. We are also working with the Office of the Secretary of Defense and the other Components to define common standards and performance metrics for managing installations support.

Our Military Construction Navy and Naval Reserve request is a very robust $1,074 million, about the same as the enacted fiscal year 2005 level of $1,114 million after excluding the $139 million the DoN received in the Emergency Hurricane Supplemental Appropriations Act, 2005. This level of funding keeps us on track to eliminate inadequate bachelor housing, and provides critical operational, training, and mission enhancement projects.

[1] To avoid double counting in the graph, environmental is shown separately from BOS, and MILCON is shown separately from SRM funds.

The Family Housing request of $813 million is about the same as the enacted fiscal 2005 level of $835 million after excluding the $9 million the DoN received in the Emergency Hurricane Supplemental. It provides $219 million in family housing construction and improvements funds, 80 million above the enacted fiscal 2005 level of $139 million. Funds to operate, maintain and revitalize the worldwide inventory of about 33,000 units total $594 million, $103 million less than the enacted fiscal 2005 level (excluding the $9 million in the Emergency Hurricane Supplemental), due to a decline of over 18,000 homes from the fiscal 2005 level from our housing privatization efforts. The DoN continues to fund Basic Allowance for Housing (BAH) at a level that eliminates average out-of-pocket housing expenses for service member. BAH makes finding affordable housing in the community more likely for our service members, and it helps our housing privatization efforts succeed.

Sustainment, Restoration and Modernization (SRM) includes military construction and Operation and Maintenance funds. Our fiscal year 2006 request is $71 million above the enacted fiscal year 2005 level without the Hurricane Supplemental. Sustainment funds the necessary maintenance and repairs needed to keep a facility in good working order over its expected service life. Facilities sustainment requirements are based on a DOD model. The fiscal year 2006 budget maintains 95 percent of the model requirement for Navy and Marine Corps bases. Restoration and Modernization funds regenerate the physical plant either through reconstruction or major renovation to keep the facility modern and relevant.

Our environmental program of $1,149 million, comprised of a variety of operating and investment appropriations, climbs $123 million above the fiscal year 2005 enacted level. Within this broad category, compliance accounts decline as a result of fewer one-time projects; conservation and pollution prevention funds remain steady; research and technology development decline by $15 million as fiscal year 2005 congressional increases are not continued in fiscal year 2006; cleanup of active bases increases by $39 million, primarily to support cleanup of the former Vieques training range in Puerto Rico. Of particular interest to this Subcommittee, we have included $143 million in fiscal year 2006 appropriations to cover minimum required environmental cleanup and caretaker costs. In preparing the budget, we also included $133 million in estimated land sales revenue that would be used to accelerate cleanup efforts.

Here are some of the highlights of these programs.

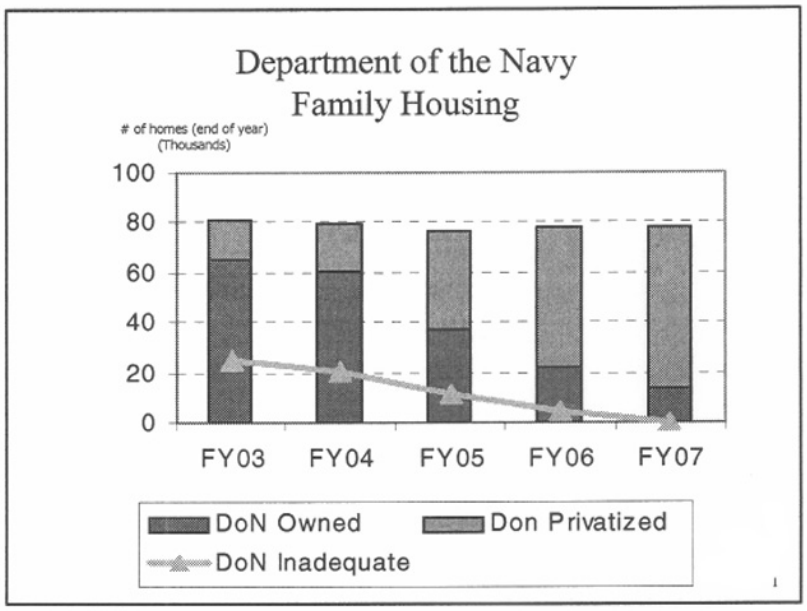
HOUSING

Our fiscal year 2006 budget request reflects the DoN's continued commitment to improve living conditions for Sailors, Marines, and their families. We have programmed the necessary resources and expect to have contracts in place by the end of fiscal year 2007 to eliminate our inadequate family and bachelor housing.

Family Housing

Our family housing strategy consists of a prioritized triad:

—*Reliance on the Private Sector.*—In accordance with longstanding DOD and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a BAH and own or rent homes in the community.



—*Public/Private Ventures (PPVs).*—With the strong support from this Committee and others, we have successfully used statutory PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families.

—*Military Construction.*—Military construction will continue to be used where PPV authorities don't apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.

We will be able to eliminate 77 percent of our inadequate inventory through the use of public/private ventures. As of 1 March, we have awarded 15 projects totaling over 26,000 units. As a result of these projects, almost 17,500 homes will be replaced or renovated. An additional 2,700 homes will be constructed for Navy and Marine Corps families. Through the use of these authorities we have secured almost $3.0 billion in private sector investment from $300 million of DoN funds for these 15 projects. This represents a leverage ratio of ten to one. During fiscal year 2005 and 2006, we plan to award projects totaling 29,000 homes at ten Navy and Marine Corps locations. This will allow us to improve our housing stock and provide more homes to Sailors, Marines and their families much faster than if we relied solely on traditional military construction. By the end of fiscal year 2007, the Navy and Marine Corps will have privatized 78 percent and 95 percent, respectively, of their worldwide housing stock.

Our fiscal year 2006 family housing budget includes $219 million for family housing construction and improvements. This amount includes $112 million as a Government investment in family housing privatization projects. It also includes $594 million for the operation, maintenance, and leasing of DoN family housing.

PLANNED PRIVATIZATION PROJECTS

Fiscal year	Location	Number of homes
USN		
2005	Mid Atlantic	5,930
2006	Midwest Regional	1,879
2006	Southeast Regional I	4,437
2006	San Diego Phase III	4,268

PLANNED PRIVATIZATION PROJECTS—Continued

Fiscal year	Location	Number of homes
2006	Oahu II	2,336
Subtotal		18,850
USMC		
2005	Camp Lejeune/Cherry Pt	3,426
2005	29 Palms/Kansas City	1,510
2006	MCB Hawaii	1,136
2006	Camp Lejeune/Cherry Pt II	959
2006	Camp Pendleton IV	3,359
Subtotal		29,240

Bachelor Housing

Our budget request of $184 million for bachelor quarters construction projects continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. There are three challenges:

—*Provide Homes Ashore for our Shipboard Sailors.*—There are approximately 18,400 junior enlisted unaccompanied Sailors worldwide who live aboard ship even while in homeport. The Navy has programmed funding through fiscal year 2008 to achieve its "homeport ashore" initiative by providing ashore living accommodations for these Sailors. We will achieve this goal through a mix of military construction, privatization authorities, and, for the interim, more intensive use of our barracks capacity by housing two members per room. Our fiscal year 2006 budget includes three "homeport ashore" projects: $7.8 million at Naval Station Mayport, FL (216 spaces); $50 million at Naval Station, Everett, WA (818 spaces); and $13.7 million at Naval Amphibious Base Coronado, CA (800 spaces), which is planned for privatization. The funds would be used as a Government cash contribution to a public/private entity.

—*Ensure our Barracks Meet Today's Standards for Privacy.*—We are building new and modernizing existing barracks to increase privacy for our single Sailors and Marines. The Navy uses the "1+1" standard for permanent party barracks. Under this standard, each single junior Sailor has his or her own sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to adopt a "2+0" configuration where two junior Marines share a room with a bath. The Navy will achieve these barracks construction standards by fiscal year 2016; the Marine Corps by fiscal year 2012. We are pursuing a waiver of the "1+1" standard to allow us to build an enlisted barracks project in Norfolk to private sector standards. We believe this will reduce construction costs, improve amenities, and facilitate opportunities to privatize barracks in the future.

—*Eliminate Gang Heads.*—The Navy and Marine Corps remain on track to eliminate inadequate barracks with gang heads[2] for permanent party personnel. The Navy achieves this goal by fiscal year 2007, the Marines by fiscal year 2005.

BQ Privatization

We are applying authority provided to us by Congress to proceed with three pilot unaccompanied housing privatization projects. We issued a solicitation for our first project at San Diego in September 2004 and received very positive responses from industry. We will soon take the next step to narrow the field and invite up to four highly qualified offerors to submit detailed technical and financial proposals. We plan to select a single proposal by late Spring 2005 and make an award in January 2006 after notifying Congress.

We intend to notify Congress of our intent to issue a solicitation for our second pilot project—at Hampton Roads, Virginia—in the very near future. We have also initiated a concept development for our third pilot project to provide unaccompanied housing in the Pacific Northwest.

[2] Gang heads remain acceptable for recruits and trainees.

Military Construction Projects

The DoN fiscal year 2006 Military Construction program requests appropriations of $1,029 million, consisting of $830 million for Navy, $169 million for Marine Corps, and $30 million for planning and design. The authorization request totals $1,078 million. Our fiscal year 2006 budget uses $92 million in prior year savings identified during budget formulation to finance additional military construction needs above the fiscal year 2006 appropriation request. Fiscal year 2006 projects were properly priced consistent with the analysis that identified the prior year savings. The Naval and Marine Corps Reserve Military Construction appropriation and authorization request is $45 million.

The active Navy program consists of:

—$218 million for eight Chief of Naval Operations projects for Homeport Ashore, Great Lake Recruit Training Command recapitalization and the Naval Academy.

—$215 million for seven waterfront and airfield projects.

—$92 million for three special weapons protection projects.

—$239 million for 12 projects supporting new weapons systems such as F/A 18 E/F, V–22, H60R/S, and VXX.

—$58 million for four mission enhancement projects such as the Pacific War fighting Center at Naval Station Pearl Harbor, HI; and

—$9 million for one environmental compliance project at Naval Air Station Pensacola, FL.

The active Marine Corps program consists of:

—$58 million for two barracks, one mess hall and one fire safety quality of life project.

—$25 million in a continuing effort to correct wastewater environmental compliance violations at Camp Pendleton, CA.

—$54 million for three airfield recapitalization projects at Marine Corps Air Station Quantico, VA, including the second increment of funding to replace 1930's vintage HMX maintenance hangars and a parking apron.

—$18 million for four projects to provide maintenance facilities, including the new Assault Breacher Vehicle at Camp Pendleton, CA and Camp Lejeune, NC; hot refueling for rotary wing aircraft at MCAS Yuma, AZ; and critical training for Marines with a Multi-Purpose Machine Gun Range at Camp Lejeune, NC.

—$14 million for five projects that cover a broad range of facility improvements, e.g., main gate access and inspection; encroachment remedies; missile storage.

The Naval and Marine Corps Reserve program consists of two joint reserve centers, a Marine Corps reserve centers, a Marine reserve-training center, and a hanger modification.

Fourteen Navy and two Marine Corps[3] projects have construction schedules exceeding 1 year and cost more than $50 million, thus meeting the DOD criteria for incremental funding in the fiscal year 2006 budget. Seven Navy and one Marine Corps projects received full authorization in fiscal year 2004 or fiscal year 2005 and are being continued or completed in fiscal year 2006. The budget request new authorization to start seven Navy and two Marine Corps incrementally funded projects in fiscal year 2006.

Outlying Landing Field, Washington County, North Carolina

The new F/A–18E/F Super Hornet is replacing F–14 and older F/A–18C aircraft. A Navy Environmental Impact Statement (EIS) examined alternatives for homebasing these new aircraft on the East Coast, opting to base eight tactical squadrons and a fleet replacement squadron at Naval Air Station Oceana, VA, and two tactical squadrons at Marine Corps Air Station, Cherry Point, NC.

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

A Federal District Court ruled last month that Navy did not fulfill its obligations under the National Environmental Policy Act (NEPA) before making the decision to construct the OLF, and has enjoined the Navy from taking further actions to plan, develop, or construct the OLF until it completes additional NEPA analysis. The

[3] The budget also incrementally funds a $14 million Marine Corps project.

Navy continues to believe that the EIS that it prepared was based on sound science and rigorous analysis, and met all requirements of NEPA. Nonetheless, the Navy is carefully examining the court's ruling and examining available alternatives. The fiscal year 2006 budget includes $23 million in available prior year funds to complete land acquisition in the OLF core area and commence horizontal construction. We continue to believe that these funds will be required for these purposes and will be executable in fiscal year 2006.

VXX

We are pleased to report significant progress on VXX, the next generation helicopter transportation for the President, Vice President and heads of State. Marine Helicopter Squadron One (HMX–1), located at the Marine Corps Air Facility, Quantico, VA, performs these helicopter transportation mission using the VH–3D introduced in 1974 and the VH–60N fielded in 1989. These aircraft are approaching the end of their service lives, and do not have the growth margin to incorporate the improved capabilities required to meet evolving mission needs in the post 9/11 environment.

The Navy awarded a System Development and Demonstration acquisition contract to Lockheed Martin in January 2005 to build and deliver eight VXX aircraft for test and evaluation and pilot production. The new aircraft will provide increased performance; improved mission, communication, navigation, and maintainability; and expanded potential for future growth. Developmental flight-testing will begin mid fiscal year 2005, with delivery of the first test article by April 2007. Initial operating capacity is set for the fourth quarter fiscal year 2009.

The Navy also awarded a construction contract in January 2005 to build an eight-bay test and evaluation hanger with laboratory, maintenance, and office space for a combined Lockheed Martin—Navy program management team at Naval Air Station Patuxent River, MD. The Navy commissioned an independent study to consider alternate methods of providing in-service support for the aircraft. The study concluded that a government owned contractor operated facility at Patuxent River provided significant life cycle cost savings to the Navy. The $96 million, incrementally funded design/build facility will also include an in-service support capacity for the aircraft once operational. The current working estimate for construction is $10 million below the authorization request in the fiscal year 2005 budget.

FACILITIES

Facilities Sustainment, Restoration and Modernization (SRM)

Sustainment.—The DOD uses models to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of buildings and geographic areas and are updated annually. Sustainment funds in the Operation and Maintenance accounts maintain shore facilities and infrastructure in good working order and avoid premature degradation. The Navy and Marine Corps achieve 95 percent funding of the sustainment model requirements in fiscal year 2005 and fiscal year 2006, consistent with the DOD goal. The DoN funding increases by 1.4 percent from fiscal year 2005 to fiscal year 2006.

Recapitalization.—Restoration and modernization provides for the major recapitalization of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and Military Personnel Navy funds. The "recap" metric is calculated by dividing the plant replacement value by the annual investment of funds and it is expressed as numbers of years. The DOD goal is to attain an annual 67-year rate by fiscal year 2008. Neither the Navy nor the Marine Corps attains the 67-year goal in the current FYDP due to affordability.

SRM

	Fiscal Year		
	2004	2005	2006
Navy			
Sustainment (percent)	75	95	95
Recap rate (years)	103	104	98
Marine Corps			
Sustainment (percent)	96	95	95
Recap rate (years)	109	82	103

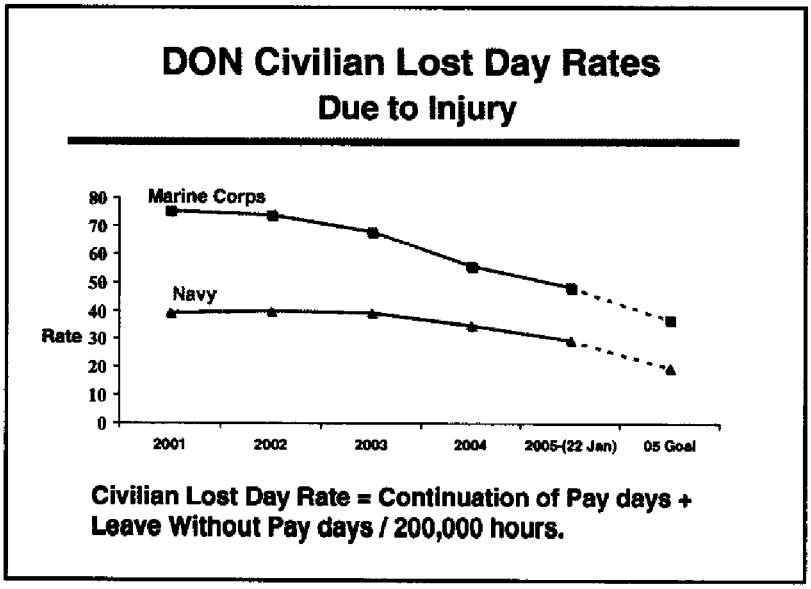
The fiscal year 2006 recapitalization rate has improved substantially from that reported last year as a result of a recent DOD policy change that allows the military departments to take credit for centrally managed Service demolition programs. The Navy has $51 million and the Marine Corps $5 million for their fiscal year 2006 central demolition programs, which combined is expected to demolish over 2.5 million square feet of outdated facilities. The new policy allows us to consider the construction of new facilities as part of the recap metric calculation as long as an equivalent square footage of old facilities are demolished anywhere else. We believe that this corporate view is a more accurate reflection of the age of our while inventory and the need for recapitalization.

EFFICIENCIES

Naval Safety

We remain committed to achieving Secretary Rumsfeld's 2-year challenge to reduce fiscal year 2002 baseline mishap rates and accidents by 50 percent by the end of fiscal year 2005. At the end of calendar year 2004, 15 months into the 2-year challenge, the Department was on track to meet the SECDEF goal in over 70 percent of the targeted areas.

The Secretary of the Navy has embraced improving safety as one of his top objectives for this fiscal year. Last year Secretary England convened the first semi-annual Navy and Marine Corps Safety Council, comprised of Senior Flag and General Officers, to review ongoing mishap reduction efforts. The DoN is pursuing Occupational Safety and Health Administration OSHA (OSHA) Voluntary Protection Program (VPP) status at our shipyards and other industrial activities; over the last 16 months, we have achieved an average 31 percent reduction in civilian lost workdays due to injuries at our three installations with the highest injury rates. Increased command emphasis for safety in Operation Iraqi Freedom has played a major role in reducing the percentage of Marine Corps non-combat fatalities to combat fatalities from 42 percent in fiscal year 2003 to less than 9 percent in fiscal year 2004.



Our fiscal year 2006 budget includes $4.5 million to continue development of the Military Flight Operations Quality Assurance program. We want to adapt a successful commercial aviation program to analyze performance data (i.e., "black box" data) after every flight and allow aircrew and aircraft maintenance personnel to replay a high fidelity animation of the flight and associated aircraft performance parameters. That will allow them to recognize and avoid situations where flight safety tolerances are exceeded. In addition to the safety benefit, we expect significant future savings in reduced maintenance costs.

Commander, Navy Installations

Commander, Navy Installations Command (CNI) had a productive first year in its effort to transform the Navy shore establishment into centralized shore services and support structure. The Navy is now aligned to permit mission commanders to focus on their core mission to deliver combat power, while CNI focuses on shore infrastructure support.

A key CNI accomplishment was to implement a Capabilities Based Budgeting (CBB) process. This annual, zero-based analysis links the delivery of specific shore functions to their resources, and allows managers to predict how varying resource inputs alter the performance capability of that shore function. Identifying the risks in delivering service at varying output levels allows Navy leadership to select the desired level of output and associated resourcing based on an evaluation of these risks. This process allows us to better align shore support services with mission customers' requirements. CNI is now expanding this effort to derive common base support models with the other military services.

Port Operations Capability Levels

	Capability Level 2		Capability Level 4
Spill Response w/in 15 minutes	**Spill Response** w/in 30 minutes	**Spill Response** w/in 1 hour	**Spill Response** > 1 hour
Berthing & Hotel Services Full Service 24/7	**Berthing & Hotel Services** Full Service during Normal Work Hours w/ budgeted O/T	**Berthing & Hotel Services** Full Service during Normal Work Hours Only	**Berthing & Hotel Services** Full Service during Limited Work Hours
Ship Moves Full Tug Service, 24/7 Surge Capable	**Ship Moves** Full Tug Service, Surge Capable w/in budgeted O/T	**Ship Moves** Full Tug Service w/in Established Working Hours	**Ship Moves** Full Tug Service Limited Working Hours

Strategic Sourcing

The DoN continues to seek efficiencies in its business processes. We want to focus on finding the most cost efficient means to support our war fighters. There are a number of approaches to achieve this goal, e.g., eliminating an unnecessary function or one with marginal benefit; re-aligning a function to improve efficiency; or competing a function to see if it can be provided more effectively or at a lower cost by private industry. We have committed to review over 30,000[4] positions for competition using the OMB Circular A–76 process by fiscal year 2008, although execution plans have temporarily slowed that pace as we adopt new OMB and Congressional direction on competition policies. We are focusing competitions on those functions that are not critical or core to our military operations, are readily available and can potentially be performed more effectively by the private sector.

We recognize the difficulty these competitions have on employee morale. However, the gains in clearly defining the Government's requirement with resulting savings warrant the continued use of competition to determine the most cost-effective service provider. Competition between the in-house and contractor work force benefits the DoN and taxpayer in the long run. OMB Circular A–76 competitions generate on average 36 percent cost avoidance. Our workforce is among the best in the world

[4] Represents about 5 percent of the DoN's military and civilian workforce.

and has responded to the challenge by winning over 80 percent of the A–76 competitions.

Utility Privatization

We are proceeding with efforts to privatize when economical our electricity, water, wastewater, and natural gas utility systems. Ten USC § 2688 provides the legislative authority to convey utility systems where economical. Privatization allows installations to focus on core missions, relieving them of activities that can be done more efficiently and effectively by others. Privatization can help us reap private sector efficiency while upgrading aged systems to industry standards without compromising safe and reliable services.

As of February 1, 2005, DoN has privatized 15 of its 645 utility systems while exempting 73 utility systems. Approximately half of the Source Selections Authority (SSA) decisions have been achieved during the past year, with the rest expected by September 30, 2005. When the current round of utilities privatization concludes in September 2005, DoN intends to pursue other alternatives to enlist industry capability. In the end, we need safe reliable utility systems that are operated in the most economical manner, and that rely on private industry wherever practicable.

PRIOR BRAC CLEANUP AND PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The DoN has achieved a steady State savings of approximately $2.7 billion per year since fiscal year 2002. All that remains is to complete the environmental cleanup and property disposal on portions of 17 of the original 91 bases. We have had significant successes on all fronts.

Last year DoN relinquished over 71,000 acres at the former Naval Air Facility Adak, Alaska, to the Department of the Interior, which enabled Interior to exchange portions of the property with The Aleut Corporation for other lands. Additionally, the Navy achieved a significant milestone at the former Hunters Point Naval Shipyard in San Francisco by conveying the first parcel of 75 acres to the San Francisco Redevelopment Agency. Of the original 161,000 acres planned for disposal from all four prior BRAC rounds, we expect to have less than 5 percent (about 8,000 acres) left to dispose by the end of this fiscal year.

Property Sales

We have been very successful using property sales to assist in environmental cleanup and property disposal as well as recover value for taxpayers. We have used various methods to conduct these sales, including General Services Administration (GSA) on-site auctions, GSA Internet auctions, and Internet auctions using commercial real estate brokers. We used the GSA Internet web site in 2003 to sell 235 acres at the former Marine Corps Air Station Tustin, CA, for a net $204 million. We also sold 22 acres at the former Naval Air Facility Key West, FL, in January 2004 for a net $15 million. The City of Long Beach, CA, opted to pre-pay its remaining balance plus interest of $11.3 million from a promissory note for the 1997 economic development conveyance of the former Naval Hospital Long Beach. We applied these funds to accelerate cleanup at the remaining prior BRAC locations.

Last month the DoN completed its largest public sale via Internet auction consisting of four large parcels that total 3,720 acres at the former Marine Corps Air Station, El Toro in Irvine, CA, with bids totaling $649.5 million. The Internet auction public sale of 62 acres at the former San Pedro housing site in Los Angeles, CA, is still in process with a top bid of $87 million as this statement was being prepared for printing. We expect to close these sales later this year. We will also soon close escrow on the public sale of approximately 20 acres in Orlando, FL, which is noteworthy as the first deed conveyance of property prior to completion of all environmental cleanup using the public sale process.

Public sales of smaller parcels were completed in Charleston, SC, and Novato, CA, and we expect to proceed soon with the sale of property at the former Oak Knoll Naval Hospital upon resolution of legal issues stemming from a lawsuit by the local redevelopment authority.

Land Sales Revenue Caution

A word of caution is necessary regarding land sales revenue. Although the auction for El Toro has ended and the auction for San Pedro should end soon, it will be several months before these sales close escrow, and several additional months until the DoN receives the sale proceeds in the DoN prior BRAC account. Until then, litigation or default by the winning bidder can delay or cancel the sale, as happened with the sale of the former Oak Knoll Naval Hospital in 2003. The El Toro sale, planned to occur last year, was delayed for 1 year due to litigation and the need to resolve

redevelopment issues with the City of Irvine. That required us to conserve cash for fiscal year 2005 execution.

Because of our experience with the risks associated with predicting future receipt of land sales revenue, our fiscal year 2006 budget includes an appropriation request of $143 million to cover minimum required environmental cleanup actions under enforceable schedules and ongoing program costs for properties not yet disposed. Notwithstanding these risks, we are optimistic that the El Toro and San Pedro sales will close and the funds will become available.

Prior BRAC Environmental Cleanup

The DON has spent over $2.5 billion on environmental cleanup at prior BRAC locations through fiscal year 2004. We estimate the remaining cost to complete cleanup at about $559 million for fiscal year 2007 and beyond, most of which is concentrated at fewer than twenty remaining locations and includes long-term maintenance and monitoring obligations for remedies already installed and operating at many locations. As we have done previously, the DoN will use any additional land sale revenue beyond that projected in our fiscal year 2006 budget to further accelerate cleanup at these remaining prior BRAC locations, which are primarily former industrial facilities that tend to have the most persistent environmental cleanup challenges.

Closure of Naval Station Roosevelt Roads, Puerto Rico

In addition to completing property disposals from the four prior BRAC rounds, the Navy closed Naval Station Roosevelt Roads on March 31, 2004, as directed by section 8132 of the fiscal year 2004 Defense Appropriations Act. All military mission activities have been relocated. The DOD schools remained open through the completion of the 2003–2004 school year, as encouraged by the conference report accompanying the Act. Naval Activity Puerto Rico has been established to protect and maintain the property and preserve its value until disposal.

As directed in the Act, the closure and disposal is being carried out in accordance with the procedures contained in the Defense Base Closure and Realignment Act (BRAC) of 1990, as amended. Pursuant to these procedures, the Navy has approved property transfers to the Department of the Army for use by reserve components, and the Department of Homeland Security. The Commonwealth of Puerto Rico formed a Local Redevelopment Authority (LRA). Using grant funding from the DOD Office of Economic Adjustment, the LRA prepared a redevelopment plan for the property that envisions a mix of commercial, residential, and public uses, as well as conservation of large areas of mangrove forest and wetlands. As required by BRAC procedures, we are analyzing the potential environmental impacts of property disposal in accordance with that redevelopment plan. We expect that property disposal process will begin in 2006 and that substantial portions of the property will be disposed through competitive public sale. We do not expect this process to be completed until fiscal year 2007, and have requested $27 million in fiscal year 2006 to cover caretaker costs and maintain the property in preparation for sale. The Government Accountability Office (GAO) recently reviewed Navy plans and progress in disposing of the former Naval Station Roosevelt Roads. GAO found that Navy was following prescribed procedures and completed their review with no recommendations.

BRAC 2005

BRAC 2005 Decision Process

A successful BRAC 2005 is most important to the DoN, the DOD, and the Nation. It may be our last opportunity in the foreseeable future to reduce excess infrastructure, move scarce dollars to areas that result in increasingly improved readiness, and transform our infrastructure consistent with our defense strategy.

BRAC 2005 provides a fair process that will result in the timely closure and realignment of military installations in the United States. All military installations inside the United States must be considered equally without regard to whether the installation has been previously considered or proposed for closure or realignment. All closure and realignment recommendations must be based on certified data, the 20-year force structure plan, and the published selection criteria that make military value the primary consideration.

Key BRAC 2005 Decision Points

- 12 Feb 04: DoD published selection criteria
- 23 Mar 04: DoD issued 20-yr force structure plan; world-wide infrastructure inventory; certified need for BRAC 2005
- 15 Mar 05: President must have nominated Commissioners
- 16 May 05: SECDEF recommendations due to Commission and Congress
- 8 Sep 05: Commission report due to Congress
- 7 Nov 05: Last day President can send recommendations to Congress
- Recommendations final unless Congress disapproves in 45 legislative days

For BRAC 2005, the Secretary of Defense directed that the analysis be divided into two categories of functions. Joint Cross Service Groups (JCSGs) are analyzing common business-oriented support functions while the Military Departments are focusing on analysis of service unique functions. The following seven JCSGs were established: Education and Training; Headquarters and Support; Industrial; Medical; Supply and Storage, Technical; and Intelligence. The JCSGs and the Military Departments will make their BRAC recommendations to the Infrastructure Executive Council (IEC), the DOD policy making and oversight body for the entire BRAC 2005 process. JCSGs were also utilized in BRAC 1995 but in a substantially different manner. In BRAC 1995, JCSG analysis and recommendations were provided to the Military Departments for consideration in developing their BRAC recommendations. The creation of the IEC ensures that DOD senior leadership is directly engaged in making these important decisions. Analysis and evaluation by all of the BRAC groups are on-going, with a goal of supporting the Secretary of Defense's delivery of a comprehensive set of base closure and realignment recommendations by May 16th.

IEC Membership

- Deputy Secretary of Defense
- Secretaries of the Military Departments
- Service Chiefs of Staff
- Chairman, Joint Chief of Staff
- Under Secretary of Defense for Acquisition, Technology and Logistics

Despite what some may have read in the newspapers, seen on the Internet, or heard through the rumor mill, the DOD does not have a list of closures or realignments at this time. The number and location of such closures or realignments will only be determined after a comprehensive and rigorous analytical process that is now underway in the Military Departments and Joint Cross Service Groups.

BRAC 2005 Implementation Funding

DOD has programmed funds through the Future Years Defense Plan for implementing BRAC 2005 decisions. Discussions are underway as to how these funds may be allocated to the Military Departments for implementing BRAC 2005 decisions. Expectations are that BRAC 2005 implementation costs will be financed by a mix of (1) allocation of the DOD funds, realignment of funds from military construction projects and SRM funds no longer needed at closing locations, transfers from environmental restoration accounts, and if necessary, additional military service funds to implement BRAC 2005 decisions.

Preparing to Implement BRAC 2005

The DoN is building upon its experience in completing cleanup and disposal of property from prior BRAC rounds to prepare to implement BRAC 2005 decisions. Recently, the Secretary of the Navy approved formation of a BRAC Program Management Office (PMO) that reports to the Assistant Secretary of the Navy for Installations and Environment. BRAC PMO has assumed responsibility for completing cleanup and disposal of the remaining property from prior BRAC rounds, and it will become responsible for cleanup and disposal of property at installations closed or realigned in BRAC 2005.

The DoN has examined lessons learned from cleanup and disposal of property at prior BRAC bases, especially recent successes using competitive public sales. Much has changed since the last BRAC round in 1995. Environmental contamination at remaining bases has largely been characterized, and cleanup has been completed or is now well underway. A close examination of existing statutory authority and Federal regulations for property disposal showed there were ample opportunities to improve the disposal process without the need for new legislation. Private sector capabilities have emerged and matured for "brownfield" redevelopment and insurance industry products to address environmental liabilities when there is a CERCLA early transfer of contaminated property. The DoN expects to take increased advantage of these private sector capabilities.

We will continue to use all of the property disposal authorities in the right circumstances, as we have in the case of the disposal of Naval Station Roosevelt

Roads. Like Roosevelt Roads, however, we believe there will be more opportunities to quickly dispose, in cooperation with the local community, BRAC 2005 property requiring environmental cleanup in its existing condition. The Navy will dispose of property using public sale and will include the cleanup of that property with it, as is done in "brownfield" disposals nationwide. This will allow developers with the experience and expertise to complete the cleanup as they redevelop the property. That benefits communities by getting the property onto local tax rolls and redeveloped more quickly, with the local community controlling that development through traditional land use planning and zoning. It benefits DOD and the Federal taxpayer by divesting unneeded property sooner and reducing the environmental cleanup time and expense incurred by DOD. The DON goal for implementing BRAC 2005 is that the last Sailor or Marine leaving the closed base hand the deed to the property to the new owner. We are convinced that this goal is achievable is we start preparations for property disposal as soon as closure decisions are final.

CONCLUSION

In conclusion, we believe we have put forward a very strong fiscal 2006 budget request for our facilities and environmental efforts, while still recognizing the compelling needs of the Global War On Terror. We have funded *x* percent of Navy and *y* percent of Marine Corps expected base operating costs, funded 95 percent of predicted sustainment requirements, while the Navy makes progress on its facility recap metric.

We are funding environmental programs to maintain compliance with all environmental standards while accelerating cleanup of past contamination and investing in research and development efforts to solve emerging environmental concerns.

We are proceeding with the analysis and scenario development that will lead to the Secretary of Defense announcement of BRAC 2005 recommendations. We have carefully reviewed our implementation practices from the previous four BRAC rounds and are establishing, in cooperation with DOD, the necessary organizational structures and business policies and practices to accelerate closure, environmental cleanup, and property disposal.

FAMILY HOUSING

Senator HUTCHISON. Thank you very much. I want to start the questioning with family housing projects that we have funded over the past few years, some of which have been canceled without notification in order to use the funds for privatization purposes. Now, we all support privatization, but I wanted to ask if there are any construction projects in the request that you are making that you anticipate might be diverted to privatized housing, and if you do decide to pursue any different programs after we do appropriate for construction, will you inform the committee of your decision to cancel a project?

Mr. PENN. Madam Chairman, we had that discussion just this morning with some of your staffers, and we have agreed we are going to work very closely with the members of your staff on this issue.

Admiral, would you like to——

Admiral SHEAR. Ma'am, I would just say that family housing improvement and construction projects we have in the 2006 proposal are in Guam and Japan. So I think the concern that they might be diverted is probably not going to be due to privatization, since we do not have plans to privatize in those areas.

But as the Secretary said, we also recognize we have a duty to keep the committee informed about how we are handling the money that goes to privatization, and we have some work to do in that regard. So we recognize there is an issue there.

JOINT RESERVE CENTER

Senator HUTCHISON. Secretary Penn, the Naval Reserve is a participant in the real property exchange that will result in moving a unit to Ellington Field in Houston, Texas, from another location closer to the city itself. I am very supportive of this process and the potential for joint opportunities that exist at Ellington between the services and also components of a homeland security unit of the Coast Guard. I wanted to ask if the Navy is satisfied with the progress on this move to Ellington and are you looking for other joint opportunities, particularly with the Coast Guard, that might be beneficial for both the Navy and Homeland Security.

Mr. PENN. Madam Chairman, yes, ma'am, we are. The Department is very pleased to cooperate with the proposal to relocate the existing Reserve center, which will include Army, Navy, and Marine Corps. We are looking for opportunities to work with the Coast Guard. They are at several locations with us at this time, and we are looking for ways to enhance this opportunity.

Senator HUTCHISON. I appreciate that very much because I think that with the Air Guard unit that is there, it really does provide an opportunity for a truly joint use, and I hope that everyone is going to be working together toward that goal.

The issue of the sale of the land that you addressed we think is a very good way to go, and I think you have addressed the questions there about using the money for the environmental cleanup. Assuming that that final sale goes forward, that would be what we would expect, that the money would go toward environmental cleanup of both that and the previous BRAC requirements.

Thank you very much, Mr. Penn. Now I will turn to my colleague, Senator Feinstein.

Senator FEINSTEIN. Thank you very much, Madam Chairman.

Mr. Secretary, welcome.

Mr. PENN. Thank you.

EL TORO LAND AUCTION

Senator FEINSTEIN. I want to ask about the El Toro land auction. It was recently closed. The final bid was $649.5 million. Now, this is just half of the $1.2 billion that was forecast earlier in the process. My question really is why did the bids fall so short of the projections, and what does that portend, if anything, for other Navy BRAC land sales?

Admiral SHEAR. Ma'am, the only comment is that my understanding is that the auction price of the land was in line with our assessments of earlier. We hired an independent agency to assess the value of the property. Some of the auction price had to be sent to fees for the local municipality. So the actual cost of the developer is higher than $649 million. My information is that it is in line with what we were estimating.

Senator FEINSTEIN. It is my understanding it is not, that you said that it could bring as much as $1.2 billion. That was the forecast. Now, it may be in line with the assessments, but it also may well be that you made judgments that simply were not correct. To come 50 percent in a booming land market is, Admiral, kind of a sobering judgment.

Mr. PENN. Senator, if I may, we found in order to develop the property, the City of Irvine will require the purchaser to enter into development agreements that require the purchaser to spend an additional $400 million in developer fees and dedicate a substantial percentage of the property for public purposes. So an additional $400 million will come off that $1 billion figure.

Senator FEINSTEIN. All I am saying is that you estimated—not you but the Department estimated—that this would bring in double what it does bring in. And now you are saying it is going to bring even less because you are going to have to pay a number of fees. So the entire $649.5 million is not available to the Navy. Is that correct? It is correct.

Admiral SHEAR. My understanding is that the price was more on the order of $1 billion, of which $649 will be available to the Navy. We are not familiar with—or I am not—we will have to report back to you on——

Senator FEINSTEIN. Could you take a look at that?

Admiral SHEAR. Yes, ma'am.

Mr. PENN. Yes, ma'am.

Senator FEINSTEIN. Could you let our staff know?

Admiral SHEAR. Yes, ma'am, we will do that.

Senator FEINSTEIN. I would very much appreciate that.

MARINE CORPS FORCE RESTRUCTURING

I would like to ask a question about the $75 million for Marine Corps force restructuring. The House in its draft report on the supplemental roundly criticizes the Pentagon for including this funding in a supplemental instead of in the regular budget process. However, the House proposes funding all but two of the projects requested in the supplemental to support this initiative. The two projects that were not funded were proposed for Camp Pendleton, California. The reasons cited in the committee report is that the final basing decision for the second new infantry battalion to be created by the force restructuring is still uncertain.

General WILLIAMS. I might ask you this question. And welcome. Although the Marine Corps force restructuring plan was approved in 2004, this is the first time this committee has heard of any military construction requirements associated with it. So why was this sprung in a supplemental instead of being presented in the regular budget process?

General WILLIAMS. First of all, Madam Chairman, Senator Feinstein, on behalf of the marines and sailors and all of their families, I really would like to just thank you for all that you have done in supporting them in their current effort. As you know, at the Marine Corps we are committed to ensuring that we have a well-trained, well-cared-for, and a ready force to go out and fight our Nation's wars. And the Marine Corps is committed to ensure that we have the installations, that we appropriately invest in our installations that would ensure that they are capable of accomplishing such tasks.

On the questions of the MILCON projects in the 2005 supplemental, when the Commandant of the Marine Corps directed a study of his force structure to ensure he had the capability that he needed in order to continue to support the global war on terrorism,

he in fact directed this force restructuring study group. When the group completed its work and the recommendations of the group were approved, it was after the opportunity to include those support requirements in the baseline budget.

In addition, at the direction of the——

Senator FEINSTEIN. Did you say that it was going to be in the baseline budget?

General WILLIAMS. No, ma'am. I said it was after the opportunity to include them in the baseline budget passed.

In addition, with the 2005 authorization, we got the strength increased. It authorized an increase to 178,000, allowing then the opportunity to begin to bring forces on line during the summer of 2005. Of course, now, what we were faced with is having units come on line without facilities and things to support them. The facilities and this entire restructuring was in support of the Global War on Terrorism.

Senator FEINSTEIN. I got that. I got your answer.

General WILLIAMS. So at the direction of the administration and in accordance with the precedent that had been set by Congress in the past, the Department requested that those incremental funds, those incremental costs of war funds then would be included in the supplemental appropriation. So we, thus, included those in the submission.

Senator FEINSTEIN. Okay, I understand. Thank you.

What is the status of the site selection for the second infantry battalion, and if it is not at Pendleton, where is it going to go?

SECOND INFANTRY BATTALION

General WILLIAMS. Yes, ma'am. The siting of the second infantry battalion—that decision is being discussed and debated by senior leadership of our Commandant, as well as our Marine Forces Command, Atlantic and Marine Forces Pacific. As I understand it, the decision is, of course, based upon a number of things. Some of it is the installations' ability to accept the additional sites as well as having all the support structure required to support the increased manning of those facilities.

So as far as the actual location, we are looking at Camp Lejeune, North Carolina. I would say that that decision has been made that we would certainly look at them first in order to get that——

Senator FEINSTEIN. It is awful humid in the summer there.

General WILLIAMS. Yes, ma'am.

Senator FEINSTEIN. Thank you very much and thank you for your service to our country.

OUTLYING LANDING FIELD

Let me ask a question about the outlying landing field for Washington County, North Carolina. Mr. Secretary, Congress has provided a total of $57.6 million for land acquisition and construction of facilities for the proposed F–18 outlying landing field for North Carolina.

You referenced in your prepared testimony last month's Federal court ruling which has barred the Navy from continuing to acquire land for this project. Given this most recent legal setback for the Navy on this, as well as the extent of local opposition to the project,

is the Navy reconsidering its decision to locate the OLF in Washington County? Are you looking at any other sites?

Mr. PENN. The Navy continues to believe that the EIS it prepared was based on sound science and rigorous analysis and met the requirements of NEPA. Nonetheless, the Navy is carefully examining the court's ruling and examining available alternatives.

Senator FEINSTEIN. In your testimony, you note that the 2006 budget includes $26 million in available prior year funds for this project. As I mentioned, we have appropriated a total of $57.6 million. Are you saying that the Navy has already obligated $31.6 million for this project, or are you holding some of the previously appropriated funds in reserve for future activities beyond 2006?

Mr. PENN. No, ma'am. Thus far, the Navy has obligated $8.1 million total, leaving $25.5 million unobligated before the district court halted further expenditures. The 2006 budget includes $23 million in prior year savings not related to OLF unobligated balances. We believe that the Navy will be successful in resolving the litigation and that these funds will be needed for execution in fiscal year 2006.

Senator FEINSTEIN. So you have spent $8 million. Is that what you are saying?

Mr. PENN. Yes, ma'am, thus far.

Senator FEINSTEIN. Is that of the $30 million that we appropriated in 2005, or is it of earlier money?

Mr. PENN. Fiscal year 2004 and 2005, $33.6 million in fiscal year 2004, 2005.

Senator FEINSTEIN. I have that we appropriated $30 million in 2005, is that correct, for this project?

Admiral SHEAR. Yes, ma'am.

Senator FEINSTEIN. So that money is still there. Is that correct?

Mr. PENN. Yes, ma'am. That is correct.

Senator FEINSTEIN. And that money is not obligated. Is that right?

Mr. PENN. To the best of my knowledge, yes, ma'am.

Senator FEINSTEIN. So is there more than $30 million in unobligated funds for this project?

Mr. PENN. No, ma'am, there is not.

Senator FEINSTEIN. Okay, just $30 million. Well, I was just told it is $27.6 million in 2004 that is unobligated. It is appropriated but not used.

Mr. PENN. As I mentioned, ma'am, Congress appropriated a total of $33.6 million fiscal year 2004 and fiscal year 2005 for OLF acquisition and horizontal construction. The Navy has obligated $8.1 million total, leaving $25.5 million unobligated before the district court halted our further expenditures.

Senator FEINSTEIN. See, we have different figures. Our total appropriation already done is $57.6 million, of which the Navy has obligated $31.6 million. And you are telling me that the $30 million which was appropriated in 2005, is still there. It has not been spent. I think we need to get together and go over this and see exactly where that is.

Mr. PENN. Yes, ma'am. I agree. I was told that fiscal year 2005 rescinded $24 million of the fiscal year 2004 funds. So we will get together and coordinate those numbers.

Senator FEINSTEIN. Yes. So that would be appreciated. Thank you all very much. I appreciate it.

Thank you, Madam Chairman.

SUBCOMMITTEE RECESS

Senator HUTCHISON. Thank you. That ends the hearing. We thank you very much. Welcome aboard. After 1 week, you have just passed your first test, your rite of passage, and we very much appreciate the information we have gotten today.

Mr. PENN. Well, thank you very much and thank you for all you are doing for our great country.

Senator HUTCHISON. Thank you.

[Whereupon, at 4:23 p.m., Tuesday, March 8, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2006

TUESDAY, MARCH 15, 2005

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

The subcommittee met at 2:32 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison, Craig, Feinstein, Byrd, and Murray.

DEPARTMENT OF VETERANS AFFAIRS

OFFICE OF THE SECRETARY

STATEMENT OF HON. R. JAMES NICHOLSON, SECRETARY

ACCOMPANIED BY:

JONATHAN B. PERLIN, M.D., Ph.D., MSHA, FACP, ACTING UNDER SECRETARY FOR HEALTH, VETERANS HEALTH ADMINISTRATION
HON. VICE ADMIRAL DANIEL L. COOPER (USN RET.), UNDER SECRETARY FOR BENEFITS, VETERANS BENEFITS ADMINISTRATION
RICHARD A. WANNEMACHER, ACTING UNDER SECRETARY FOR MEMORIAL AFFAIRS, NATIONAL CEMETERY ADMINISTRATION
HON. TIM McCLAIN, GENERAL COUNSEL
RITA A. REED, DEPUTY ASSISTANT SECRETARY FOR BUDGET

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. Our meeting will come to order. I will say that this is our first hearing for the Veterans Affairs Department for our new subcommittee. I am very pleased to be able to work with the Department of Veterans Affairs. Of course, I have known the Secretary for a long time and have worked with the previous Secretary for this important Department. We are delighted that we now have this jurisdiction.

I want to first tell you that we have votes starting at 3 o'clock, five votes. So I am going to dispense with my opening statement because I want to hear from you, and then I want to have time for questions. I think what we will do is get as far as we can until the vote starts, and then we will see where we are and perhaps have to take a small recess and come back. But I will dispense with my opening statement and put it in the record.

Welcome to you.

Let me call on my distinguished ranking member with whom I work very closely. It is a great relationship. I think it is safe to say we are both very happy to have the Veterans Affairs Department in this subcommittee. With that, Senator Feinstein.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thank you very much, Madam Chairman. I echo your comments. I am delighted to work with you. It has been many years, and I do not think we have had a problem yet. So that is the good news.

Additionally, I would ask that you allow me to join you in welcoming the lady and gentlemen assembled before us. I particularly want to welcome Secretary Nicholson. We look forward to working with you in this appropriation effort.

This is a new chapter for the Military Construction Committee because we will be taking on the Veterans Affairs matters, and I think between the chairman and me, we represent two of the three States with the largest population of veterans in America. So we have a very unique opportunity to work on these challenges and opportunities.

That said, I do want to let you know where I am coming from. I am very disappointed in the President's fiscal year 2006 budget request for the Department of Veterans Affairs. This budget assumes savings of over $1 billion by doubling prescription drug co-payments and imposing a $250 enrollment fee on middle income veterans, many of whom are struggling to make ends meet as it is on incomes as low as $26,000 a year. More than 200,000 veterans would be adversely affected by these proposals. I think they are unrealistic assumptions. Congress has rejected them in the past and I hope we will continue to reject them.

We are a Nation at war. The military has discharged more than 244,000 veterans from Iraq and Afghanistan, and the VA has already treated nearly 49,000 of those returning troops. Yet, this budget turns a blind eye to the increasing demands on the VA health care system caused by the influx of new veterans, as well as the aging population of veterans from earlier wars. Instead of reaching out to veterans, this budget proposes to shut more veterans out of the health care system by charging enrollment fees, by hiking co-pays on prescription drug benefits, and by limiting long-term nursing home care.

This is not how we should be treating America's veterans. I know that money is tight, but the administration should not try to balance the books by forcing veterans to shoulder a greater share of the burden of health care costs.

I know these are tough times, Mr. Secretary, but they must be addressed. My goal as the ranking member of this subcommittee is to do everything in my power to see that we keep the promises we made to our veterans and, in so doing, make the highest and best use of taxpayer dollars.

Now, Madam Chairman, I look forward to working with you on this aspect of the budget. I also very much look forward to our taking over the mantel of the VA/HUD Subcommittee which I think did an excellent job in terms of appropriating for veterans and veterans affairs. Thank you very much.

Senator HUTCHISON. Thank you.
Senator Murray.

STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Madam Chairman, thank you. It is a delight to join you on this committee.

Mr. Secretary, it is an honor to be in front of you again. We have seen each other I believe on three occasions now. I serve on the Veterans Committee, Budget, and Appropriations. I appreciate and understand the difficult task that is before you.

Madam Chair, I know that you are short on time because of the votes, and I will submit my statement for the record.

But let me just say this. I share the concerns of Senator Feinstein. I do not believe that we have budgeted for the care of our soldiers who are returning from war, nor for the ones that are already in long waiting lines. You have heard me before. You know that I am deeply concerned of the thousands of members who are coming home who will be discharged but will not have access to health care, particularly our Guard and Reserve members. We know that you are talking about community outreach clinics, but they are already turning poor patients away in our States. So they cannot take up the burden of this.

Increasing co-pays, enrollment fees, closing our long-term care facilities is the wrong thing to be doing at a time when we have so many men and women who are serving us overseas.

So I will submit my statement for the record, but I feel very strongly about this and will continue in any way I can to help us increase the budget for our veterans because I believe it is a promise that we have not kept and we need to follow up on.

Senator HUTCHISON. Senator Byrd.

STATEMENT OF SENATOR ROBERT C. BYRD

Senator BYRD. Thank you, Madam Chairman, and I thank those Senators who have preceded me. I wish to associate myself with their remarks.

Mr. Secretary, during this time of war, few matters could be more important than the care that our Nation gives to our veterans. West Virginians are extremely proud of our veterans. Those men and women who have chosen to serve our Nation are owed an enormous debt. It is a moral responsibility that the United States carries, as President Lincoln said, "to care for him who shall have borne the battle and for his widow and his orphan."

But the funding priorities outlined by President Bush in his budget undermine our country's commitment to America's veterans. The President proposes to double the co-payment for prescription drugs, impose a new $250 annual user fee for certain veterans, and continue a policy of turning away hundreds of thousands of veterans from VA hospitals because they are classified as low priority. According to the Congressional Research Service, continuing this policy on low-priority veterans will deny a staggering 522,000 veterans care from VA hospitals by the end of this year.

The American people must be told how many veterans will suffer under the President's budget proposal. The more than 190,000 veterans in West Virginia receiving health care from VA medical cen-

ters in the Mountain State are threatened by these significant hikes in fees and co-payments. The expected wave of combat veterans from the Iraq and the Afghanistan wars will add to the stress on our VA facilities.

Yet, instead of strengthening the VA medical system, the Bush administration weakens it. The Nation's three largest veterans organizations, the American Legion, the Veterans of Foreign Wars, and the Disabled American Veterans, have called the President's proposals the most tight-fisted, miserly budget for veterans programs. And they are right.

I note that the President's $81.9 billion emergency supplemental does not include a single dime for veterans health care. Tax cuts and corporate giveaways are helping the super-rich to get further ahead, but the President's budget leaves veterans health care far behind. For this Senator, "support the troops" means taking care of veterans after they come home. Our brave fighting men and women deserve much more from the White House than sloganeering and health care on the cheap.

Thank you, Mr. Secretary. Thank you, Madam Chairman.

Senator HUTCHISON. Thank you, Senator Byrd.

Senator Craig, who is the distinguished chairman of the Veterans Affairs Committee and a member of our subcommittee.

STATEMENT OF SENATOR LARRY CRAIG

Senator CRAIG. Well, thank you, Madam Chairman, and again, congratulations on chairing this newly structured committee and the authority within. Also, let me congratulate Senator Feinstein on her new position as ranking on this structure.

To all of you from the Veterans Administration, Mr. Secretary, welcome before this most important committee. I have had the privilege, Madam Chairman, of being in each one of these lady's and gentleman's departments. I will go back better understanding the operations of the Veterans Administration. It is critically important for all of us to understand what it does and the role it plays as we work with this very difficult budget.

Just this past week—I have held hearings now with all the veterans service organizations. The traditional joint hearings between the House and the Senate were obviously well attended and we heard from all of these marvelous organizations of their concern for veterans and the urgency of much of the service provided.

I think it is also noteworthy that over the last 4 years, we have done more to improve veterans services than ever in the history of our country, tremendous commitments of resources, a 9.4 percent average increase on an annualized basis. For that, we can all be proud.

We are now debating a budget that is different than what the President proposed by a substantial amount. We have a budget before us that does not have any of the co-pays in it, does not have any of the new fees in it. In fact, it is a straight plus-up of nearly $1 billion without any reconciliation instructions in it, Madam Chairman. That is a significant improvement that serves the veterans of our country the way we would want them to be served.

Does it serve every veteran who once bore the uniform of a service of this country? It does not. Nor can we be expected as a coun-

try to serve those who are not service-connected, who are the 7's and 8's, who may well have their own health care insurance, but now, because of the phenomenal work that the Veterans Administration has done to improve the quality of health care delivery within the system, we have created a system that is now sought after by all, in large part because if they can gain access through the front door, they gain free health care, even though they may be among the most wealthy in our country, but they have simply borne the uniform.

That is a question that we have to ask ourselves in a fundamentally and fiscally responsible way, and that is the question that is now before us on the floor of the Senate. I do believe, Madam Chairman, we are going to be given a budget by the Budget Committee and instructions to this subcommittee that we can work with, that we can hand them to these administrators who sit before us in a way that does meet most, if not all, of the challenges, that addresses the concerns of Senator Murray, as I have, that we have a lot of new, incoming veterans with extraordinary needs because of the character of warfare today and because of the character of health on the front lines and medicine on the front lines of this war.

So there are a lot of challenges out there that I trust, Madam Chairman, you and the ranking member can work with and work with those of us in the authorizing committees to make happen in defense of America's veterans. That is our charge. It is our responsibility.

Thank you.

Senator HUTCHISON. Thank you, Mr. Chairman.

And now, Mr. Secretary, we would be pleased to hear from you.

STATEMENT OF THE HONORABLE R. JAMES NICHOLSON

Secretary NICHOLSON. Thank you, Madam Chairman and members of the committee. Good afternoon.

Allow me, if you would, to start by introducing those experts that I have here and people who are far more experienced at the Veterans Affairs Department than I at this point. I would like to start on my far left with Tim McClain, who is the General Counsel. My immediate left is Dr. Jonathan Perlin, who is the Acting Under Secretary for Health. My far right is the Acting Under Secretary for Memorial Affairs, Dick Wannemacher. In the middle here on this side is Admiral Dan Cooper, who is the Under Secretary for Benefits, and my immediate right is Ms. Rita Reed, who is the Deputy Assistant Secretary for Budget.

I would ask, Madam Chairman, if I could have my complete, comprehensive written statement be submitted for the record, but that I would be allowed to offer some highlights here of the President's proposal before we take your questions.

Senator HUTCHISON. Without objection.

Secretary NICHOLSON. Madam Chairman, President Bush is requesting a record $70.8 billion for the Department of Veterans Affairs in fiscal year 2006: $37.4 billion for entitlement programs and $33.4 billion for discretionary programs. This total represents a 2.2 percent increase over the fiscal year 2005 enacted level. The discretionary funding level would represent an increase of $880 million,

or 2.7 percent, over the enacted level for 2005. The proposed mandatory spending level represents a $639 million, or 1.7 percent, increase over 2005. This budget represents a total increase of 47 percent with a 44 percent increase in discretionary funding since the beginning of the Bush administration.

The President's 2006 proposal will allow us to meet the health care and benefit needs of all newly separated veterans of the conflicts in Iraq and Afghanistan to maintain the high standards of health care quality, for which VA is now nationally recognized while treating 5.2 million patients. It will allow us to follow through on an historic realignment of our health care infrastructure through the CARES process, to reduce the backlog of disability compensation and pension claims, and to continue the largest expansion of the national cemetery system since the Civil War.

In the area of health care, in recent years the Department's successes in delivering top-notch health care have been stunning. I can brag about this because I had nothing to do with it. But this is really a magnificent organization of dedicated, competent, compassionate people. The VA exceeds the performance of private sector and Medicare providers for key health care quality indicators for which comparable data are available. A recent RAND Corporation study also shows that patients in VA's health care system are significantly more likely to receive recommended care than our private sector patients.

This is all the more impressive when you consider the explosive growth in VA health care usage. In 2006, the VA will treat about 1 million more patients than were treated in 2001. The President's budget will ensure there is no slippage in our high level of performance, even at these elevated patient levels. Ninety-four percent of the primary care appointments are scheduled within 30 days of the patient's desired date, and 93 percent of the specialty care appointments are also scheduled within that time frame.

The President's 2006 budget asks that you enact two important provisions affecting only priority 7 and 8 veterans: an annual enrollment fee of $250 and an increase in pharmacy co-payments from $7 to $15 for a 30-day supply of drugs.

The proposed enrollment fee is similar to the fee paid by career military retirees enrolled in the TRICARE system and some would argue even more justified. As you know, most TRICARE enrollees have served on active duty for at least 20 years and are former enlisted personnel with modest retirement incomes. The proposed enrollment fee would apply to those veterans who may have served as few as 2 years and who have no service-connected disability and who do have reasonable incomes.

In addition, those veterans who are in priority group 8 have incomes above the HUD geographic means test.

I would like to turn to long-term care. This budget provides all long-term care needs for veterans who are 70 percent or more service-connected. It also provides for patients requiring short-term care subsequent to a hospital stay and those needing hospice or respite care and those with special needs such as ventilator dependence or spinal cord injury.

To ensure fairness and consistency, the VA proposes similar eligibility criteria across all institutional, long-term care venues, VA,

contract community, and State nursing homes. The Department would continue to expand access to non-institutional long-term care with an emphasis on community-based and in-home care. In many cases this approach allows veterans to receive these services in the comfort and familiar settings of their homes surrounded by their families.

In order to be more prepared to care for our veterans returning from Iraq and Afghanistan, the VA's 2006 medical care request includes $1.2 billion for the prosthetics program, which is $100 million over the fiscal year 2005 enacted level. This will support the increasing workload associated with the purchase and repair of prosthetics and sensory aids to improve veterans' quality of life.

The budget will also provide $2.2 billion, or $100 million over the 2005 level, to standardize and further improve access to mental health services across the system, including PTSD.

We are also proposing a number of program enhancements to cover out-of-pocket costs for emergency care for eligible veterans in non-VA facilities, to exempt former POW's from co-payments for VA extended care and exempt veterans from co-payments for hospice care delivered in hospitals or at home.

We have projected increased health care management efficiencies of 2 percent in 2006 which will yield about $600 million in savings.

The $750 million requested for CARES in 2006 brings the total 3-year investment to $2.15 billion. At its core CARES means greater access to higher quality care for more veterans closer to where they live. Its impact is already being felt in Chicago where the proceeds from an enhanced use lease of VA's Lakeside Hospital property are being reinvested at VA's Westside facility. This will lead to a new modern bed tower for Chicago's veterans.

Finally, the $786 million proposed in support of VA's medical and prosthetic research program would fund about 2,700 high-priority research projects to expand knowledge in areas critical to veterans health care needs. The combination of VA appropriations and funding from other sources would bring our 2006 research budget to nearly $1.7 billion.

Veterans benefits. The President's request includes $37.4 billion for the entitlement costs associated with all benefits. Our request includes $1.26 billion for the management of the Department's benefits program, which is 6.6 percent over the 2005 level. Veterans Benefits will continue to address an increased volume of compensation claims from separating service members and older veterans who had not previously submitted claims and from current recipients.

The VA has made significant improvements to the claims decision process, but clearly more must still be done. VA takes seriously its obligation that every veterans claim must be treated fairly and equitably, regardless of the locality. We will and must be consistent. To address the issue of consistency, the IG is performing an independent system-wide review.

Also, Veterans Benefits leadership is looking at training, medical exams, and other aspects of the system to ensure we clearly are working toward a consistent, fair, and equitable case-decision process for all veterans.

The President's request would also permit us to continue the Benefits Delivery at discharge program. This program enables active duty service members to file disability compensation claims with VA staff at military bases, complete physical exams, and have their claims evaluated before their military separations or soon thereafter.

Burial benefits. The 2006 budget includes $290 million in discretionary funding for VA's burial program, including operating and maintenance expenses for the National Cemetery Administration, capital programs, the administration of mandatory burial benefits, and the State cemetery grants program. This total is nearly $17 million, or 6.4 percent, over the 2005 level.

It includes $90 million for cemetery construction projects. We are requesting $41 million in major construction funding for land acquisition for six new national cemeteries and $32 million for the State cemetery grants program. These resources would enable us to increase to 82 percent, the percentage of veterans having a veterans cemetery burial option within 75 miles of their homes.

Madam Chairman, I would be remiss if I did not note that last year's VA National Cemetery Administration earned the highest rating ever achieved by a public or private organization in the 2004 American Customer Satisfaction Index, a rating of 95 on a scale of 100.

PREPARED STATEMENT

So in closing, Madam Chairman, despite the many competing demands for Federal funding, the President continues to make veterans benefits and services a top priority of his administration. Our veterans deserve no less.

We are now prepared to take your questions. Thank you.

[The statement follows:]

PREPARED STATEMENT OF R. JAMES NICHOLSON

Madam Chairman and members of the Committee, good afternoon. I am happy to be here and I am deeply honored that the President has given me the opportunity to serve as Secretary of Veterans Affairs. My service in the United States Army was the defining experience of my life and instilled me with a strong sense of duty and esteem for my fellow veterans. I look forward to working with you and the thousands of dedicated employees who are carrying out the compelling mission of the Department of Veterans Affairs (VA) by ensuring the timely delivery of high-quality benefits and services to those veterans in need of same earned through their sacrifice and service in defense of freedom.

In his February 2 State of the Union Address, the President underscored the need for America to restrain spending in order to sustain our economic prosperity. As part of this restraint, it is important that total discretionary and non-security spending be held to levels proposed in the 2006 budget. The budget savings and reforms in the budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009. This budget gives VA what it needs to accomplish our priority mission and we urge the Congress to support it. The 2006 budget includes more than 150 reductions, reforms, and terminations in non-defense discretionary programs. The Department wants to work with the Congress to achieve these savings.

I am pleased to be here today to present the President's 2006 budget proposal for VA. The request totals $70.8 billion—$37.4 billion for entitlement programs and $33.4 billion for discretionary programs. Our budget request for discretionary funds represents an increase of $880 million, or 2.7 percent, over the enacted level for 2005, and a 47 percent increase since the beginning of the Bush Administration.

With the resources requested for VA in the 2006 budget, we aim to build upon many of the Department's achievements that have dramatically improved benefits

and services to veterans and their families since the President came to office. The most noteworthy accomplishments are that VA:

—provides health care to about 1 million more patients
—improved the quality of patient care that sets the national standard of excellence for the health care industry
—dramatically lowered the backlog of rating claims for disability compensation and pension from a high of 432,000 to 321,000 (for all claims the backlog peaked at over 600,000)
—reduced the average length of time to process compensation and pension claims from a high of 230 days to approximately 160 days
—continued the largest expansion of the national cemetery system since the Civil War to honor veterans with a final resting place and lasting memorial that commemorates their service to our country.

With strong support from the President, VA has made excellent progress in sharpening its focus on more effectively meeting the needs of those veterans who count on us the most—veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs. I fully support this strategy and am committed to ensuring that our health care resources continue to be concentrated on care for veterans most in need of the Department's services. As an integral part of this focused strategy, we will make it a top priority to provide ongoing benefits and services to the servicemen and women who served in Operation Enduring Freedom and Operation Iraqi Freedom. VA's goal is to ensure that every seriously injured or ill serviceman or woman returning from combat receives priority treatment and consideration. We will continue to work closely with the Department of Defense (DOD) to develop ways by which to move records more efficiently between the two agencies, share critical medical information electronically, protect the health of troops stationed in areas where environmental hazards pose threats, process benefit claims as one shared system, and in every way possible, ease their transition from active duty to civilian life.

MEDICAL CARE

The President's 2006 request includes total budgetary resources of $30.7 billion (including $750 million for construction and $2.6 billion in collections) for the medical care program, an increase of 2.5 percent over the enacted level for 2005, and more than 47 percent above the 2001 level. The $750 million in construction will be devoted to the Capital Asset Realignment for Enhanced Services (CARES) program, bringing the total Department investment to $2.15 billion over 3 years.

Given the current fiscal environment, it is more important than ever that VA concentrate its resources, policies, and strategies on those veterans identified by Congress as high priority. The President's 2006 budget request includes policies and strategies used successfully during the last few years to focus VA health care resources on veterans with service-connected disabilities, those with lower incomes, and veterans needing our specialized services. In particular, this budget assumes continued suspension of enrollment of new Priority 8 veterans, as this has proven to be the most effective vehicle through which to focus our health care resources on our highest priority patients.

But maintaining the current enrollment policy will not in itself ensure us sufficient resources for the care of those who need us the most. The President's 2006 budget asks that you enact two important legislative proposals—an annual enrollment fee of $250 and an increase in pharmacy co-payments from $7 to $15 for a 30-day supply of drugs, both pertaining to only Priority 7 and 8 veterans. This fee and the increase in co-payments pertain only to veterans who have no compensable service-connected disabilities and do have the means to contribute modestly to the cost of their care. This budget asks these veterans to assume a small share of the cost so that we may adequately care for high-priority veterans.

The proposed enrollment fee is very similar to the fee the law requires retired career service members to pay in order to participate in TRICARE, and is arguably even more justified. As you know, TRICARE enrollees generally must have served on active duty for at least 20 years, and many of them are former enlisted personnel with modest retirement incomes. The proposed enrollment fee would apply to those veterans who may have served as few as 2 years and who have no service-connected disability. In addition, some of these veterans (those in Priority Group 8) have incomes above the HUD geographic means test.

I recognize that Congress has not supported either of these proposals during the past 2 years. However, these two legislative proposals are consistent with the priority health care structure Congress enacted several years ago, and will help us meet the needs of our highest priority veterans. In addition, past utilization of VA's

health care services has demonstrated that veterans with higher incomes (Priority 7 and 8 veterans) rely less on VA for delivering their health care and usually have other health care options, including third party insurance coverage and Medicare. An annual enrollment fee of $250 and an increase in co-payments for pharmacy benefits from $7 to $15 would give higher income, non-disabled Priority 7 and 8 veterans the option of sharing a small portion of the cost of their care or utilizing other health care options. Our high-priority patients typically do not have other health care options, so we must act decisively to protect their interests by making sure that sufficient resources are available to handle their health care needs.

With medical care resources of $30.7 billion, we project that we will treat more than 5.2 million patients. Those in Priorities 1 to 6 will comprise 78 percent of the total number of veteran patients in 2006. This will represent the third consecutive year during which our high-priority veterans will increase as a percentage of all veterans treated. In addition, about 9 of every 10 medical care dollars in 2006 will be devoted to meeting the health care needs of those veterans who count on us the most.

Even with an increasing patient workload among our highest priority veterans, we will continue our steadfast commitment to providing high-quality and accessible health care that sets the national standard of excellence for the health care industry. Our two primary measures of health care quality—clinical practice guidelines index and prevention index—focus on the degree to which VA follows nationally recognized guidelines and standards of care that the medical literature has proven to be directly linked with improved health outcomes for patients and more efficient care. Our performance on the clinical practice guidelines index, which focuses on high-prevalence and high-risk diseases that have a significant impact on veterans' overall health status, is expected to hold steady at the current high performance level of 77 percent. As an indicator aimed at primary prevention and early detection recommendations dealing with immunizations and screenings, the prevention index is projected to remain at its existing high rate of performance of 88 percent. VA continues to exceed the performance of private sector and Medicare providers for all 15 key health care quality indicators for which comparable data are available. These indicators include cancer screening for early detection, and immunization for influenza and pneumonia. In addition, they cover disease management measures such as compliance with accepted clinical guidelines in managing diabetes, heart disease, hypertensive disease, and mental health.

The Department has greatly improved access to our health care services during the last few years by opening additional outpatient clinics, applying information technology strategies to streamline administrative, business, and care delivery processes, and implementing pay policies and human resource management practices to facilitate hiring and retain sufficient health care workers to meet capacity demands across the full continuum of care. These initiatives have helped VA raise the percent of primary care appointments scheduled within 30 days of the patient's desired date to 94 percent and the percent of specialty care appointments scheduled within 30 days of the patient's desired date to 93 percent. By continuing these types of strategies, improving clinical efficiencies, and effectively utilizing the resources requested in our 2006 budget, VA will maintain these high performance levels.

The Department's record of success in health care delivery is substantiated by the results of the 2004 American Customer Satisfaction Index (ACSI). Conducted by the National Quality Research Center at the University of Michigan Business School, the most recent ACSI survey found that customer satisfaction with VA's health care system was markedly above the satisfaction level for Federal Government services as a whole. Results released in December 2004 revealed that inpatients at VA medical centers recorded a satisfaction level of 84 out of a possible 100 points, while outpatients at VA clinics registered a satisfaction score of 83. Both of these are well above the government average of 72.

While VA is excelling compared to its private sector counterparts, we are committed to doing even better in the future. The results of a recent study conducted by the RAND Corporation revealed that patients in VA's health care system were more likely to receive recommended care than private-sector patients. Quality of care was better for VA patients on all measures except acute care, for which care was similar for both patient groups. RAND researchers examined the medical records of nearly 600 VA patients and about 1,000 non-VA patients with similar health problems. They compared the treatment received by both groups to well-established standards for medical care for 26 conditions. They found that 67 percent of VA patients received care that met the latest standards of the health care profession compared with 51 percent of non-VA patients. For preventive care, such as vaccination, cancer screening, and early disease detection and treatment, 64 percent of VA patients received the appropriate care compared to only 44 percent in the pri-

vate sector. The RAND researchers attributed the difference in patient care to technological innovations, such as VA's computerized patient records, and to performance measurement policies holding top managers accountable for standards in preventive care and the treatment of long-term conditions.

As another means by which to ensure sufficient resources are available to address the health care needs of those veterans who count on us the most, VA is proposing to revise the eligibility criteria for long-term care services to focus on the following groups of veterans:

—those injured or disabled while on active duty, including veterans who served in Operation Enduring Freedom and Operation Iraqi Freedom
—those catastrophically disabled
—patients requiring short-term care subsequent to a hospital stay
—those needing hospice or respite care.

These eligibility criteria would be applied to VA-sponsored long-term care services, including VA, community, and State nursing homes. This long-term care strategy will save approximately $496 million that will be redirected toward meeting the health care needs of veterans with service-connected disabilities, those with lower incomes, and veterans with special health care needs.

In 2006 the Department will continue to expand access to non-institutional long-term care services to all enrolled veterans with an emphasis on community-based and in-home care. In many cases this approach allows VA to provide these services to veterans where they live and to care for them in the comfort and familiar setting of their home surrounded by their family. During 2006 VA will increase the number of patients receiving non-institutional long-term care, as measured by the average daily census, to about 35,500. This total is over 50 percent above the number of patients receiving this type of care in 2001. Funding for non-institutional long-term care in 2006 will be about 67 percent higher than the resource level devoted to this type of health care service in 2001.

VA's 2006 medical care request includes $1.2 billion ($100 million over the 2005 enacted level) to support the increasing workload associated with the purchase and repair of prosthetics and sensory aids to improve veterans' quality of life. VA is already providing prosthetics and sensory aids to many military personnel who served in Operation Enduring Freedom and Operation Iraqi Freedom and the Department will continue to provide them as needed.

The President's 2006 budget includes $2.2 billion ($100 million over the 2005 level) to continue our effort to improve access to mental health services across the country. These funds will help ensure VA provides standardized and equitable access throughout the Nation to a full continuum of care for veterans with mental health disorders. The Department will place particular emphasis on providing care to those suffering from post-traumatic stress disorder as a result of their service in Operation Enduring Freedom and Operation Iraqi Freedom.

We have included a management efficiency rate of 2 percent which will yield about $600 million in 2006. We continue to monitor and emphasize the need for performance that results in minimizing unit costs where possible, and eliminating inefficiency in the provision of quality health care. To that end, we have included within this savings target, $150 million that will be achieved through implementation of improved contracting practices with medical schools and other VA affiliates for scarce medical specialties. This is a long-standing issue for which the Department is aggressively implementing management changes to ensure fair pricing for the services provided by our affiliates.

As a result of continual improvements in our medical collections processes and the policy changes presented in this budget request, we expect to collect about $2.6 billion in 2006 that will substantially supplement the resources available from appropriated sources. This figure is $635 million (or 32.5 percent) above the 2005 estimate, with two-thirds of the increase due to the two important legislative proposals (the $250 enrollment fee and the increase in pharmacy co-payments), and is more than 48 percent higher than the 2004 collections total. VA has an expanded revenue improvement strategy that focuses on modeling industry best performance by establishing industry-based performance and operational metrics, developing technological enhancements, and integrating industry-proven business approaches, including the establishment of centralized revenue operation centers. There are two electronic data initiatives underway that will add efficiencies to the billing and collections processes. The electronic and insurance identification and verification project is providing VA medical centers with an automated mechanism to obtain veterans' insurance information from health plans that participate in this electronic data exchange. We are pursuing enhancements which will provide additional insurance information stored by other government agencies. Our second initiative will result in

electronic outpatient pharmacy claims processing to provide real-time claims adjudication.

CAPITAL ASSET REALIGNMENT FOR ENHANCED SERVICES (CARES)

The President's budget request includes $750 million in 2006 to continue the CARES program that renovates and modernizes VA's health care infrastructure and provides greater access to higher quality care for more veterans, closer to where they live. About $50 million of this total relates to the sale of assets and enhanced use proceeds of the Lakeside hospital in Chicago. The budget request provides a 3-year (2004–2006) investment total of $2.15 billion committed to this historic transformation of our health care system. These resources will be used to address our prioritized list of major capital investments. The proposed projects for 2006 will advance the CARES program by providing construction funding for five projects for which design work has already started, as well as two additional projects to be initiated in 2006. All of these capital projects support the recommendations included in the CARES Decision report. About half of the CARES funding requested for 2006 will be devoted to three major construction projects:

—Las Vegas, Nevada, New Medical Facility—$199 million to complete phase two construction, providing up to 90 inpatient beds, a 120-bed nursing home care unit, ambulatory care center, and administrative and support functions, all of which will expand capacity and increase the scope of health care services available; VA is working with DOD to ensure mutual needs are met

—Cleveland, Ohio, Cleveland-Brecksville Consolidation—$87.3 million to complete phase two construction; this project will consolidate and co-locate all clinical and administrative functions of a two-division medical center at the Wade Park VA Medical Center, leading to annual cost savings of more than $23 million and enhancing the quality of care

—Pittsburgh, Pennsylvania, Consolidation of Campuses—$82.5 million to complete phase two construction; this project will consolidate a three-division health care delivery system into two divisions which will improve patient care by providing a state-of-the-art health care environment and reducing operating expenses.

Our capital investment planning process and methodology involve a Department-wide approach for the use of capital funds and ensure all major investments are based upon sound economic principles and are fully linked to strategic planning, budget, and performance measures and targets. All CARES projects have been reviewed using a consistent set of evaluation criteria that address service delivery enhancements, safeguarding assets, support of special emphasis programs and services, capital portfolio goals, alignment with the President's Management Agenda, and financial priorities.

MEDICAL AND PROSTHETIC RESEARCH

The President's 2006 budget includes $786 million to support VA's medical and prosthetic research program. This resource level will fund nearly 2,700 high-priority research projects to expand knowledge in areas critical to veterans' health care needs, most notably research in the areas of aging, acute and traumatic injury, the effects of military and environmental exposures, mental illness, substance abuse, cancer, and heart disease.

The requested level of funding for the medical and prosthetic research program will position the Department to build upon its long track record of success in conducting research projects that lead to clinically useful interventions that improve veterans' health and quality of life. Examples of some of the recent contributions made by VA research to the advancement of medicine are:

—development of an artificial nerve system that enables a patient with upper-limb paralysis to grasp objects

—creation of a new collaborative model for treating depression in older adults, the application of which potentially saves lives, reduces patients' level of pain, and improves their overall functioning

—the finding that proper intake of cereal fiber and vitamin D are among the best ways to prevent serious colon polyps that may lead to colorectal cancer

—development of an oral drug that halts the deadly action of the smallpox virus.

In addition to VA appropriations, VA researchers compete and receive funds from other Federal and non-Federal sources. Funding from external sources is expected to continue to increase in 2006. Through a combination of VA resources and funds from outside sources, the total research budget in 2006 will be nearly $1.7 billion.

VETERANS' BENEFITS

The Department's 2006 budget request includes $37.4 billion for the entitlement costs mainly associated with all benefits administered by the Veterans Benefits Administration (VBA). This total includes an additional $812 million for disability compensation payments to veterans and their survivors for disabilities or diseases incurred or aggravated while on active duty. Recipients of these compensation benefits are projected to increase to 3 million in 2006 (2.7 million veterans and 0.3 million survivors, or 400,000 more than when the President came to office).

The President's budget request includes $1.26 billion for the management of the following benefits programs—disability compensation; pension; education; vocational rehabilitation and employment; housing; and life insurance. This is $77 million, or 6.6 percent, over the 2005 level. As a result of the enactment of the Consolidated Appropriations Act, 2005 (Public Law 108–447), an additional $125 million will be made available to VBA (through a transfer of funds from medical care) for disability benefits claims processing. Of this total, $75 million will be used during 2005 and the remaining $50 million will be used in 2006. The overwhelming majority of these funds will be used to address the increased volume of compensation claims from both separating service members and older veterans who had not previously submitted claims.

As a Presidential initiative, improving the timeliness and accuracy of claims processing remains the Department's top priority associated with our benefits programs. Last year the timeliness of our compensation and pension claims processing improved by 9 percent (from 182 days in 2003 to 166 days in 2004). While we were successful in reducing the time it takes to process claims for compensation and pension benefits, we were not able to improve timeliness as much as we had projected at the beginning of the year. Entering 2004, VA was well positioned to meet our performance goals pertaining to the timeliness of processing claims. However, a September 2003 decision by the Federal Circuit Court in the case of the *Paralyzed Veterans of America et. al.* v. *the Secretary of Veterans Affairs* required VA to keep veterans' claims open for 1 year before making a decision to deny a claim. As a result, decisions on over 62,000 claims were deferred, many for as much as 90 days. While the President signed correcting legislation in December 2003, the impact of the court decision in the early portion of 2004 was substantial, as the number of pending claims had grown dramatically. VA made significant progress during the last half of the year, but we were not able to fully overcome the negative effects from this court decision on our claims processing timeliness.

We have had to revise our claims processing timeliness goals for the next 2 years due, in part, to the lingering effect of the Federal Circuit Court decision. Also having an impact on the timeliness of processing is the increasing volume of disability claims and the complexity of the claims. In addition, VA will continue to face the retirement of staff members highly experienced in processing claims. While we have established a sound succession plan, the new employees we are hiring will require both extensive training and substantial claims processing experience in order for them to reach the productivity level of those leaving the Department.

During 2005 we expect to reduce the average number of days to process compensation and pension claims to 145 days, an improvement of 12.7 percent from the 2004 performance level. With the resources requested in the 2006 budget, we will be able to maintain this improved timeliness in support of this Presidential initiative. In addition, we will reduce the number of pending claims for compensation and pension benefits to 283,000 by the end of 2006, a reduction of 12 percent from the total at the close of 2004.

We will increase our efforts to ensure the consistency of our disability evaluations from one regional office to another. VA has made significant improvements in both the accuracy and consistency of its benefit entitlement decisions due to increased quality assurance efforts and more focused training of claims adjudicators. However, more must be done to ensure the Department meets its commitment to treating every veteran's claim fairly and equitably regardless of locality. A system-wide review of the rating program for disability compensation is underway. In addition to this independent review, the Veterans' Disability Benefits Commission has been established to carry out a study of the statutory benefits that are provided to compensate and assist veterans and their survivors for disabilities and deaths attributable to military service. This commission is expected to examine and make recommendations concerning the appropriateness of these statutory benefits, the appropriateness of the level of the benefits, and the appropriate standard or standards for determining whether a disability or death of a veteran should be compensated. VA's efforts to improve the consistency of disability evaluations are supported in the 2006 budget by a request for $1.2 million for skills certification testing and $2.6 mil-

lion for continued development of computer-based training tools. These initiatives will complement other ongoing efforts supported by our budget that address the issue of consistency and accuracy. Among these are:

—revision of all of the regulations that govern the compensation and pension programs in plain language to ensure that the rules can be applied consistently and fairly

—in-depth data analysis of benefit decisions to identify potential areas of inconsistency, increasingly possible with our new information technology applications and tools

—centralized processing of appeals remanded by the Board of Veterans' Appeals, and ongoing quality reviews of appealed claims decisions.

An important and successful component of VA's vision for providing a seamless transition for service members separating from active duty is the Benefits Delivery at Discharge (BDD) program. The BDD program enables active duty service members to file disability compensation claims with VA staff at military bases, complete physical exams, and have their claims evaluated before, or closely following, their military separation dates. Transitioning service members benefit greatly from the BDD program, which has been a vital part of the Department's strategy for improving timeliness and accuracy of disability compensation claims processing.

We believe the BDD program provides opportunities to not only benefit transitioning service members through timely and accurate claims processing, but also to bring new processing improvements and efficiencies to the system through consolidation of claims evaluation activities. An initiative is currently underway to consolidate disability compensation rating and authorization actions on all BDD claims to two sites nationwide. VA staff will continue work with transitioning service members at military bases to establish claims and arrange for timely medical exams, thereby retaining these successful aspects of the BDD program.

In support of the education program, the 2006 budget proposes $7.8 million for continued development and implementation of the Education Expert System. The requested funds will be used to first transition education processing to VBA's corporate environment, followed by the development and deployment of a processing system that receives application and enrollment information electronically and processes that information in the new corporate environment without human intervention. While it will be a number of years before this system is fully deployed, it will ultimately lead to substantial improvements in education claims processing timeliness.

In April 2004 the Department's Vocational Rehabilitation and Employment Task Force released its report containing more than 100 recommendations on how to improve service to disabled veterans. The focus of the report was on development and implementation of a new, integrated service delivery system based on an employment-driven process. In response to the task force's recommendations, VA is including $4.4 million in the 2006 resource request to be used for establishing a job resource lab in each regional office. These labs will include all of the necessary equipment, supplies, and resource materials to aid VA staff and veterans in conducting comprehensive analyses of local and national job outlooks, developing job search plans, preparing for interviews, developing resumes, and conducting thorough job searches. These self-service job resource labs will assist veterans in acquiring suitable employment through the use of a comprehensive on-line employment preparation and job-seeking tool.

In order to make the delivery of VA benefits and services more convenient for veterans and more efficient for the Department, we are requesting $4.4 million for the collocation and relocation of some regional offices. This effort may involve collocations using enhanced-use authority, which entails an agreement with a private developer to construct a facility on Department-owned grounds and then leasing all or part of it back to VA. At the end of these long-term lease agreements, the land and all improvements revert to VA ownership.

BURIAL

The President's 2006 budget includes $290 million in discretionary funding for VA's burial program, which includes operating and maintenance expenses for the National Cemetery Administration, capital programs, the administration of mandatory burial benefits, and the State Cemetery Grants program. This total is nearly $17 million, or 6.4 percent, over the 2005 enacted level.

The 2006 request includes $167 million in administrative funding for VA's burial program, an increase of $7.3 million (or 4.6 percent) from the 2005 enacted level. Within this total, $156 million is for the operations and maintenance of VA's national cemeteries and $11 million is for the administrative processing of claims for

burial benefits. The additional funding will be used to meet the growing workload at existing cemeteries, primarily by increasing staffing and contract maintenance. The growth in workload is a direct result of the aging of the veteran population. The annual number of veteran deaths continues to rise and VA projects an increase in interments of about 4 percent a year for the next several years.

Our budget request for the burial program includes $90 million for construction projects. Of this total, $65 million is for major projects and $25 million is for minor projects. Consistent with the provisions of the National Cemetery Expansion Act of 2003, we are requesting $41 million in major construction funding for land acquisition for six new national cemeteries in the areas of Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Sarasota, Florida; and southeastern Pennsylvania. The 2006 request also includes funding to develop an annex for the expansion of Fort Rosecrans National Cemetery in Miramar, California. In addition, this budget provides $32 million for the State Cemetery Grants program.

Our resource investments in the burial program produce positive results in service delivery to veterans and their families. We will expand access by increasing the percent of veterans served by a burial option within 75 miles of their residence to 82.2 percent in 2006, which is 6.9 percentage points above the 2004 figure. While our 2004 performance was extremely high in several key areas, we will continue to improve our performance in 2006. We have established the following performance goals for 2006:

—increase to 96 percent (from 94 percent in 2004) those who rate the quality of service provided by the national cemeteries as excellent
—increase to 99 percent (from 98 percent in 2004) those who rate national cemetery appearance as excellent
—increase to 89 percent (from 87 percent in 2004) the proportion of graves in national cemeteries marked within 60 days of interment.

These performance improvements will further enhance the outstanding reputation of VA's National Cemetery Administration which, in 2004, earned the highest rating ever achieved by a public or private organization in the American Customer Satisfaction Index (ACSI). These results demonstrated that the Department's national cemeteries produced a customer satisfaction rating of 95 out of a possible 100 points. This is two points higher than the last survey conducted in 2001 when VA's national cemeteries also ranked number one among Federal agencies in customer satisfaction.

MANAGEMENT IMPROVEMENTS

VA continues to aggressively pursue a variety of initiatives aimed at ensuring we apply sound business principles to all of the Department's operations. Two of our most successful management improvement efforts during the last year focus on the strategic management of human capital and capital asset management.

As an integral component of our succession planning activities, we released a state-of-the-art "VA Recruitment" CD–ROM in September 2004 promoting the Department as an employer of choice. We distributed this to colleges and universities, military transition centers, veterans organizations, and VA vocational rehabilitation centers, offices, and medical centers. This initiative creates a corporate recruitment marketing approach that will give VA a competitive edge in attracting highly-qualified career applicants. The CD–ROM uses graphics and video streaming to present a wide spectrum of career opportunities and describes VA's goals and services, occupations, and the benefits of working for the Department. We will continue to focus on creative marketing initiatives and outreach to prospective applicants.

VA has also launched a Capital Asset Management System (CAMS) which is an integrated, Department-wide system that enables us to establish, analyze, monitor, and manage our portfolio of diverse capital assets through their entire lifecycle from formulation through disposal. CAMS provides a strategic view of existing, in-process, and proposed asset investments across all VA program offices and capital asset types. All offices now use this shared system to collect and monitor real property and capital asset information. In addition, VA has been approached by numerous agencies, including the Departments of Defense, Homeland Security, Commerce, and Interior to explore the replication of CAMS in their organizations.

VA's progress in this area places it in the forefront of other Federal agencies in terms of its ability to meet the real property performance measures and guidelines that were recently finalized by the newly created Federal Real Property Council.

We are currently in the process of fully evaluating all of the information gathered during the operational tests of the Core Financial and Logistics System (CoreFLS) conducted last year. This year we will complete a comprehensive analysis of the

product and any existing configuration gaps, examine lessons learned from the pilot tests, and reevaluate our business processes. This will provide us with the information needed to refine the system as well as develop improved change management, training, and implementation procedures that are critical to successful deployment. In anticipation of an enhanced financial management system moving forward to full deployment at VA facilities nationwide, the Department's 2006 budget includes $70.1 million for this project.

In support of one of the primary electronic government initiatives for improving internal efficiencies and effectiveness, the Department's 2006 budget provides $8 million to continue the migration of VA's payroll services to the Defense Finance and Accounting Service (DFAS). This initiative will consolidate 26 Federal payroll systems down to 2 Federal payroll provider partnerships. VA is working with DFAS on all required tasks to ensure successful migration.

CLOSING

In summary, Madam Chairman, our 2006 budget request of $70.8 billion will provide the resources necessary for VA to:

—provide timely, high-quality health care to more than 5.2 million patients; 78 percent of all veteran patients will be veterans with service-connected disabilities, those with lower incomes, or veterans with special health care needs

—maintain the 2005 performance level of 145 days, on average, to process compensation and pension claims

—increase access to our burial program by ensuring that more than 82 percent of veterans will be served by a burial option within 75 miles of their residence.

I look forward to working with the members of this committee to continue the Department's tradition of providing timely, high-quality benefits and services to those who have helped defend and preserve freedom around the world.

That concludes my formal remarks. My staff and I will be pleased to answer any questions.

Senator HUTCHISON. Thank you very much, Mr. Secretary.

I would like to have a 5-minute round. Each of us can have one round and then we will definitely have a second and maybe a third.

First of all, Mr. Secretary, I certainly agree with the Veterans Administration's principle that we should focus on care for priority 1 through 6 veterans. I think everyone would agree that that should be our highest priority. Do you agree that we must have full funding for those priority 1 through 6 veterans, whatever else happens?

Secretary NICHOLSON. Yes, Madam Chairman. This budget reflects that. We have a mandate to take care of those veterans who need us the most, and that is those veterans who have been injured as a result of their service or become ill, including mental illness as a result of that service, those that are down and out, the poor, indigent, and those in need of unique, special care, and that is those categories.

Senator HUTCHISON. This is my question. If the policy provisions regarding 7's and 8's with the added enrollment fees and co-payments were not enacted, would there still be full funding in this budget for priorities 1 through 6?

Secretary NICHOLSON. Yes, Madam Chairman, there would. We would still be able to take care of those priorities.

Senator HUTCHISON. Thank you.

THIRD PARTY COLLECTIONS

Along that line, I understand that you have the authority to collect payments from private health insurance for the cost of treating veterans' non-service-connected disabilities. So when we are looking at the priority 7's and 8's, which have become really the growth area for the medical care for veterans, according to the GAO your

present collection rate is only 41 percent and your fiscal year 2006 budget submission sets a target of only 41 percent. I wondered why this collection target seems low and if you are looking at trying to improve that collection rate and perhaps a different way to get more income from the 7's and 8's to make sure that we are doing the best we can with what we have.

Secretary NICHOLSON. Let me respond in part, Madam Chairman, and then I am going to ask Dr. Perlin to comment. It is 6 weeks today that I have been Secretary, so there are just one or two things that I do not know yet.

Senator HUTCHISON. We understand totally and we are not expecting perfection until next year.

Secretary NICHOLSON. It is a very important question. You will note that in this budget proposal it shows collections being up by 15 percent over last year. I will say that I think the VA has shown a commendable transformation in its culture, going from virtually no collections, a no-collection culture habit mandate, to in a very short time, collecting a significant amount of money. But it is still a work in process. It is very important.

I will ask Dr. Perlin if he would comment further.

Senator HUTCHISON. Dr. Perlin.

Dr. PERLIN. Thank you, Madam Chairman. The Secretary is absolutely right in terms of our Veterans Health Administration learning how to collect, and the progress has been substantial. In fact, in 2001, our collections were on the order of $700 million. Today they will approach in the 2006 budget on the order of $2.1 billion. That budget builds in an 11 percent increase, or collections of $211 million additional.

I think the 41 percent is important because we need to keep moving up, but I would note that it is unadjusted for Medicare. As you know, we cannot collect for Medicare, but the figure actually reflects the funds that we are not able to collect. So actually it is artificially deflated. We do benchmark against private sector, and we have been using gross days revenue outstanding, and I am pleased to say that we are closing in on setting aggressive targets. But your point is well taken. We will continue to push the aggressive collections.

[The information follows:]

The Department of Veterans Affairs (VA) is not allowed (by law) to bill and collect from Medicare. The unadjusted billing to collection ratio of 41 percent reflects the large number of over-65, Medicare-eligible population that VA serves which cannot be billed or collected. VA maintains an adjusted billing to collection ratio which accounts for the Medicare-eligible population and this ratio has been in the 75 percent range for fiscal year 2004 and fiscal year 2005 and provides a more realistic measure of performance.

To improve the collections to billings Medicare-adjusted ratio, VA is taking the following actions:

—*Metric Calculation.*—Collections to billings calculation attempts to quantify net billings by projecting net amounts due from third parties and secondary payors. The current calculation utilizes national data and does not fully reflect VISN differences in population compositions (veterans older and younger than 65) and Health Maintenance Organization (HMO) penetration that impacts this performance metric.

—*Action.*—The Veterans Health Administration (VHA) is working to enhance the metric calculation for fiscal year 2006 to incorporate population variations and HMO penetration differences that could impact overall results. Also, full implementation of the e-MRA (Medicare-equivalent remittance advice) system

throughout VHA will improve the specificity of predicting these net realizable amounts.

—*Denial-Management Tracking System.*—The private sector approaches aggressively the identification, tracking, and resolution of third-party denials. VHA is presently establishing several best-practice denial-management initiatives at the Veterans Integrated Service Network (VISN) level.

—*Action.*—VHA is working to compile the best practices from the VISN pilots and roll out a comprehensive national denial-management strategy in the upcoming months.

—*Formalized Managed-Care Contracts.*—The private sector has the ability to project net billings with great specificity due to established contract rates with managed-care payors, which can easily be loaded into their systems to track deviations due to over- and under-payments.

—*Action.*—VHA has established a National Payor Compliance Office (NPCO) to assist VISNs in addressing negotiations strategically with managed-care payors. As this process matures, VHA will be able to track expected reimbursements better, similar to the private sector.

—*Enhanced Development of Revenue-Cycle Productivity Tools.*—The private sector has invested considerable time and effort to ensure that the necessary staff and resources are dedicated to the revenue cycle. VHA actively monitors monthly performance of its facilities though use of a web-based system (POWER) that reports performance using a stop-light color-coded approach. This system is considered a best practice when compared to private-industry standards. The VISNs have also adopted monitoring tools to measure productivity and to ensure that appropriate resources are dedicated to the revenue-cycle collection process.

—*Action.*—VHA is taking a leadership role to extend nationally the best practices identified at the VISN level to improve overall effectiveness in the collection process.

Senator HUTCHISON. I guess that would be my point. Would you continue to look for ways where there is an outside insurer, a private insurer, that we would make as many of those collections as absolutely possible to offset costs?

My time is up, and I would like to give my colleagues a chance to have a first round of questions before this vote starts. Senator Feinstein.

Senator FEINSTEIN. Thanks very much, Madam Chairman. I appreciate that.

GRANTS FOR STATE EXTENDED CARE FACILITIES

Mr. Nicholson, the President's fiscal year 2006 budget request for the VA suspends grants for the State extended care facilities. Could you explain to us why it is necessary to impose a 1-year moratorium on grants for construction of long-term extended care facilities when there is such a need for VA homes throughout this Nation? How would this affect the current priorities list for funding under this program? Do you anticipate altering this list in fiscal year 2007?

California, my State, with three homes and 2.3 million veterans is one of two States classified under great need in regard to home funding. The State plans to request $125 million in fiscal year 2007 under this grant program to fund its largest project to date which is the greater Los Angeles, Ventura County home which includes three separate facilities. How would the 1-year moratorium impact funding for this project?

So there are essentially three questions in one. If you want me to go one by one, I will.

Secretary NICHOLSON. Thank you, Senator. It is an important area. Let me address the suspension of the grants. In this budget,

I think it would reflect a reduction of just over $100 million for this coming fiscal year 2006. I am going to ask Dr. Perlin if he would address the specifics as to California.

Dr. PERLIN. Thank you, Senator. Let me start with the piece of the question you asked about the 2005 commitments. The commitments are proceeding as was planned. I would have to get back to you with the specific information on California.

Senator FEINSTEIN. And how will this affect 2007?

Dr. PERLIN. I think I would be unable to speculate in terms of the future.

Senator FEINSTEIN. All right. So what you are telling me then is you do not know about California. You do not know about the future, and it is a 1-year moratorium essentially.

Could you tell me what the rationale for a 1-year moratorium is when the needs are so great?

[The information follows:]

The fiscal year 2006 VA budget proposes a 1-year moratorium on new grants to States for construction and renovation of extended care facilities. This will permit VA to complete an assessment of its nationwide institutional long-term care infrastructure and ensure that future construction aligns with the areas of greatest projected need. Grants that have already been awarded will not be affected by the 1-year moratorium.

VA has already committed to all planned fiscal year 2005 projects on the current Priority List. The States are currently completing the requirements for fiscal year 2005 grant awards. VA has committed the maximum fiscal year 2005 appropriations and the remaining fiscal year 2004 carryover funds to these projects.

The Priority List is revised annually, as of August 15th. All new and existing pending projects are ranked and included in the annual list. Once approved by the Secretary, the list is used to identify ranked projects and commit funding for projects for that fiscal year award or to finalize conditionally approved projects. For fiscal year 2007, VA would follow the same procedures and commit funds available at that time to the projects in rank order. VA cannot predict at this time how the California project will be ranked in fiscal year 2007 or whether there will be sufficient appropriations to fund it.

Secretary NICHOLSON. Well, I can address the issue in brief, Senator. If you take a look at the VA as a whole, it has gone through a major transformation from being a hospital-centered medical care provider to a clinical-centered provider and more outreach and moving out more to where the veterans are.

The same philosophy is operating in extended care. We are finding that it is very often both more efficient and effective to treat institutional care people or what used to be institutionalized people in a non-institutionalized setting using the new tools that are available of telemedicine, telehealth, social workers, people being allowed to remain in their homes or closer to their homes.

Senator FEINSTEIN. I think I see where you are going, and correct me if I am wrong. Is this then an effort to begin to phase out long-term care for veterans and sort of go to an outpatient treatment process?

Secretary NICHOLSON. Well, I think there are certainly some people that will need long-term care. There are some people who are not candidates for the new capabilities that we have for extended non-institutionalized care. So no, I do not think it is a path toward the end of them, but it is a trend and one that is finding a lot of satisfaction among the people being treated that remain at home. They have a social worker come there and provide them with care and bathing. With the electronics that we have now, we can take

blood pressure, get their blood sugar, and all that on-line daily with a medical mentor talking to them in their home. If they need care, we can then move them.

Senator FEINSTEIN. Let me just, if I might, say a word on behalf of the 2.2 million veterans in my State. California is a very high cost-of-living State. The extended care facilities are very expensive for the most part, particularly if an individual does not have Medicaid or Medicare. I guess what I hope is that this is just not an effort to absolve us of the Federal responsibility to take care of veterans in later years who cannot take care of themselves and push it onto the State because I think the veterans are not then going to be well cared for. So I will leave you with that.

Senator Craig.

Senator CRAIG. Well, thank you very much. I think we are going to run out of time rapidly here, Senator Feinstein, as it relates to a vote that is now underway.

Mr. Secretary, from my initial visit with you and our initial hearing on your budget, we have proposed a variety of changes, somewhat different from what you proposed, which we think will offer a little more flexibility in funding and still meet all of the needs that you have projected are out there and the savings that you have projected are out there.

PER DIEM PAYMENT POLICY TO STATE HOMES

There are many that concern me and I think concern all of us, but the State home program, by most accounts, has been a very successful partnership between the Federal and State governments for the care of aging veterans, and yet VA proposed to modify this past per diem payment policy, a change in policy the VA says would reduce the number of State beds by more than 50 percent. We have, obviously, disagreed on that and are proposing not to do so.

Why does VA want the States to reduce the number of State home beds? I guess that would be the first question. Even if VA does not want to provide institutional care for the non-service-connected, why does it want to discourage States from attempting to meet that need?

Secretary NICHOLSON. Well, one of the things operating here, Senator Craig, is a goal of getting in uniform conformance with the law from the VA's perspective, which is that those people eligible for long-term institutional care are those that are 70 percent disabled or more. The goal, as I have stated to Senator Feinstein, of—you know, realizing the benefits of the care more in the community where the people are.

I am not sure that the VA is desirous of the States getting out of the long-term institutional care.

Senator CRAIG. I guess then the question, does VA believe that it has the legal authority to simply stop paying per diem payments to the States for the care of veterans VA does not define as a priority?

Secretary NICHOLSON. No, I do not think so. I think there would be a legislative piece needed. I could also say that this budget does not contemplate that a veteran that is in a facility who really needs to be there would be moved from that bed.

Senator CRAIG [presiding]. Well, I am going to run out of time, and I need to go vote. So I am going to put the committee at recess until the chairman returns. So with that, the committee will stand in recess.

Thank you all very much for being here today.

Senator HUTCHISON [presiding]. I am going to call the committee back to order. We will try to finish the questions.

TRANSITIONAL PHARMACY BENEFIT PILOT PROGRAM

Let me ask you about the transitional pharmacy benefit pilot program. Last year the Department implemented the transitional pharmacy benefit pilot program to allow veterans on the waiting list to have their privately written prescriptions filled at the VA without seeing a VA physician. I think this makes great sense, and tying up VA doctors just to write a prescription when someone can get one outside probably is not the best use of their time.

I understand the pilot did achieve its goal of improving access to VA prescription drugs, but there were implementation errors reported by the Inspector General. I am concerned that maybe the errors did not give an accurate assessment of whether this type of program should be continued. So I wanted to ask you what is the status of that pilot program and is it something that you are going to implement as a policy?

Secretary NICHOLSON. Madam Chairman, this budget does not contemplate that. There was that pilot program and it encompassed 48,000 people. What was most notable I think about that was that approximately half of those prescriptions that were presented for filling by the VA pharmacies were requesting pharmaceuticals that did not meet the formulary inventory of the VA. So it caused difficulties for people on both sides of that transaction, as well as the need then for VA functionaries who were very dutiful to call the prescriber, if they could find them, to see if they could prescribe a comparable for the patient that was in our formulary holding.

I will ask Dr. Perlin, who was there and has been through that test, if he would like to elaborate.

Dr. PERLIN. Madam Chairman, thank you for your interest in this area. I know it has been positive that the substitution of the ability to fill pharmaceuticals might relieve some of the waiting when, in fact, a patient wants just a prescription.

By way of disclosure, I would need to indicate that we have learned from the transition pharmacy benefit a few facts. As Secretary Nicholson said, almost half of the prescriptions were off of our formulary. Even with negotiation, it was still a much, much higher rate of non-formulary, which meant that we did not achieve some of the efficiencies in terms of cost of the prescription that we would in our normal course of practice. So it is something that I think deserves further consideration, and I would want to consult with the Secretary in terms of his future thoughts on the topic.

Senator HUTCHISON. Well, I understand the point that was being made that perhaps it ends up not being a good tradeoff. You save the doctor's time, but you make it harder for the pharmacies and maybe more expensive. So I would like for you to look at it again just to see if it is worth continuing a pilot or if you determine that

the good does not outweigh the bad. It just seemed like a good concept.

Secretary NICHOLSON. So noted, Madam Chairman. It is something that we have discussed quite a bit actually in the few weeks that I have been there because on its face it does seem to have a lot of appeal, especially some of those prescribers have been Medicare paid doctors so the public is already paying for that service.

MEDICAL PROSTHETIC RESEARCH

Senator HUTCHISON. Let me ask you a question on the research budget. The budget request proposes a $9.3 million cut to the medical and prosthetic research account. But I wanted to ask you if you feel that that is going to be enough.

Further, Secretary Principi had made a commitment of $15 million a year for the Gulf War Syndrome research for a 4-year period for a total of $60 million. That is something that is very important to me because I think our veterans got very short-changed when they came home with these symptoms, that in a previous administration, were sort of swept aside as, well, it was post-traumatic stress syndrome type thing, and it turns out that there is a causal connection between brain damage and exposure to chemicals. We, through the Veterans Administration under Secretary Principi, were on the road to making that a larger study, with the long-term goal of, of course, getting antidotes for that or trying to determine if someone is predisposed because of a brain deficiency—an enzyme deficiency, that is—to not send someone to an area where there might be chemical weapons.

My question is does this cut in the budget give you enough funding for your Department to do all of the things that are a priority and is Gulf War Syndrome research still going to get the full $60 million commitment, in $15 million increments, that Secretary Principi had said he would do?

Secretary NICHOLSON. Madam Chairman, this budget is $1,653,000,000 for research in total. We are asking for an appropriation of $786 million. That is sufficient to underwrite something like 2,700 different research projects.

As to your question, is there sufficient funding in here approved for the current year Gulf War illness research of $15 million, the answer is yes.

We have had some discussion about the $60 million, the 4-year program, and counsel to me is that it is not a hard commitment. That has been discussed. What I will say to you is that the $15 million is absolutely in here, and the subsequent years, as I get more familiar with it, I will take a very serious look at this. But we will probably be back to you in discussion with this.

I think the answer to your question overall is that there is enough in this to do the research that we think should be done.

There is a $100 million in this budget for prosthetics, and there is an increase of $100 million for PTSD research and application.

Senator HUTCHISON. Could you clarify? You are saying that the $60 million over the 4 years is not a commitment. So are you saying that $15 million is in for this year but you are not making a commitment for future years?

Secretary NICHOLSON. Well, I am going to first ask the general counsel if he would address that from his perspective, and then I will respond.

Mr. MCCLAIN. Madam Chairman, we do have $15 million in additional research funding for the Gulf War illnesses. That is for this particular year in unspecified projects but they will go toward Gulf War research. As far as future years, we really cannot speculate as to what might come out in future years for research dollars, but certainly we have been committed over several years now to putting additional resources toward Gulf War research.

Senator HUTCHISON. Mr. Secretary, do you consider that the Gulf War Syndrome is a legitimate area for research?

Secretary NICHOLSON. Yes, I do. I know something about that. I have been briefed by a team of doctors on that, and I think that is a very legitimate area to try to understand. So that is not an issue for me, but we have to do it legally.

I would like to ask Dr. Perlin, if I could, Madam Chairman, if he would comment a bit on the current status of the research.

Dr. PERLIN. Madam Chairman, this is an absolutely critical area. Right now we have 146 separate projects on environmental exposures at a cost of about $35 million in the 2006 budget proposed.

In the area of Gulf War illnesses, VA has funded 111 projects since 1991 and currently there are 48 ongoing. VA's commitment to date has been $73 million. The Federal commitment has been in excess of $300 million. Of that $15 million, I can tell you that right now $5 million have been executed late this spring. There is a request for applications to make sure that we have the best research in that area.

I think one of the most promising endeavors this year, something that we worked hard with the Research Advisory Committee on Gulf War Illnesses to develop is a new center for the study of promising treatments for Gulf War illness. While we may not have full insight into the mechanisms of what causes these unexplained symptoms, we passionately feel the obligation to care for these veterans to treat their symptoms. This new center promises to help us align our best tools to understand what treatments may be promising.

Senator HUTCHISON. So you are not in any way saying it is not a priority. You will be saying that it is a priority. Is that what you are saying?

Secretary NICHOLSON. Yes, exactly.

DALLAS VA MEDICAL CENTER

Senator HUTCHISON. I wanted to talk about a couple of local issues. First of all, in November of 2004, your own Department ranked the Dallas Veterans Affairs Medical Center the worst VA hospital in the country. Of course, that was a revelation to many people in the Dallas area. I know improvements have been made. I know that the head of that hospital is no longer there. But I just wanted to ask you, Mr. Secretary, if you are satisfied that the changes being made there are bringing that VA hospital up to your standards.

Secretary NICHOLSON. Yes. That has been problematic. I noted that as soon as I began getting briefed for this job. As you noted,

some of the key management personnel have been replaced. There have been several reviews made of that internal. An accrediting association has looked at that. They found some deficiencies and have given recommendations to us to institute. I am satisfied that those corrective measures are underway. We have some good new people in place, but it is something that is very important and we are keeping an eye on.

Senator HUTCHISON. That is what I was going to follow up and ask. Is there a mechanism by which, when you have a hospital that gets this low a rating, you would go in and check more carefully and more frequently to assure that the changes are being implemented?

Secretary NICHOLSON. I am going to ask Dr. Perlin to answer that.

Dr. PERLIN. Thank you, Mr. Secretary.

Madam Chairman, absolutely. We are following up with objective evidence of improvement. We have the performance measurement system throughout the VHA. As our Inspector General noted, the performance was not where the citizens of Texas and Dallas deserved. That is changing already objectively on the basis of data. We can demonstrate that there is significant improvement.

In addition to a new director, Betty Brown, there is also a new associate director, Dan Heers, a new chief of staff, a new chief nursing executive. And my own calls to individuals down there tell me that the progress has been light-speed.

I would note to you that I plan to make a visit to Dallas in April to assure myself that what I am seeing on paper is actually represented as the best improvements.

I think it is important to note that while there have been some individuals who have been problematic, that part of my job is to encourage the 90 percent of the staff that really go above and beyond to give their best for the veterans. So I want to make sure that the message is complete, that we sanction and improve and hold accountable where we need to, but that we also encourage and support those individuals who really do give our veterans their best.

WACO AND BIG SPRING, TEXAS SITES

Senator HUTCHISON. Thank you. I would be very interested, after your visit, in hearing what your findings are.

There are two veterans sites that are in the 18 in the CARES plan that are cited as needing more study. One is in Waco. I have discussed this with you, Mr. Secretary.

The Waco facility is a campus. It is a beautiful campus. It is under-utilized, that is for sure. The care that it gives is excellent. The mental health care, from everything that we could tell, did a very solid, good job. But the plan now is for there to be a master plan for the Waco facility that is supposed to be put together with the city leaders in Waco and the consultants from the VA. I just wanted to ask you if we can expect that you would continue the commitment to look for a master plan for that site so that it can be efficiently used.

One of the things that I did not quite understand in the CARES Commission report is that they closed two smaller clinics and rec-

ommended that there be a VA clinic built in Waco. It just seemed to me that with the facility there being under-utilized that perhaps having the clinic move to the long-term care facility that there might be an added benefit there and be the right thing for the veterans in the area as well as for the efficient operation that you would be seeking.

So do you have any status report on that, or can you just at least say that we will have the master plan moving forward and that the Department will work with the community leaders for that plan?

Secretary NICHOLSON. Absolutely I can say that, Madam Chairman. In fact, I am planning to go to Waco myself hopefully in April. I want to go down there and get on the ground and see the facilities, not to preempt the process but so that I know and have a feeling myself for the physical assets that are there. I know that the continued process out of the CARES process is underway, and I think that will run its course and have great community involvement. We are very committed and interested in that.

Senator HUTCHISON. Well, I certainly am pleased that you are going there. I hope I can join you. So I would like to call your office and see if we can do that together.

Secretary NICHOLSON. We will try to coordinate.

Senator HUTCHISON. There is a second facility at Big Spring. It is a hospital that I visited a few months ago. It is in a central location which is 40 miles from Midland, 60 miles from Odessa, 87 miles from San Angelo, and 110 miles from Abilene. The next closest VA hospital is 200 miles from any of those locations.

I had asked Secretary Principi to consider a public/private partnership between the Big Spring VA and Scenic Mountain Medical Center to increase the services to the veterans in that area. It is the area that all of those communities support the VA hospital because it is the most centrally located. As you know, we have two Air Force bases, one in Abilene and one in San Angelo, that feed into that veterans hospital, plus Midland and Odessa feeding in. And if you put it in any of the other places, it would be much farther from other population centers.

So I would ask that you also visit that one—it might be a good day to go to both of those at the same time—and look at the possibilities of, again, making your service more efficient but keeping it at the Big Spring facility where you already have a major investment.

Secretary NICHOLSON. I will try to do that, Madam Chairman. I am committed to Waco. I will see if we can make it work at Big Spring. I would like to. I can tell you, as you probably know, I think the first open forum of that advisory board for Big Spring is scheduled to meet, I think, April 7 for the first time with our consultant, Price Waterhouse.

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. Well, I know this is all pretty overwhelming and you have only been there a short time. But I would look forward to working with you to assure that the community has its input and that we can do the best for the veterans in the area. I think you will be pleased when you see both of those facilities.

[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

MAJOR CHALLENGES AND GOALS

Questions. I recognize you have been in office only a few weeks, but I would like to hear your preliminary observations about the Department.

Specifically, what do you see as the Department's main challenges?

As VA Secretary, what are the main goals you would like to achieve before the end of your tenure?

Answers.

Challenges

VA is a very large, multi-business organization requiring diverse management service delivery skills. More than 220,000 dedicated VA employees operate its 157 hospitals, 134 nursing homes, 860 outpatient clinics, 57 regional benefit offices, and 120 national cemeteries and receive pre-discharge claims for disability benefits at 139 military sites. They strive to provide world- class service to America's deserving veterans who seek (1) health care; (2) the benefits they have earned to restore their capability and ensure a smooth transition from active military service to civilian life; and (3) honor and fitting memorials in death.

Our single greatest challenge is making sure our veterans receive the highest return on the taxpayers' dollar. To do that, VA needs to make sure it operates with only the best business practices in place. This alone, will make it easier for our veterans to access the quality care and services we provide. We must continually improve our business practices, maximize sharing opportunities with DOD and others and focus our services on those most in need. I look forward to tackling the challenges of ensuring best practices in all areas of VA endeavor and building on today's successes for even greater achievements in the future.

Goals

—I want to ensure that timely access to medical care continues to improve for those who depend on VA the most, and I want to ensure that significant improvements in both accuracy and consistency of benefit entitlement decisions are a primary focus across regional offices.

—I want to achieve the right balance of informed, centralized policy decision-making with appropriate, responsible decentralized implementation at levels closest to the provision of day-to-day services to our veterans.

—I want to lead VA to the forefront of integrating accountability systems based on results. VA provides essential, life-saving and life-enhancing services for America's veterans, and I want the Department to be able to articulate, based on solid metrics, the incredible results that are achieved on an on-going basis for veterans, their dependents and survivors.

—I want to continue to build on the objective measures currently being used to assess maximum resource-allocation efficiency so that every dollar is invested wisely toward the outcome of improving veterans' lives.

—I want to sharpen this organization's focuses on improved information and knowledge management and human-capital development.

Madam Chairman, there is so much more I could address, but first and foremost, I want to ensure that all 220,000 employees of this Department strive every day to improve the lot of those heroic, selfless Americans we are privileged to serve—our Nation's veterans.

VETERANS RETURNING FROM IRAQ AND AFGHANISTAN

Question. There are concerns about VA's ability and capacity to treat all returning service members from Operations Enduring Freedom and Iraqi Freedom (OEF/OIF). Further, there have been media reports of some returning veterans who are falling through the cracks and experiencing such things as delayed benefits and medical care and homelessness.

For the record, do you have enough resources to meet the needs of all returning veterans from Iraq and Afghanistan for this current fiscal year 2005?

Answer.

Dr. PERLIN. Yes, VA has the necessary resources in fiscal year 2005 to continue meeting the needs of all returning veterans from Iraq and Afghanistan.

Admiral COOPER. VA has the resources, capacity, and systems in place to provide priority care and claims processing for all seriously injured veterans of Iraq and Afghanistan. We have the resources available to continue our highly successful Benefits Delivery at Discharge (BDD) program, through which service members are able to file disability compensation claims prior to their separation from service. Their claims are then processed expeditiously immediately upon the service members' separation from service. Last year claims filed through the BDD program were processed in an average of 55 days, compared to the national average for all disability determinations of 165 days. We have the resources to conduct briefings for separating members of the active components and specialized outreach to demobilized reserve component forces. In fiscal year 2004 we conducted benefit briefings for more than 88,000 members of the Guard and Reserve. VA will continue to meet its responsibilities to America's current returning war veterans while working to lower inventories, reduce claims processing times, and deal with high claims activity by veterans from earlier service periods.

Question. Does the budget request for fiscal year 2006 provide adequate funding to meet the needs of all returning OEF and OIF veterans?

Answer.

Dr. PERLIN. Yes, VA requested the necessary resources in fiscal year 2006 to continue meeting the needs of all veterans who have suffered injuries or diseases as a result of the conflicts in Iraq and Afghanistan.

Admiral COOPER. The funding request for 2006 is adequate and will enable us to continue the efforts described in the previous response.

Question. Has the VA exhausted all means to reach service members who may separate from active duty? Has the VA used public service announcements?

Answer. While there is always more that could be done to reach veterans and their families, VA has extensive outreach programs for returning service personnel, including Reserve/National Guard members.

News Releases.—Last year, VA produced a 30-second public service video entitled "Our Turn to Serve" which was distributed to domestic viewing markets near or at major military transition and separation bases. It was placed as a streaming video file on the VA Internet Web site and marketed electronically to other domestic TV station programmers in markets with large military populations. It is now about to run on AFRTS outlets serving military based overseas. A new VA outreach video program, "The American Veteran," is airing on the Pentagon Channel, which reaches military audiences at Department of Defense (DOD) installations, communities, and sites in this country and around the world. It is a half-hour video magazine featuring stories and information of interest to military personnel and veterans that focuses on their benefits and how they can access and use them. This is a continuing series of monthly programs that will be marketed domestically to cable systems, PBS stations, and community access cable.

Transition Assistance Program (TAP) and Other Military Services Briefings.—From October 2002 through January 2005, VBA military services coordinators conducted transition briefings and related personal interviews in the United States as reflected in the chart below. These briefings include pre- and post-deployment briefings for Reserve and National Guard members.

OVERALL BRIEFINGS

Fiscal year	Briefings	No. attendees	No. interviews
2003	5,368	197,082	97,352
2004	7,210	261,391	115,576
2005 [1]	2,263	79,105	34,106

[1] Through January 2005.

In addition to military services briefings in the U.S., VBA representatives conduct briefings overseas under arrangement with DOD. VBA provides two tours each year with 6 to 7 VBA representatives providing this service for each tour. Each is home-based at a major military site and provides services at the site and surrounding areas. The countries serviced are England, Germany, Japan, and Italy. Korea is serviced by staff from the Benefits Delivery at Discharge office in Yong San. A representative from the St. Petersburg Regional Office provides that service for Guantanamo Bay. We were recently requested by DOD to add Bahrain to our overseas schedule beginning with the May 2005 tour. The following chart reflects statistics regarding overseas briefings:

OVERSEAS BRIEFINGS

Fiscal year	Briefings	No. attendees	No. interviews
2003	472	12,943	12,947
2004	624	15,183	6,544
2005 [1]	36	1,278	464

[1] Through January 2005.

Briefings for Reserve/Guard Members.—Outreach to Reserve/Guard members is part of the overall VBA outreach program. In peacetime, this outreach is generally accomplished on an "on call" or "as requested" basis. With the activation and deployment of large numbers of Reserve/Guard members following the September 11, 2001, attack on America, and the onset of OEF/OIF, VBA outreach to this group has been greatly expanded. National and local contacts have been made with Reserve/Guard officials to schedule pre- and post-mobilization briefings for their members. Returning Reserve/Guard members can also elect to attend the formal three-day TAP workshops. The following data on Reserve/Guard briefings is a subset of the Overall Briefings data provided in the first chart:

RESERVE/GUARD BRIEFINGS

Fiscal year	Briefings	No. attendees
2003	821	46,675
2004	1,399	88,366
2005 [1]	531	32,448

[1] Through January 2005.

Briefings Aboard Ships.—VA provided TAP briefings aboard the USS Constellation, the USS Enterprise, and the USS George Washington on their return from the Persian Gulf to the United States. VBA will continue to support requests from the Department of the Navy for TAP workshops aboard ships.

Seamless Transition—Military Treatment Facilities (MTFs)

In 2003, VA began placing Veterans Service Representatives at key military treatment facilities (MTFs) where severely wounded service members from OEF/OIF are frequently sent. Representatives of the VBA Benefits Delivery at Discharge office in Germany work closely with the staff at the Landstuhl Army Medical Center to assist returning injured service members who are patients at that facility and family members temporarily residing at the Fischer House.

Since March 2003, a VBA OEF/OIF coordinator is assigned for each MTF. Full time staff is assigned to the Walter Reed Army Medical Center in Washington, D.C., and the Bethesda Naval Medical Center in Maryland. Similar teams work with patients and family members at three other MTFs serving as key medical centers for seriously wounded returning troops: Eisenhower, Brooke, and Madigan Army Medical Centers. Itinerant service is conducted at all other major military treatment facilities. As of January 2005, over 4,500 hospitalized returning service members were assisted through this program at Walter Reed, Bethesda, Eisenhower, Brooke, and Madigan. Since March 2003, each claim from a seriously disabled OEF/OIF veteran has been case managed for seamless and expeditious processing.

Web Page.—As part of the Seamless Transition effort, VBA created a new web page for OEF/OIF, directly accessible from the VA homepage. Information specific to Reserve/Guard members who were activated is included, as well as links to other Federal benefits of interest to returning service members. The web page has been accessed over 340,000 times since its activation in December 2003.

Benefits Delivery at Discharge (BDD).—VA's BDD program operates in concert with the military services outreach program. Under BDD, service members can apply for disability compensation within 180 days before discharge. The required physical examinations are conducted and service medical records are reviewed prior to discharge. The goal is to adjudicate claims within 30 days following discharge. Upon receipt of the claimant's DD Form 214 (Report of Release from Active Military Service), benefits are immediately authorized so that the recently separated veteran can receive his/her first disability check the month following the month of discharge or shortly thereafter. Currently, 141 military installations worldwide participate in this program, including two sites in Germany and three in Korea. Approximately 26,000 BDD claims were finalized in fiscal year 2003; 40,000 in fiscal year 2004; and 12,000 in fiscal year 2005 to date.

Recently-Separated Veterans

Veterans Assistance at Discharge System (VADS).—All separating and retiring service members (including Reserve/Guard members) receive a "Welcome Home Package" that includes a letter from the Secretary, a copy of VA Pamphlet 21–00–1, A Summary of VA Benefits, and VA Form 21–0501, Veterans Benefits Timetable, through VADS. Similar information is again mailed with a 6-month follow-up letter.

Secretary's Outreach Letter to Returning Service Members.—Outreach letters from the Secretary of Veterans Affairs have been sent to approximately 240,000 returning service members who have separated/retired from active duty. Enclosed with the letters are copies of VA Pamphlet 21–00–1, A Summary of VA Benefits, and IB 10–164, A Summary of VA Benefits for National Guard and Reserve Personnel.

PRIORITY 7 AND 8 VETERANS

Question. Clearly, we must ensure full funding for Priority 1 through 6 veterans, but I am also concerned about our Priority 7 and 8 veterans.

Given the escalating costs of private health care insurance and cuts to other publicly funded programs, what is going to happen to the tens of thousands of uninsured Priority 7 and 8 veterans? Has the VA performed any analysis to project the outcomes of these veterans? Does the VA have a good understanding of who these veterans are, demographically, and what resources they may have in the event VA medical care is not available to them?

Answer. VA has health insurance coverage data on veterans from the fiscal year 2001 Survey of Veterans. VA also obtains health insurance coverage data for VA health care enrollees from the annual VHA Enrollee Survey. VA has also considered the impact of its proposed policies on uninsured veterans. For example, the cost-sharing policies (annual enrollment fee and increased pharmacy co-payments) in the fiscal year 2006 President's budget will enable uninsured Priority 7 and 8 enrolled veterans to continue to have access to the VA health care system for a very modest amount of cost sharing. We expect that Priority 7 and 8 enrollees who are uninsured will pay the enrollment fee, while many Priority 7 and 8 enrollees who have other health care coverage are not expected to enroll because of their alternative sources of care.

MANAGEMENT EFFICIENCIES

Question. This year's request estimates savings of some $1.8 billion in management efficiencies—an increase of some $590 million over the fiscal year 2005 level. I support efforts by the Department to improve its management practices, and clearly the Inspector General's office has identified a number of areas where savings could be achieved. But we haven't seen a lot of detail or reliable data to back up these savings projections.

For example, the budget projects saving $150 million through improved contracting practices with medical schools and other VA affiliates for scarce medical specialties. Can you explain exactly how you will achieve this $150 million in savings?

Answer. VA anticipates that $150 million in savings will result from improved contracting practices. A new directive is about to be issued that encourages competitive contracting for services and provides contracting officers specific guidance on appropriate costs to include in a sole-source contract, when that vehicle is appropriate. In addition, there will be increased Office of Inspector General audits of sole source contracts with VA's affiliates, which will result in further savings from originally negotiated rates.

Question. Can you provide the committee with details on how the Department will achieve its overall management savings goal of $1.8 billion for fiscal year 2006?

Answer. The $1.8 billion in management efficiencies is composed of recurring and anticipated new efficiencies in standardization of pharmaceuticals and supplies; inventory management; productivity; and administrative/clinical consolidations and VA/DOD sharing.

HOMELESSNESS

Question. By some accounts, homeless veterans number around 200,000; even some veterans returning from Iraq and Afghanistan are experiencing homelessness.

Can you explain why there continues to be such a large number of homeless veterans in this country?

Answer. While homeless veterans tend to be older and better educated than their non-veteran counterparts, they face the same vulnerabilities that increase their risk of homelessness. These liabilities include mental illness and substance use dis-

orders, lack of adequate social supports, disadvantages associated with past histories of incarceration, and poor employment prospects.

VA estimates that there may be 200,000 homeless veterans living on the streets or in shelters on any given day. Data from the National Survey of Homeless Service Providers and Clients conducted in 1996 indicates that the proportion of veterans among homeless men declined to 23 percent from an estimate of 34 percent identified in a similar study conducted in the mid 1980s. We believe that VA, working together with community-based and faith-based organizations, has put in place a wide range of services to address the needs of homeless veterans and this system of services is helping veterans move out of homelessness to independence and self sufficiency.

Question. Why are some of our OEF and OIF veterans experiencing homelessness?

Answer. From August through December of 2004, VA has reached out to 128 homeless OEF and OIF veterans, about 1 percent of all homeless veterans contacted through outreach during those months. Review of intake assessment information about these veterans suggests that, for the most part, these homeless veterans have problems similar to those of homeless veterans from other eras and periods of service. However, homeless OEF/OIF veterans are younger and appear to have fewer problems with substance abuse and they seem to have more short-term situational problems such as changes in family status (e.g. separation or divorce). These veterans are less likely to be chronically homeless, which gives us hope that they can return more easily to self sufficiency.

VISN STRUCTURE

Question. The President's Task Force (PTF) found that the VA's veterans integrated systems network (VISN) structure "resulted in the growth of disparate business procedures and practices." Further, the PTF's report stated that the "VISN structure alters the ability to provide consistent, uniform national program guidance in the clinical arena, the loss of which affects opportunities for improved quality, access, and cost effectiveness." Due to these findings, the PTF recommended "the structure and processes of VHA should be reviewed."

Do you agree with the PTF's findings? If so, what are your thoughts on altering the VISN structure? If not, what alternatives do you offer?

Answer. There is always a tension between centralization and decentralization, such as we find in the current VA network structure. A system that is too centralized is grossly ineffective and inefficient. On the other hand, a system that is too decentralized loses the integration and cohesiveness that defines it as a "system." Achieving the proper balance to avoid both too much centralization and too much decentralization requires continual monitoring and refinement where necessary. So to that extent, we agree that the structure and processes of the VISN structure require continual review. But continual review does not necessarily entail significant alterations. Nor is it clear that the VISN structure has impaired VA's ability to provide consistent, uniform national clinical guidance.

VA operates a large, integrated health care system that functions both efficiently and effectively. Improvements in quality, access, veteran satisfaction, and efficiency are measurable and have been widely recognized. Health care policy is established centrally in Washington and is expected to be executed uniformly throughout all 21 VISNs. I expect the VISNs to address the unique challenges of their respective environments, and we will hold management at all levels accountable for implementing national policy consistently. I am a firm believer in the benefits of performance measurement, and I will hold all VISN directors accountable for the same set of performance measures and goals. The individual means to achieve the goals set may vary somewhat from VISN to VISN, depending on their individual circumstances, but the requirement for implementation of overall national health care policies is immutable.

STATE HOME CONSTRUCTION

Question. The budget request proposes a 1-year moratorium on providing grants for construction of State nursing homes until the VA has completed a review of its long-term care needs.

Since State veterans' nursing homes account for more than half of VA's nursing home workload, to what extent will the moratorium impact veterans access to long term-care?

Answer. The proposed 1-year moratorium on grants for construction of State nursing homes will have a minimal effect on veterans' access to long-term care. Nationally, State Veterans Homes operate at approximately 85 percent capacity; consequently the existing capacity can accommodate additional veterans. Moreover,

construction projects that are already underway are anticipated to add more than 1,600 additional State Home beds nationally over the next 3–4 years.

Question. Are there State nursing home projects with established and documented need that will be delayed because of the funding moratorium?

Answer. There are nursing home projects for which the States have committed matching funds that will be delayed by the moratorium for 1 year. Because the Priority List is revised annually, VA cannot predict how many or which specific projects will be delayed. All new and existing pending projects are ranked as of August 15 and included in the annual list.

VA–DOD COLLABORATION

Question. For several years, there have been numerous efforts to promote health care collaboration between the Department of Defense and the VA. The fiscal year 2003 National Defense Authorization Act directed DOD and VA to establish a joint program to identify and provide incentives to implement, fund, and evaluate creative health care coordination and sharing initiatives between the two departments.

Can you give us a status and any initial findings on this new program?

Answer. Section 721 of Public Law 107–314, the fiscal year 2003 National Defense Authorization Act, requires that DOD and VA establish a joint incentives program through the creation of a DOD–VA Health Care Sharing Incentive Fund. The intent of the program is to identify, fund, and evaluate creative local, regional, and national sharing initiatives.

A DOD–VA Memorandum of Agreement (MOA), signed on July 8, 2004, assigned VA as administrator of the fund under the direction of the VA–DOD Health Executive Council (HEC). The HEC appointed the Financial Management Work Group to issue the calls for proposals, recommend the proposals to be funded, and monitor the projects selected. There is a minimum contribution of $15 million by each Department ($30 million total per year) each year for 4 years (fiscal year 2004-fiscal year 2007).

In fiscal year 2004, 12 proposals were approved. Those proposals require $37.5 million in funding over 2 years. Approved proposals involve a wide range of services including various tele-health projects, women's health services, a joint cardiac catheterization lab, a joint dialysis unit, and a joint clinic.

In fiscal year 2005, 56 proposals have been submitted, and they will compete for $22.5 million in funding for the first year. VA and DOD are currently reviewing the projects submitted for the fiscal year 2005 awards cycle.

There has been a high level of interest by VA and DOD in submitting projects for funding. There have been many lessons learned in administering the program, such as allowing sufficient time to permit review up the chains of commands within both VA and DOD; the need for information technology projects to be consistent with the national level solutions being developed; and the need for projects to clearly identify a benefit to both Departments. The projects selected for funding in fiscal year 2004 have not been operational long enough to provide an individual project assessment of the results.

QUESTIONS SUBMITTED BY SENATOR LARRY CRAIG

SERVICES

Question. The 116th Calvary Brigade Combat Team of the Idaho Army National Guard are now stationed overseas in Iraq and fighting in Operation Iraqi Freedom. Like all National Guardsmen, when they return from active duty they will resume their duties of working under the command of the Governor of Idaho.

What will their eligibility be for VA services, including health care and benefits, when they separate from active duty service?

Answer. Army National Guard personnel activated by Federal declaration and who served on active duty in a theater of combat operations which includes Operation Iraqi Freedom are eligible for hospital care, medical services, and nursing home care. Public Law 105–368 amended title 38, United States Code, to authorize VA to provide combat veterans with care for conditions potentially related to their combat service for a 2 year period following discharge. Care is cost-free for conditions that cannot be disassociated from combat service. Care for other conditions is subject to applicable copayments. Veterans who enroll with VA under this authority retain enrollment eligibility, regardless of any enrollment restriction that may be in effect after this 2-year post discharge period. Combat veterans who choose not to enroll with VA during the 2-year period would be able to enroll in the future only if they are otherwise eligible to enroll.

In addition to health care benefits, they are also eligible for a full array of benefits offered through the Veterans Benefits Administration (VBA) to include:

—Disability Benefits
—Education and Training Benefits
—Vocational Rehabilitation and Employment
—Home Loans
—Life Insurance
—Burial Benefits
—Dependents' and Survivors' Benefits

Question. Does the Department have any programs in place that will continue to follow these Guardsmen after their completion of their combat mission and they return home to a civilian life?

Answer. Under 38 U.S.C. § 1710(e)(1)(D) and § 1710(e)(3)(C), OIF/OEF veterans may enroll in the VA health care system and, for a 2-year period following the date of their separation from active duty, receive VA health care without co-payment requirements for conditions that are or may be related to their combat service. After the end of the 2-year period, they may continue their enrollment but may be subject to any applicable co-payment requirements. For OIF/OEF veterans who do not enroll with VA during the 2-year post-discharge period, eligibility for enrollment and subsequent health care is, of course, subject to such factors as a service connected disability rating, VA pension status, catastrophic disability determination, or financial circumstances.

OIF and OEF veterans have sought VA health care for a wide-variety of physical and psychological problems. The most common health problems have been musculoskeletal ailments (principally joint and back disorders); diseases of the digestive system (with teeth and gum problems predominating); and mental disorders (predominantly adjustment reactions). The medical issues we have seen to date are those we would expect to see in young, active, military populations, and no particular health problem stands out among these veterans at present. We will continue to monitor the health status of recent OIF and OEF veterans to ensure that VA aligns its health care programs to meet their needs.

Following is a brief description of VA initiatives that have been developed in response to the service needs of veterans from Operations Iraqi Freedom (OIF) and Enduring Freedom (OEF). Many of these are brand new programs that were developed to meet these needs. All of them represent "lessons learned" from VA's experiences responding to the health care and other benefits needs of veterans returning from the 1991 Gulf War and from the Vietnam War before that.

Immediate Health Care Needs for Combat Veterans.—In response to immediate health concerns for OIF and OEF veterans, on March 26 and 27, 2003, VA developed a program called "Caring for the War Wounded," which was broadcast over the VA Knowledge Network satellite broadcast system. This program provided timely and relevant information about the anticipated health care needs of veterans of the current conflict in Iraq, included VA experts on treatments for traumatic injuries; chemical warfare agent health effects; infectious diseases; radiological health effects; and post-deployment readjustment health concerns, and was converted into a new Veterans Health Initiative (VHI) health care provider independent study guide, called "Caring for the War Wounded," which is available online at vaww.va.gov/VHI/ and on the Internet at http://www.appc1.va.gov/vhi/.

New Clinical Guidelines for Combat Veteran Health Care.—In collaboration with DOD, VA developed two Clinical Practice Guidelines on combat veteran health issues, including one general guideline to post-deployment health, and a second dealing with unexplained pain and fatigue. The new clinical guidelines give our health care providers the best medical evidence for diagnoses and treatment. VA highly recommends these for the evaluation and care of all returning combat veterans, including veterans from OIF and OEF. The value of the guidelines in providing care to returning veterans is described in a video "The Epic of Gilgamesh: Clinical Practice Guidelines for Post-Deployment Health Evaluation and Management," at www.va.gov/Gilgamesh.

New Specialized Combat Veteran Health Care Program.—In 2001, VA established two new War Related Illness and Injury Study Centers (WRIISCs) at the Washington, DC, and East Orange, NJ, VAMCs. Today, the WRIISCs are providing specialized health care for combat veterans from all deployments who experience difficult to diagnose but disabling illnesses. Concerns about unexplained illness are seen after all deployments including OIF/OEF, but VA is building on our understand of these illnesses. More information is available online at www.va.gov/environagents under the heading "WRIISC Referral Eligibility Information."

Expanded Education on Combat Health Care for VA Providers.—In addition to the programs already described, VA has developed several Veterans Health Initiative

(VHI) Independent Study Guides relevant to veterans returning from Iraq and Afghanistan:

—"A Guide to Gulf War Veterans Health" was originally on health care for combat veterans from the 1991 Gulf War. The product, written for clinicians, veterans and their families, remains very relevant for OIF and OEF combat veterans because many of the hazardous exposures are the same.

—"Endemic Infectious Diseases of Southwest Asia" provides information for health care providers about the infectious disease risks in Southwest Asia, particularly in Afghanistan and Iraq. The emphasis is on diseases not typically seen in North America.

—"Health Effects from Chemical, Biological and Radiological Weapons" was developed to improve recognition of health issues related to chemical, biological and radiological weapons and agents.

—"Military Sexual Trauma" was developed to improve recognitions and treatment of health problems related to military sexual trauma, including sexual assault and harassment.

—"Post-Traumatic Stress Disorder: Implications for Primary Care" is an introduction to PTSD diagnosis, treatment, referrals, support and education, as well as awareness and understanding of veterans who suffer from this illness.

—"Traumatic Amputation and Prosthetics" includes information about patients who experience traumatic amputation during military service, their rehabilitation, primary and long-term care, prosthetic, clinical and administrative issues.

—"Traumatic Brain Injury" presents an overview of TBI issues that primary care practitioners may encounter when providing care to veterans and active duty military personnel.

All are available in print, CD ROM, and on the web at www.va.gov/VHI.

Outreach to Combat Veterans.—VA has many new products to offer combat veterans and their families.

—The Secretary of Veterans Affairs sends a letter to every newly separated OIF and OEF veteran, based on records for these veterans provided to VA by DOD. The letter thanks the veteran for their service, welcomes them home, and provides basic information about health care and other benefits provided by VA.

—In collaboration with DOD, VA published and distributed one million copies of a new short brochure called "A Summary of VA Benefits for National Guard and Reservists Personnel." The new brochure does a tremendous job of summarizing health care and other benefits available to this special population of combat veterans upon their return to civilian life (also available online at www.va.gov/EnvironAgents).

—"Health Care and Assistance for U.S. Veterans of Operation Iraqi Freedom" is a new brochure on basic health issues for that deployment (also at www.va.gov/EnvironAgents).

—"OIF and OEF Review" is a new newsletter mailed to all separated OIF and OEF veterans and their families, on VA health care and assistance programs for these newest veterans (online at www.va.gov/EnvironAgents).

—"VA Health Care and Benefits Information for Veterans" is a new wallet care that succinctly summarizes all VA health and other benefits for veterans, along with contact information, in a single, wallet-sized card for easy reference (also at www.va.gov/EnvironAgents).

Special Depleted Uranium (DU) Program.—OIF veterans concerned about possible exposure to depleted uranium can be evaluated using a special DU exposure protocol that VA began after the 1991 Gulf War. This program offers free DU urine screening tests by referral from VA primary care physicians to veterans who have concerns about their possible exposure to this agent.

Combat Veteran Health Status Surveillance.—Today, we can monitor the overall health status of combat veterans very efficiently by using VA's electronic inpatient and outpatient medical records. This surveillance summarizes every single visit by a combat veteran including all medical diagnoses. VA has developed a new Clinical Reminder (part of VA's computerized reminder system) to assist VA primary care clinicians in providing timely and appropriate care to new combat veterans.

Question. What resources are being devoted this year to put into effect the co-location of the Boise VA Medical Center and Regional Office? What are projected for next year?

Answer. In fiscal year 2005, staff resources in VBA will accomplish the following:

—Secure a letter from the GSA initiating the transfer of the 2.13 acre parcel to VA and get VA Secretary's signature accepting transfer and control of the property.

—Complete a concept paper for the business case for a project to construct a new office building for the Boise Regional Office on the subject property.

—Complete an Exhibit 300 business case application for a project to construct a new office building for the Boise Regional Office on the subject property.
—Select an Architect/Engineer (A/E) firm to prepare a preliminary design and a Request for Proposals (RFP) for a Design-Build contract for the construction of the new office building. Funds from the Minor Construction program will be allocated to this contract.
—Begin the preliminary design for the new office building.

In fiscal year 2006, staff resources in VBA will accomplish the following:
—Complete the preliminary design and the RFP for the Design-Build contract.
—Work with the VHA contracting officer to prepare the solicitation for the Design-Build contract.
—Advertise the project in the FedBizOps for a contract award in early fiscal year 2007.
—Identify the necessary minor construction funds in the fiscal year 2007 budget for the construction contract.

PRESCRIPTION DRUGS

Question. Last year, Congress enacted the Medicare Modernization Act which, for the first time, provides Medicare beneficiaries with prescription drug coverage.

Has VA conducted any assessments of the impact this legislation will have on the number of veterans who rely on VA health care to provide prescription drug coverage? If so, what has this assessment shown?

Answer. Milliman, Inc., the private-sector actuarial firm that develops projections of veteran demand for VA health care, has advised VA that the impact of the new Medicare drug benefit on VA enrollment, utilization, and expenditures is expected to be minimal. The biggest impact is expected to come from reductions in employer-based prescription drug coverage. However, the impact may not become significant until as late as 2016 since the most recent cutbacks have been for future retirees only; those eligible for retirement (over age 55) have been grandfathered into employer's current plan. Based on recent estimates of retirees who could lose benefits, enrollment in VA health care could increase by an estimated 35,000 within the 10–15 year period following the start of the Medicare prescription drug benefit. VA currently treats about 5.2 million veterans per year.

Question. Does VA believe that there is a way VA can work in concert with Medicare on the provisions of prescription medications for Medicare-eligible veterans? If so, has VA leadership approached the leadership of the Centers for Medicare and Medicaid Services to discuss and proposals?

Answer. VA believes that VA and the Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) can work together so that beneficiaries who chose to use both VA and CMS prescription benefits do so in a safe and cost-effective manner.

To that end, VA Pharmacy Benefits Management staff and staff from the Centers for Medicare and Medicaid Services (CMS) have had preliminary discussions about potential VA /CMS patient safety and electronic prescribing initiatives.

VA will continue to provide prescription medications to enrolled veteran patients who are also eligible for Medicare. VA will continue to provide this prescription coverage to Medicare eligible veterans who chose VA as their health care provider, even after Medicare Part D is fully implemented.

STATE HOME PER DIEM PROPOSALS

Question. The State Home program, by most accounts, has been a successful partnership between the Federal and State governments for the care of aging veterans. Yet VA proposes to modify its past per diem payment policies—a change in policy that VA says will reduce the number of State home beds by more than 50 percent.

Why does VA want the States to reduce the number of State home beds? Even if VA does not want to provide institutional care to the non-service-connected, why does it want to discourage States from meeting that need?

Answer. VA is not proposing that the States reduce the number of State Home beds. State Veterans Homes are owned, operated, and financed by the States. VA provides limited financial assistance to the States in the form of per diem payments for nursing home, hospital, domiciliary, and adult day healthcare. Only the nursing home per diem is affected by the fiscal year 2006 budget proposal. The cost of care in State Veterans Homes varies from State to State, as does the amount of assistance provided to the Homes by the State. Currently, costs not covered by the VA per diem payments are covered from various sources, including the veterans themselves and State and Federal programs such as Medicare and Medicaid. VA's proposal could increase the share of costs borne by the State, depending upon the

State's own policies for coverage of the costs of State Home care. State Homes will continue operations to the extent that individual States discharge their fiscal responsibility for the operation and management of the Homes. VA does not have information on the plans of individual States to respond to the change in VA policy.

The average daily census in State Veterans Homes on whose behalf VA pays a per diem payment would decrease from 17,328 to 7,217 from fiscal year 2004 to fiscal year 2006. Over the same period, however, VA is projecting a substantial increase in both workload and funding for the non-institutional programs it supports. The average daily census in these home and community-based care (HCBC) programs is projected to rise from 25,523 in fiscal year 2004 to 35,540 in fiscal year 2006 (a 39 percent increase). Funding is projected to increase from $287.3 million in fiscal year 2004 to over $400 million in fiscal year 2006 (also a 39 percent increase). The projected increases in HCBC programs will serve to offset some of the reductions in nursing home care. VA believes the proposals on long-term care in this budget provide an appropriate balance between congressionally mandated nursing home services and the national trend toward increased use of non-institutional home and community-based services in preference to nursing home care. HCBC is preferred by most patients and their families and is more cost effective than inpatient care.

Question. Does VA assume bed closures will occur when payments for non-priority veterans (those without a service-connection) cease? Does VA believe that it has the legal authority to simply stop paying per diem payments to States for the care of veterans VA doesn't define as a priority?

Answer. VA is seeking legislative authority to align VA per diem payments to State veterans homes with VA's revised long-term care eligibility policy. Enactment of this proposal would ensure fairness and consistency in how VA treats veterans needing long-term care across all venues, including VA nursing homes, community nursing homes, and State nursing homes. We are unable to comment on how the individual States would respond to this change in policy.

Question. It seems to me that VA encouraged the States to build long-term care capacity by offering them construction subsidies. Would a change in the "rules of the game" after these State homes have been built not break the bargain that the Federal Government has struck with the States?

Answer. The VA State Home Construction Grant Program assists States in construction and renovation costs for nursing homes, domiciliary facilities and adult day healthcare. The program does not require the state to participate in the State Veteran Home Per Diem Grant Program, or guarantee the ongoing subsidy of per diem payments. The law is separate for each of the programs.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

STATE EXTENDED CARE FACILITIES GRANTS PROGRAM

Question. Today I asked about the decision to impose a 1-year moratorium on funding for the State Extended Care Facilities Grants program. Specifically, I asked for the rationale behind the decision and if he could explain its impact on States, such as California, which critically need additional veterans homes. I also inquired about whether the moratorium was really a plan to ultimately phase out funding for State veterans homes.

Can you explain to this committee why it is necessary to impose a 1-year moratorium on grants for construction of long-term extended care facilities when there is such a need for VA homes throughout this Nation?

Answer. The fiscal year 2006 VA budget proposes a 1-year moratorium on new grants to States for construction and renovation of extended care facilities. This will permit VA to complete an assessment of its nationwide institutional long-term care infrastructure and ensure that future construction aligns with the areas of greatest projected need. Grants that have already been awarded will not be affected by the 1-year moratorium.

Question. How would this moratorium affect the current priorities list for funding under this program?

Answer. VA has already committed to all planned fiscal year 2005 projects on the current Priority List. The States are currently completing the requirements for fiscal year 2005 grant awards. VA has committed the maximum fiscal year 2005 appropriations and the remaining fiscal year 2004 carryover funds to these projects.

Question. Do you anticipate altering this priorities list for fiscal year 2007?

Answer. The Priority List is revised annually, as of August 15th. All new and existing pending projects are ranked and included in the annual list. Once approved

by the Secretary, the list is used to identify ranked projects and commit funding for projects for that fiscal year award or to finalize conditionally approved projects. For fiscal year 2007, VA would follow the same procedures and commit funds available at that time to the projects in rank order.

Question. Can you provide this committee a better sense of your plans going forward and how it would affect funding for future State veterans home projects?

Answer. VA will complete its assessment for our nationwide long-term care infrastructure and assess the construction grants program priority during the fiscal year 2007 budget deliberations.

Question. Is the Administration considering a plan to phase out grant funding for State veterans homes?

Answer. The Administration will reevaluate the funding for the State Extended Care Facilities Grant program during the fiscal year 2007 budget deliberations.

Question. I also know that the State of California plans to request $125 million in fiscal year 2007 under this grant program to fund its largest project to date, the Greater Los Angeles-Ventura County Home, which includes 3 separate facilities. How would the 1-year moratorium impact funding for this project?

Answer. The fiscal year 2006 VA budget proposes a 1-year moratorium on new grants to States for construction and renovation of extended care facilities. This will permit VA to complete an assessment of its nationwide institutional long-term care infrastructure and ensure that future construction aligns with the areas of greatest projected need. Grants that have already been awarded will not be affected by the 1-year moratorium.

VA has already committed to all planned fiscal year 2005 projects on the current Priority List. The states are currently completing the requirements for fiscal year 2005 grant awards. VA has committed the maximum fiscal year 2005 appropriations and the remaining fiscal year 2004 carryover funds to these projects.

The Priority List is revised annually, as of August 15th. All new and existing pending projects are ranked and included in the annual list. Once approved by the Secretary, the list is used to identify ranked projects and commit funding for projects for that fiscal year award or to finalize conditionally approved projects. For fiscal year 2007, VA would follow the same procedures and commit funds available at that time to the projects in rank order. VA cannot predict at this time how the California project will be ranked in fiscal year 2007 or whether there will be sufficient appropriations to fund it.

MEDICAL CARE PROGRAMS

Question. The Administration's overall request for Medical Care Programs is $30.8 billion. However, if you discount the collections that you anticipate through the Medical Care Collections Fund, as well as the new fees that would be imposed on thousands of veterans, you are left with a base appropriation request for Medical Care Programs of $28.2 billion. Which is only 0.4 percent increase over last year's enacted level. This falls well below the standard compounded medical inflation rate of 3.9 percent.

Do you believe that this is sufficient funding given the number of veterans returning home from the Middle East?

Answer. Yes, VA requested the necessary resources in fiscal year 2006 to continue meeting the needs of all veterans who have suffered injuries or diseases as a result of the conflicts in Iraq and Afghanistan.

MEDICAL AND PROSTHETIC RESEARCH

Question. I am happy to see the fiscal year 2006 budget calling for $1.2 billion for prosthetics and sensory aids, a $100 million increase over fiscal year 2005, however, I am concerned about the cut to Medical and Prosthetic Research (from $402 million in fiscal year 2005 to $393 million in fiscal year 2006). As you know, 11,000 men and women of our Armed Forces have suffered injuries in Iraq and Afghanistan and to many of them functional and efficient prosthetics will make all the difference in the world. The VA has made tremendous progress in developing new, state-of-the-art prosthetics, but we should not stop there. We should continue to fund a robust prosthetic research program. None of us ever wants to have to explain to one of our soldiers who has lost a leg, that more could have been done.

Can you please explain why the fiscal year 2006 budget reduces money in this area?

Answer. The VA research program is funded by three funding sources—direct appropriation, private grant funding, and Federal grant funding. The overall estimated funding is expected to rise in fiscal year 2006 by $49 million or 3.1 percent to $1.7 billion. The total research program level of effort and number of projects for vet-

erans will be at a similar level to that of fiscal year 2005. VA, like other Departments across Government, must be a responsible partner in assisting to achieve many important, competing priorities. Reducing the deficit for the current and long-term strength of this country is very important. Therefore, tough choices had to be made in maximizing resource impact in a slower growth environment. Medical care for those who need VA the most and timely, consistent benefits delivery are also crucial services for veterans. A balanced approach in wisely investing resources was a guiding principle in the development of this budget. Research that enhances veterans' lives continues to be an important priority of the VA.

In terms of prosthetics research, VA is expanding its support of multidisciplinary research approaches and examination of enabling technologies that aim to ease the physical and psychological pain of veterans. The VA Office of Research and Development (ORD) is collaborating with clinical services to evaluate the delivery of care and help identify optimal utilization of all patient services including durable medical equipment for veterans. VA is also dedicated to the generation of the rigorous data required to formulate policy and establish clinical care guidelines.

In addition to evaluating existing practices, VA is expanding upon its long-standing support for advances in surgical approaches to primary amputation to include operative revision and limb lengthening procedures that can potentially aid in fitting prostheses and enhance function beyond what is now possible. VA is also aggressively examining other techniques such as osseointegration, a procedure that replaces missing limbs with titanium rods inserted directly into residual bone.

Examples of ongoing projects include:

—partnerships with the Department of Defense and Walter Reed Army Medical Center to investigate immediate concerns of returning Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) veterans;
—trials of current prosthetic designs and improvements for future designs;
—use of telerehabilitation to prevent complications resulting from amputation;
—bio-hybrid limb projects using regenerated tissue, lengthened bone, internal and external titanium implants, and sensors that allow amputees to use brain signals and residual limb musculature to move their prostheses;
—new uses for sensory and implanted control devices and biological sensors for the detection of health and function including microelectro-mechanical or nanotechnologies;
—evaluation and updates of rehabilitation strategies; and
—examination of how best to implement research results and develop best practices across VHA.

MEFLOQUINE (LARIAM) USE

Question. As you may be aware, I have been concerned about the Department of Defense's (DOD) use of the anti-malarial drug mefloquine (Lariam) and its impact on our service members. In June 2004, I wrote your predecessor Secretary Principi with my concerns about the use of this drug, especially after hearing that several service members had been diagnosed with permanent brainstem and vestibular damage from mefloquine toxicity. Shortly thereafter, the Veterans Health Administration issued an Information Letter outlining the potential for serious complications associated with mefloquine.

The VA's health care system is likely to be the first line of treatment for service members who have returned from active duty. And the VA will bear much of the cost and burden of treatment and rehabilitation for service members with mefloquine toxicity.

Knowing that mefloquine was issued to active duty military in the wars in Afghanistan and Iraq, will you take steps to actively monitor the impact this drug has on these veterans' health conditions?

Answer. VA is actively monitoring the DOD studies of possible adverse effects of mefloquine and is following the medical literature and reported studies. At DOD's invitation, VA participated in a special meeting of DOD's Armed Forces Epidemiology Board that DOD charged with helping to plan studies on long-term health effects among OIF and OEF veterans from mefloquine. VA regularly participates in DOD briefings on the status of DOD's studies on this health issue. In addition, VA developed an Under Secretary for Health Information Letter that reviewed medical and scientific literature on known health effects from taking mefloquine (IL 10–2004–007), "Possible Long-Term Health Effects From The Malarial Prophylaxis Mefloquine (Lariam)," June 23, 2004). This information letter alerts VA health care providers to the range of possible long-term health effects from taking mefloquine. It is important to note that mefloquine is an FDA approved drug that is widely used in the civilian community and not just in the military.

Question. In the past, I have suggested that it is necessary for the Department of Defense (DOD) to immediately implement a program that will allow soldiers to report side effects and be evaluated, diagnosed and treated without fear of reprisal and that reporting such side effects not negatively affect their military service or careers. Would you be willing to implement such a program at the Department of Veterans' Affairs and will you work with DOD on such a program?

Answer. Mefloquine side effects begin while a person is actually taking the drug—in this case, while they were still on active duty. Side effects appearing while a service member was still on active duty may be recorded by DOD health care providers. Few if any veterans are still taking malaria prophylaxis after leaving active military duty and then enrolling for VA health care. VA's Information Letter on mefloquine side effects (IL 10–2004–007) is intended to alert VA health care providers to any side effects that may persist in veterans after they have separated from military service. Any relevant findings then may be entered into the veteran's health record. Moreover, no health problem identified by the VA would result in reprisals or harm to a veterans' career because of the strict confidentiality and professionalism within the VA health care system.

Question. As you may know, DOD is undertaking an investigation of the impact of mefloquine use by service members. What has the VA's role been in this investigation and has the Department participated in DOD's investigation?

Answer. VA has been briefed on this study and actively supports DOD's efforts. VA is actively monitoring the DOD studies of possible adverse effects of mefloquine and is following the medical literature and reported studies. At DOD's invitation, VA participated in a special meeting of DOD's Armed Forces Epidemiology Board that DOD charged with helping to plan studies on long-term health effects among OIF and OEF veterans from mefloquine. VA regularly participates in briefings on the status of various DOD studies on this topic.

ENROLLMENT FEES

Question. The budget submission assumes a $250 enrollment fee on Priority 7 and 8 veterans.

How many veterans will have to pay the $250 enrollment fee? How many veterans will leave VA if they have to pay this premium? AND How does the VA plan to collect this fee from veterans?

Answer. In 2006, 1.26 million Priority 7 and 8 veterans are expected to pay the $250 annual enrollment fee. This policy is expected to reduce enrollment for Priority 7 and 8 veterans by 1.1 million and reduce the number of Priority 7 and 8 unique patients by 213,000.

VA will notify all Priority 7 and 8 enrolled veterans of the requirement to pay the enrollment fee by letter with appropriate payment guidance. Veterans will be provided a specified period of time to pay the entire fee or to agree to a quarterly payment schedule with payment of the first quarterly payment by a specified date. Payments will be processed through a central "lockbox" utility separate from, but similar to, existing processes used for receipt of veteran co-payments.

PHARMACY CO-PAY INCREASE

Question. The budget includes an assumption that the pharmacy co-payments for certain veterans will increase from $7 to $15.

How did VA choose $15 as the amount for the prescription drug co-payment?

Answer. This and the other proposed policies in VA's 2006 President's budget were designed to ensure that VA is able to fulfill its core mission—providing timely access to high-quality health care to veterans with serviced connected disabilities, low incomes, and those with special needs. The $15 pharmacy co-payment proposal and other cost-sharing proposals would only affect higher income, better-insured veterans in the lowest priorities and have been strategically priced to refocus the VA system on those veterans who need us most. The $15 drug co-pay would more closely align VA with other private and public health care plans.

RETURNING TROOPS

Question. There are new challenges arising to ensure that returning troops are receiving their entitled benefits and services as veterans. The new challenges include reaching every veteran.

What steps is the VA taking to reach out to all of our returning troops from Iraq and Afghanistan?

Answer. Returning troops are provided information about VA benefits and services and assistance in applying for these benefits through the following VA outreach programs.

Transition Assistance Program (TAP) and Other Military Services Briefings.—From October 2002 through January 2005, VBA military services coordinators conducted transition briefings and related personal interviews in the United States as reflected in the chart below. These briefings include pre- and post-deployment briefings for Reserve and National Guard members.

OVERALL BRIEFINGS

Fiscal year	Briefings	No. attendees	No. interviews
2003	5,368	197,082	97,352
2004	7,210	261,391	115,576
2005 [1]	2,263	79,105	34,106

[1] Through January 2005.

In addition to military services briefings in the United States, VBA representatives conduct briefings overseas under arrangement with the Department of Defense (DOD). VBA provides two tours each year with 6 to 7 VBA representatives providing this service for each tour. Each is home-based at a major military site and provides services at the site and surrounding areas. The countries serviced are England, Germany, Japan, and Italy. Korea is serviced by staff from the Benefits Delivery at Discharge office in Yong San. A representative from the St. Petersburg Regional Office provides that service for Guantanamo Bay. We were recently requested by DOD to add Bahrain to our overseas schedule beginning with the May 2005 tour. The following chart reflects statistics regarding overseas briefings:

OVERSEAS BRIEFINGS

Fiscal year	Briefings	No. attendees	No. interviews
2003	472	12,943	12,947
2004	624	15,183	6,544
2005 [1]	36	1,278	464

[1] Through January 2005.

Briefings for Reserve/Guard Members.—Outreach to Reserve/Guard members is part of the overall VBA outreach program. In peacetime, this outreach is generally accomplished on an "on call" or "as requested" basis. With the activation and deployment of large numbers of Reserve/Guard members following the September 11, 2001, attack on America, and the onset of Operations Enduring Freedom and Iraqi Freedom (OEF/OIF), VBA outreach to this group has been greatly expanded. National and local contacts have been made with Reserve/Guard officials to schedule pre- and post-mobilization briefings for their members. Returning Reserve/Guard members can also elect to attend the formal 3-day TAP workshops. The following data on Reserve/Guard briefings is a subset of the overall briefings data provided in the first chart:

RESERVE/GUARD BRIEFINGS

Fiscal year	Briefings	No. attendees
2003	821	46,675
2004	1,399	88,366
2005 [1]	531	32,448

[1] Through January 2005.

Briefings Aboard Ships.—VA provided TAP briefings aboard the USS Constellation, the USS Enterprise, and the USS George Washington on their return from the Persian Gulf to the United States. VBA will continue to support requests from the Department of the Navy for TAP workshops aboard ships.

Seamless Transition—Military Treatment Facilities (MTFs)

In 2003, VA began placing Veterans Service Representatives at key military treatment facilities (MTFs) where severely wounded service members from OEF/OIF are frequently sent. Representatives of the VBA Benefits Delivery at Discharge office in Germany work closely with the staff at the Landstuhl Army Medical Center to assist returning injured service members who are patients at that facility and family members temporarily residing at the Fisher House.

Since March 2003, a VBA OEF/OIF coordinator is assigned for each MTF. Full time staff is assigned to the Walter Reed Army Medical Center in Washington, D.C., and the Bethesda Naval Medical Center in Maryland. Similar teams work with patients and family members at three other MTFs serving as key medical centers for seriously wounded returning troops: Eisenhower, Brooke, and Madigan Army Medical Centers. Itinerant service is conducted at all other major military treatment facilities. As of January 2005, over 4,500 hospitalized returning service members were assisted through this program at Walter Reed, Bethesda, Eisenhower, Brooke, and Madigan. Since March 2003, each claim from a seriously disabled OEF/OIF veteran has been case managed for seamless and expeditious processing.

Web Page.—As part of the Seamless Transition effort, VBA created a new web page for OEF/OIF, directly accessible from the VA homepage. Information specific to Reserve/Guard members who were activated is included, as well as links to other Federal benefits of interest to returning service members. The web page has been accessed over 340,000 times since its activation in December 2003.

Benefits Delivery at Discharge (BDD).—VA's BDD program operates in concert with the military services outreach program. Under BDD, service members can apply for disability compensation within 180 days before discharge. The required physical examinations are conducted and service medical records are reviewed prior to discharge. The goal is to adjudicate claims within 30 days following discharge. Upon receipt of the claimant's DD Form 214 (Report of Release from Active Military Service), benefits are immediately authorized so that the recently separated veteran can receive his/her first disability check the month following the month of discharge or shortly thereafter. Currently, 141 military installations worldwide participate in this program, including two sites in Germany and three in Korea. Approximately 26,000 BDD claims were finalized in fiscal year 2003; 40,000 in fiscal year 2004; and 12,000 in fiscal year 2005 to date.

Recently-Separated Veterans

Veterans Assistance at Discharge System (VADS).—All separating and retiring service members (including Reserve/Guard members) receive a "Welcome Home Package" that includes a letter from the Secretary, a copy of VA Pamphlet 21–00–1, A Summary of VA Benefits, and VA Form 21–0501, Veterans Benefits Timetable, through VADS. Similar information is again mailed with a 6-month follow-up letter.

Secretary's Outreach Letter to Returning Service Members.—Outreach letters from the Secretary of Veterans Affairs have been sent to approximately 240,000 returning service members who have separated/retired from active duty. Enclosed with the letters are copies of VA Pamphlet 21–00–1, A Summary of VA Benefits, and IB 10–164, A Summary of VA Benefits for National Guard and Reserve Personnel.

Question. It is imperative for the Department of Defense and the Veterans Administration to work closely to ensure that troops returning from Iraq and Afghanistan receive the benefits and assistance to which they are entitled.

How do the VA and Department of Defense coordinate information on returning troops? Is the VA getting timely and accurate information from the Department of Defense on returning troops? In what manner is information on returning troops transmitted to the VA from DOD?

Answer. VA's Office of the General Counsel continues to negotiate with DOD to obtain the complete range of returning service member data VA needs for identification, tracking, and statistical/reporting purposes. A formal Memorandum of Agreement (MOA) between VA and DOD is still pending.

However, a preliminary agreement has been reached that will allow VA to receive a flow of basic data from DOD on a regular basis, thus facilitating a seamless transition of seriously disabled service members into the VA system. As part of this agreement, VA will begin receiving data on those disabled service members who are entering the Physical Evaluation Board process.

Question. What is VA doing to reach out to reservists and national guardsmen that were activated and deployed who are now returning home and are entitled to benefits?

Answer. See the response above to the question concerning outreach to all of our returning troops from Iraq and Afghanistan. Outreach to reservists and National Guard members is addressed in that response.

COLORECTAL CANCER

Question. Colorectal cancer is the second leading cause of cancer deaths in the United States, yet survival rates are greater than 90 percent among those whose cancer is detected early.

Roughly, what percentage of patients who receive their health care at a Veterans Administration facility undergoes routine screening for colon cancer?

Answer. Screening for colorectal cancer in the VA has increased significantly. In fiscal year 2004, 74 percent of the established veterans (those who received care from VA in the past 12 months) requiring colorectal screening received it. The percentage of veterans requiring colorectal screening has been increasing. In fiscal year 1996, the percentage was 34 percent; in fiscal year 2001, 60 percent; in fiscal year 2002, 64 percent; and in fiscal year 2003, 67 percent.

Question. Many patients resist colon cancer screening tests due to the anticipated discomfort and inconvenience. On the other hand, those who choose to be screened by colonoscopy—the most accurate of the current modalities—must often wait months for access to a surgical suite and trained gastroenterologist. On average, how long must veterans wait for a screening colonoscopy at veterans' hospitals and clinics?

Answer. Diagnostic colonoscopies (for patients with symptoms or positive findings) are scheduled as soon as possible with an average wait time of 32 days. Screening colonoscopies (for asymptomatic patients) are scheduled for the next available appointment. VA does not measure specifically for screening colonoscopies, but we are providing the following waiting time information for diagnostic colonoscopies and GI clinics (which includes upper endoscopies and colonoscopies).

VHA has completed 20,186 diagnostic colonoscopies for the first 4 months of fiscal year 2005 with an average wait time from the patient's desired appointment date (from the date appointment created if a new patient) of 32 days. Half the appointments were completed within 17 days (median wait time was 17 days).

VHA completed 55,933 appointments for the GI Endoscopy Clinic for the first 4 months of fiscal year 2005. The average wait time from the patient's desired appointment date (or the date the appointment created if a new patient) was 31 days. Half were completed within 7 days (median wait time was 7 days).

Question. In the fiscal year 2004 Omnibus Appropriation, Congress urged the VA to pursue aggressively new technologies available for diagnosing colorectal cancer that are less invasive, less expensive and provide equal or better evaluations than older methods. What has the Administration done in response?

Answer. VA is committed to improving the colorectal screening methods and overall percentage of screened veterans. In general, VA follows the evidence-based review of the U.S. Preventive Services Task Force (USPSTF) in screening for colon cancer, which is found online at http://www.ahrq.gov/clinic/uspstf/uspscolo.htm. As noted in their conclusion, "It is unclear whether the increased accuracy of colonoscopy compared with alternative screening methods (for example, the identification of lesions that FOBT [fecal occult blood test] and flexible sigmoidoscopy would not detect) offsets the procedure's additional complications, inconvenience, and costs." However, the Task Force also found insufficient evidence that newer screening technologies (for example, computed tomographic colography) are effective in improving health outcomes. VA is still looking for evidence to show benefit of the newer technologies and works closely with USPSTF.

VA offers screening for colon cancer using all recognized effective modalities. If a patient experiences symptoms or has positive findings on a screening by any other modality than colonoscopy, then a diagnostic colonoscopy is scheduled.

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

MEDICAL HEALTH CARE

Question. Recently, I introduced the Assured Funding for Veterans Health Care Act (S. 331). This bill would ensure adequate veterans health care funding is available by making VA medical care mandatory spending. This legislation has been endorsed by all of the leading veterans organizations.

Do you support this legislation, and if not, why?

Answer. An analysis of your proposed legislation would need to be made in light of the President's fiscal year 2006 budget submission and overall guidance on the budget.

That said, however, VA has not supported similar legislation introduced in previous Congresses. While mandatory funding may appear to be an interesting approach to provide resources to America's veterans, VA has some serious concerns about its applicability to a very complex, highly dynamic and sophisticated health care delivery system such as the VA. A mandatory funding approach could inhibit VA's ability to appropriately react to rapid advances in medical science and technology and the development of new drugs and equipment have dramatically changed treatment modalities and the manner in which health care is delivered over the last decade. It could also fail to keep up with the demographic or health status changes

among veterans and possibly create a false impression that VA would have full funding to enroll all veterans. Therefore, a mandatory funding system based upon static or untimely fixed indices may not be the best way to ensure that adequate resources are available to maintain the high quality of care that VA has become renowned for to care for our Nation's veterans.

Former VA Secretary Principi testified that the VA needs at least a 13 percent-14 percent increase in medical funding each year just to maintain current health care services for veterans. The Bush Administration's fiscal year 2006 budget request for VA medical care does not include such an increase in funding.

Question. If the Administration's proposed VA health care funding levels were enacted would there be a decrease in any veterans health care services or was Secretary Principi incorrect in his analysis?

Answer. The Veterans Health Administration has received record budget increases over the last 4 years. With this budget proposal, the President, working in partnership with Congress, will have increased health care funding for veterans by more than 47 percent since fiscal year 2001.

In fiscal year 2006, VA plans to operate within the level of the President's Budget request of $30.7 billion (including $750 million for construction and $2.6 billion for collections) for the medical care program, an increase of 2.5 percent over the enacted level of fiscal year 2005. With this funding level, VA will be able to treat more than 5.2 million patients and VA will focus its health care resources on veterans with service-connected disabled conditions, those with lower incomes, and veterans needing our specialized services. In 2006, nearly 80 percent of veteran patients are expected to be high priority—those veterans who count on VA the most.

The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans—a 15-member panel that was assembled to study the health care needs of our Nation's veterans—released their recommendations in a report on May 28, 2003. The report stated clearly that the most pressing problem facing the VA health system is that funding is not keeping pace with the need for care. While the panel encouraged greater cooperation between the VA and the Department of Defense's health care system, they recognized this would not address the fundamental problem. Instead, the panel recommended two solutions to the VA's funding problems: create an independent board which will set the level of VA health care spending each year, or establish a formula and provide a mandatory amount of funding for VA medical care.

Question. Do you plan to endorse or act on either of these recommendations from the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans?

Answer. Thank you for your question regarding the endorsement of mandatory health care funding for the Department of Veterans Affairs. We are most appreciative of your interest and concern to ensure that sufficient resources are available to provide high-quality health care to our Nation's veterans.

The discretionary legislative process currently in place has provided for substantial increases for the Department of Veterans Affairs health care budget over the past several years, nearly a 47 percent increase since 2001.

While mandatory funding may appear to be an interesting approach to provide resources to America's veterans, VA has some serious concerns about its applicability to a very complex, highly dynamic and sophisticated health care delivery system such as the VA. A mandatory funding approach could inhibit VA's ability to appropriately react to rapid advances in medical science and technology and the development of new drugs and equipment have dramatically changed treatment modalities and the manner in which health care is delivered over the last decade. It could also fail to keep up with the demographic or health status changes among veterans and possibly create a false impression that VA would have full funding to enroll all veterans. Therefore, a mandatory funding system based upon static or untimely fixed indices may not be the best way to ensure that adequate resources are available to maintain the high quality of care that VA has become renowned for to care for our Nation's veterans.

Since 2001 VA has been utilizing a professional actuarial model as a basis for the formulation of the budget. These actuarial forecasts also have been integrated into the VHA's capital and strategic planning processes. This demand model has contributed significantly to the achievement of VA's strategic goals and performance measures to provide enrolled veterans with access to timely, quality care. This has allowed decision makers to ensure that resources are available to meet the expected demand or develop policies to address any gap between the expected demand and available resources. This professional, businesslike approach to forecasting is similar to that employed by many large private-sector organizations such as major insurance corporations throughout our country. The model utilized is highly sophisticated

and is capable of predicting patient utilization, reliance, morbidity, etc. We continue to revise and update the model in order to assure that future projections will be as accurate as possible.

VA therefore strongly believes that the utilization of a highly professional, scientific, actuarial model is a much more professional, effective, and businesslike approach for budget formulation and forecasting than those like mandatory funding.

QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

Question. In May 2001, President George W. Bush signed Executive Order 13214 creating the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans. The PTF Task Force. This task force was charged to identify ways to improve health care delivery to VA and Department of Defense beneficiaries. One important recommendation of this task force was recently addressed in a letter sent to the VA Secretary and to Defense Secretary Rumsfeld. This recommendation directed the VA to develop electronic medical records that are interoperable and bidirectional, allowing for a two-way electronic exchange of health information and occupational and environment exposure data. These electronic medical records should also include an easily transferable electronic DD214 forwarded from the DOD to the VA. This would allow the VA to expedite the claims process and give the service member faster access to health care and benefits.

What progress has been made towards accomplishing this task which is necessary in order to ensure that servicemen and women have a seamless transition from military to civilian life?

Answer. The Defense Personnel Records Image Retrieval System (DPRIS) is currently operational between the Department of Veterans Affairs, Veterans Benefits Administration (over 3,000 users) and the Official Military Personnel File systems of the Army, Navy, and Marine Corps. DPRIS connects to the VA Personnel Information Exchange System (PIES) and allows VA users to electronically request and receive official military personnel documentation. The interface with the Air Force will be completed in June 2005, and the VA will be able to retrieve imaged copies of military personnel records from the Air Force by September 2005. All of these systems contain the DD214 and many additional military personnel documents that VA uses. The most commonly requested form is the DD214, and although the performance parameter for DPRIS is to return the requested documents to VA within 48 hours, it is currently operating in near real time. In addition to the interagency collaboration on DPRIS, DOD and VA are also collaborating on VA access to military personnel information that will be stored as data in the Defense Integrated Military Human Resources System (DIMHRS). VA requirements for military information have been an integral and on-going part of the requirements collection for DIMHRS, and the two departments are now moving into the technical integration phase which will determine the most efficient and expeditious way for VA to access information in DIMHRS when it comes on line in 2006. The electronic exchange of DD214 information will be fully implemented with DIMHRS.

Question. According to a New England Journal of Medicine study published on July 1, 2004, dealing with Mental Health Problems and Barriers to Care with respect to Service Members Returning From Combat Duty in Iraq and Afghanistan, 82 percent of veterans acknowledged a need for mental health treatment, however only 24 percent reported ever receiving any mental health treatment within 1 year after returning from combat. Among the concerns veterans reported after returning from combat, were depression, anxiety, post traumatic stress disorder and almost one third reported the misuse of alcohol. With thousands of service members returning from Iraq and Afghanistan this year, these numbers will increase significantly. As you know, often times symptoms of post traumatic stress do not manifest themselves for months or even years after returning from combat.

Given the importance of mental health issues and the impact that these concerns will have on not only the service member's entire quality of life, as well as the quality of life of his or her family and community, what programs has the VA in place at present to deal with these matters and what plans do you have to deal with the increased numbers who will require this type of health care?

Answer. Meeting the needs of our returning veterans and their families is among VA's highest priorities. VA has indeed anticipated and prepared for the increased numbers of those requiring mental health services. VA's approach toward the returning troops and their families emphasizes health promotion and preventive care principles. This approach is designed to identify and resolve problems in readjustment to civilian life, before they progress to problems requiring more intensive clin-

ical interaction. For those that require clinical interaction, VA provides state-of-the-art psychotherapy and psychopharmacology treatments.

Based on VA's experience and research we do not expect that a great majority of Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) veterans will suffer long-term consequences of their war zone experience. However, many likely will have some short-term reactions to the horrors of war. Of those who do develop mental/emotional problems, PTSD will not be the only problem to be addressed. VA provides comprehensive care for veterans with mental disorders through a continuum of services designed to meet patients' changing needs.

Major depression and substance abuse are two problems that can be anticipated, and these disorders carry with them significant risk for dangerous behaviors such as suicide and family violence. VA provides care through 144 specialized PTSD programs throughout the country along with 206 (soon to be 207) Readjustment Counseling Centers (RCS), often called Vet Centers. In addition, Outpatient Clinical PTSD Teams, Specialized Inpatient PTSD Programs, and Residential Treatment Programs are located across the Nation. There are PTSD programs in all States. VA's ongoing PTSD program evaluation indicates improvements in PTSD symptoms and functioning in patients treated by VA for PTSD. In fiscal year 2004, VA spent more than $3 billion on the provision of treatment services (medical and psychiatric) to veterans with a mental illness.

The tasks for these teams are those of outreach, health promotion, consultation, and liaison. The working title for these programs is: Returning Veterans Outreach, Education and Care programs and there will be at least one program in every Veterans Integrated Service Network. VA's National Center for PTSD is creating an educational program entitled "PTSD 101" specifically for clinicians who will be hired into the new PTSD programs. There will be basic and advanced care modules. Linked to the concepts of the PTSD Clinical Practice Guideline and the Iraq Clinician War Guide, it will ensure the provision of the latest evidence-based care to veterans with PTSD and associated mental disorders.

Analysis of DOD data as of December 2004 shows that 244,054 troops had returned from Iraq, with 20 percent (48,733) receiving care in a VA medical center. Of those returned troops, 12,422 had a mental health diagnosis: 4,783 were previously diagnosed with PTSD, and 3,500 were diagnosed with a depressive disorder. An additional 2,082 veterans were diagnosed with PTSD at Vet Centers.

Readjustment Counseling Service takes the lead in providing outreach and counseling services through the 206 (soon to be 207) community-based centers throughout the United States. Fifty additional Global War on Terrorism counselors have been added to these centers to meet this need. In addition the Secretary has assigned authority to RCS to deliver bereavement counseling to those in need.

To position VA for future needs, we have allocated $100 million in fiscal year 2005 to implement initiatives contained in the Department's Mental Health Strategic Plan. The President's fiscal year 2006 budget submission proposes an additional $100 million for mental health initiatives in fiscal year 2006. These initiatives will benefit all veterans receiving mental health care from VA and include OEF/OIF outreach programs designed to provide preventive health services that should, in many instances, identify problems and address them before they require more extensive clinical intervention. These enhancements will also address increased clinical needs of returning veterans and existing veterans who come to VA for PTSD care.

Question. A core mission of the Department of Veterans Affairs is the provision of benefits to relieve the economic effects of disability upon veterans and their families. For those benefits to effectively fulfill their intended purpose the VA must process and adjudicate claims in a timely and accurate fashion. Rather than making headway and overcoming the chronic claims backlog and consequent protracted delays in claims disposition, the VA has lost ground to the problem, with the backlog of pending claims growing substantially larger. Historically, many underlying causes acted in concert to bring on this intractable problem. These dynamics acting in concert have been thoroughly detailed in several studies into the problem. While the problem has been exacerbated by lack of appropriate and decisive action, most of the causes can be directly or indirectly associated with inadequate resources.

What steps does the Veterans Administration plan to take by virtue of this recommended budget in order to improve the quality, proficiency, and efficiency within the Veterans Administration with respect to claims processing and adjudication?

Answer. The focus of the 2006 budget is to continue progress, in support of the President's initiative, to improve the timeliness and accuracy of claims processing. Recipients of compensation and pension benefits are projected to increase from 2.62 million in 2001 to 3.02 million in 2006, a 15.3 percent increase. The projected increase is due to a number of factors, including the current record levels of DOD active duty end strength resulting from the large number of activated reserve units.

—We continue to receive increasing numbers of claims. Between 2000 and 2004, the number of disability claims received annually rose from 674,000 to 771,000, or more than 14 percent. This budget conservatively estimates a 3 percent increase for 2005 and another 3 percent for 2006 in claims receipts. This increase is due to both the high active duty levels mentioned above, as well as an increase in the number of reopened claims due to various changes, including the addition of cardiovascular disease and residuals of stroke to the presumptive list for former Prisoners of War.

—To address projected workload increases, this budget continues to ensure a sufficient workforce in our compensation and pension programs to meet our targets. The FTE in the compensation and pension programs will increase by 128 in 2006.

This budget also continues VBA's goal to improve organizational designs and information technology investments to process claims as efficiently and accurately as possible. For example:

—In 2005 VBA will begin the consolidation of the disability determination aspects of the Benefits Delivery at Discharge Program into two rating activities located in Salt Lake City and Winston-Salem.

—In 2006 VBA will complete implementation of the Cooperative Separation Process/Examination initiative at the local level. This is a joint VA and DOD initiative that streamlines the military discharge process for separating servicemembers with disabilities.

—Funds are provided to continue reorganizing our field financial functions to reduce overhead and realign critical resources to our business processes directly serving veterans.

—$4.4 million is provided to begin implementation of the Vocational Rehabilitation & Employment Task Force recommendations to establish self-service job resource labs at each regional office to aid VR&E staff and veterans in comprehensive analyses of employment opportunities.

—Over $15 million has been allocated to support our highest priority IT initiative—VETSNET—and continue efforts in C&P, Education, and VR&E to move off the existing Benefits Delivery Network to the new corporate environment. VETSNET, when fully deployed, will greatly expand the information available to decision makers, reduce the number of times data must be entered both increasing efficiency and insuring that the same data is available throughout the Department.

In addition, the 2006 budget submission will enable VA to continue its efforts in skill certification. Skill certification is a core initiative of the Department to insure that claims processors in regional offices have tested and validated competencies in the essential aspects of their positions. We believe that skill certification directly addresses quality and proficiency.

VA will also continue its Benefit Delivery at Discharge (BDD) program. That program greatly simplifies the claims process and significantly reduces the amount of time required to process a claim.

Question. There are 119 State Veterans Homes in 48 States and Puerto Rico. For more than 100 years the Federal Government has provided support for our State Veteran's Homes in partnership with State governments. The Federal Department of Veteran's Affairs budget for fiscal year 2006 would change the eligibility for Federal support excluding for the first time whole priority groups of deserving veterans. As a result, up to 80 percent of veterans in many States may no longer qualify for partial Federal support through per diem payments. Budget assumptions reduce the VA Per Diem grant by $293 million. The budget would also place a moratorium on Federal construction grants for renovations and new construction of State Veterans Homes. After decades of partnership with the States—during which State taxpayers across the country have contributed millions of dollars to build and maintain the State Veterans Homes—the President's budget reneges on this commitment to our State homes, State taxpayers, and worst of all, our honored veterans. The impact of the proposal would be devastating for the residents of the State Veterans Homes. Of veterans currently residing in the Homes, approximately 20 percent would continue to receive the Federal per diem payments.

What suggestions does the VA have for veterans who cannot afford to pick up these additional payments as a result of the per diem change and what plan do you have for Louisiana Veterans Homes which will be unable to meet their operating costs as a result of this massive blow?

Answer. State Veterans Homes are owned, operated, and financed by the States. VA provides limited financial assistance to the States in the form of per diem grants for nursing home, hospital, domiciliary, and adult day healthcare. Only the nursing home per diem is affected by the fiscal year 2006 budget proposal. The cost of care

in State Veterans Homes varies from State to State, as does the amount of assistance provided to the Homes by the State. Currently, costs not covered by the VA per diem payments are covered from various sources, including the veterans themselves and State and Federal programs such as Medicare and Medicaid. VA's proposal could increase the share of costs borne by the State, depending upon the State's own policies for coverage of the costs of State Home care. State Homes will continue operations to the extent that individual States discharge their fiscal responsibility for the operation and management of the Homes. VA does not have information on the plans of individual States to respond to the change in VA policy.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Question. According to the Congressional Research Service, the 2003 decision by the Administration to suspend health care enrollments for the lowest priority veterans called Category 8 veterans will affect 522,000 veterans by the end of the current fiscal year.

Secretary Nicholson, how many Category 8 veterans in West Virginia are no longer eligible to enroll in the VA health care as a result of the 2003 decision?

Answer. As of the end of fiscal year 2004, VA estimates there were 78,688 veterans in West Virginia who were Priority 8 of which 24,649 were enrolled. VA projects there were 54,039 Priority 8 veterans in West Virginia who were not eligible to enroll with VA for health care.

Question. If this policy continues, as your budget proposes, how many Category 8 veterans in West Virginia will be affected in fiscal year 2006 and beyond? How many veterans will be affected nationally?

Answer. VA projects there are 9,818 Priority 8 enrollees residing in West Virginia who will pay the enrollment fee in fiscal year 2006 and another 8,789 who will choose not to pay. At the national level, 642,772 Priority 8 enrollees would pay the enrollment fee and 579,929 would not. These new collections will allow VA to continue to refocus resources on veterans that fall under VA's core medical care mission (those with service-related disabilities, lower incomes, and special health needs). The fees are more closely aligned with other public and private health plans.

PROPOSED BECKLEY VA MEDICAL CENTER NURSING HOME

Question. Mr. Secretary, I made your predecessors acutely aware of my very strong support for the construction of the proposed Beckley VA Medical Center Nursing Home, and I want to take this opportunity to familiarize you of my interest in this project, as well. The nursing home was authorized by the Veterans Programs Enhancement Act of 2000, with the sponsorship of Senator John D. Rockefeller, IV. The project was originally authorized at $9.5 million. However, after further consultation with VA Headquarters officials, the estimates were reformulated, with a new total cost of approximately $18 million for a 120-bed, 71,300 gross-square foot facility.

I have been supportive of this project since its inception. To aid in its development, I added $1 million to the fiscal year 2001 VA–HUD Appropriations bill for the design of such a nursing home on thirteen acres of available space owned by the Beckley VA Medical Center, a site for which I secured $100,000 several years ago in anticipation of increased demand for nursing home care in Southern West Virginia. Further, I have included language in the Senate reports accompanying the fiscal year 2002, 2003, 2004, and 2005 VA–HUD Appropriations bills to encourage that funds for the project be included in subsequent Administration budgets.

I understand that the project has undergone the Capital Asset Realignment for Enhanced Services (CARES) review process and that it has been included in the February 2005 VA Five-Year Capital Plan, 2005–2010, which lists the VA's highest priority major medical facility construction requirements over the next 5 years. While I am pleased that the proposed nursing home is on this list, I am disappointed that it is ranked #46 (out of 48 projects).

Mr. Secretary, is the VA adhering to its capital investment methodology by funding construction projects in priority order? Have there been any exceptions made? What are they?

Answer. The Department has adhered to the capital investment methodology when funding CARES projects. VA has only allowed projects to be funded out of order in extremely limited situations, based upon funding allocations, as described below.

The only exception being:

—*To Allow for Maximizing of the Utilization of Major Construction Funds.*—In fiscal year 2005 #29 San Diego, CA, $48.3 million was funded prior to #28 Dallas,

TX. Clinical expansion at San Diego was funded since it was less expensive and within VA's funding allowance. This occurred again in fiscal year 2006 when the design for #6 project in Fayetteville, AR, was funded prior to other higher ranking projects because of the availability of funding.

Question. At the current level of funding and the current rank of the Beckley VAMC Nursing Home, when do you anticipate that funds will be included in the President's Budget for this project? What can be done to move Beckley up the list?

Answer. When Beckley will be included in the President's budget cannot be determined at this time as new projects are added (and some may drop out) to the review process each year. For example, for fiscal year 2006 two additional projects were reviewed as compared to the previous year. Existing projects which have not received CARES funding and new projects are rescored each year. Split funded projects that have received previous CARES funds (because of their higher score) retain their ranking.

Based on the current capital decision criteria, it will be difficult for a project like Beckley to compete with other medical projects that clearly provide more access to care, or have a life-safety component (such as seismic) and/or provide for special disability services (spinal cord injury). How well a project addresses these criteria leads to an improved score.

Question. Will the VA's highest major construction priorities be reevaulated in the future, providing an opportunity for the proposed Beckley Nursing Home to move up on the list?

Answer. The Department rescores and ranks major projects every year. In the next few months, VA will again review and rank major construction projects. The highest ranking will be included in the congressional budget submission for fiscal year 2007.

Question. Since the proposed Beckley Nursing Home has already been designed with funds that I added in fiscal year 2001 and the land is already owned by the VA, why can't this project be moved up on the list since it is ready to go to construction?

Answer. The ranked list of projects are developed based on how well each project specifically addresses each of the main criteria and sub-criterion used for ranking CARES projects. It would not be equitable for the Department to move a project up this list simply based on the fact that it is designed. Our capital investment planning process and methodology involve a Department-wide approach for the use of capital funds and ensure all major investments are based upon sound economic principles and are fully linked to strategic planning, budget, and performance measures and targets. All CARES projects have been reviewed using a consistent set of evaluation criteria that address service delivery enhancements, safeguarding assets, support of special emphasis programs and services, capital portfolio goals, alignment with the President's Management Agenda, and financial priorities.

Question. What level of funding for the VA's major construction program will be required annually and for what period of time to complete all of the projects listed in the VA's Five-Year Capital Plan, 2005–2010?

Answer. VA will need to reexamine its needs each year and determine the appropriate breakout between major and minor construction. The Department is unable to determine for what period of time it would take to complete all the projects listed in our Five-Year Capital Plan because the plan is a dynamic document which is updated each year based on competing new projects and priorities. In addition, VA is still developing cost estimates for the 70 outyear projects that are listed in the plan. Most of these conceptual projects require further refinement and development. To date, VA has committed $2.15 billion to implementing CARES plans, and additional funding will be requested in the outyears as specific capital plans are designed.

Question. How many design awards has the Department made to date and for which projects? How many land purchases and for which projects? How many construction awards have been made and for which projects?

Answer. There have been 16 design awards and 2 construction awards. There were no land purchases.

Design Awards:

—Atlanta, GA—Modernize Patient Wards—6/04
—Chicago Westside, IL—Modernize Inpatient Space—11/02
—Columbus, OH—Outpatient Clinic—8/04
—Des Moines, IA—Extended Care Building—7/04
—Durham, NC—Renovate Patient Wards—9/04
—Las Vegas, NV—New Medical Facility—2/05
—North Chicago, IL—Surgical Suite/Emergency—11/03
—Pensacola, FL—Outpatient Clinic—1/04
—Pittsburgh, PA—Medical Center Consolidation—12/04

—San Antonio, TX—Ward Upgrades and Expansion—1/05
—San Diego, CA—Seismic Corrections—1/05
—San Francisco, CA—Seismic Corrections—12/03
—Tampa, FL—SCI—10/04
—Tampa, FL—Upgrade Electrical—10/04
—Tucson, AZ—Mental Health Clinic—8/04
—Wes Los Angeles, CA—Seismic Corrections—3/03
Construction Awards:
—Chicago Westside, IL—Modernize Inpatient Space—9/04
—North Chicago, IL—Surgical Suite Emergency—9/04
—Pensacola, FL—Outpatient Clinic—3/05

QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

REAL HEALTH CARE INCREASE

Question. This budget cites an increase of $522 million over last year; however, the number is much lower in reality—about $100 million. As is typical of this Administration, smoke and mirrors are used to deflect attention from the real number. Mr. Secretary, let's be perfectly clear about what the President is offering as an increase for VA health care. Your testimony cites a 2.5 percent increase for medical spending. The Majority staff on the Veterans' Affairs Committee provided a terrific chart which tries to make sense of the number and found that the requested increase is under $80 million. That's only $80 million more for the nearly 7 million veterans who are enrolled in VA healthcare, for the 170 hospitals and hundreds of outpatient clinics, for medical inflation, and payroll increases for thousands of VA health care workers. Mr. Secretary, Washington state has nearly 700,000 veterans and the population is growing. The CARES commission and my VISN director have told these veterans that two outreach clinics—in North Central Washington and Whatcom County—are on the way. But now they are on hold because of funding shortages.

Simply put: help me to understand how an $80 million increase keeps our promise to veterans? Set aside the possible increased revenue from insurance companies and the spending associated with new veterans' fees.

Answer. The President's 2006 request includes budgetary resources of $30.7 billion which will enable VA to provide the high-quality health care services that VA has become renowned for to more than 5.2 million patients in fiscal year 2006.

Question. The Budget proposes $30.7 billion (including collections) for medical care—a $0.8 billion (2.5 percent) increase over the 2005 enacted level—to treat over 5.2 million patients. The Budget assumes that Congress will authorize new authority whereby veterans with higher incomes and no military disabilities will pay a $250 annual enrollment fee and higher drug co-pays (from $7 to $15). These will still be low and more aligned with other public and private health plans.

What is the amount the President is requesting Congress appropriate for VA's hospitals and clinics?

Answer. VA is requesting the following appropriations in fiscal year 2006:

[In thousand of dollars]

Description	Amount
Medical Services	19,789,141
Medical Care Collections Fund	2,588,000
Medical Administration	4,439,124
Medical Facilities	3,888,469
Total 2006 Budget Request	30,704,734

Question. And again to be clear: what is the amount associated with payroll increases and inflation? The amount associated with payroll and inflation for VA health care is more than $1 billion, so the President's request doesn't even cover inflation.

Answer. The 2006 budget request reflects an increase of $858.9 million for payroll increases and an increase of $539.7 million for inflation. These increases are offset by a decrease in requested appropriations of $1.1 billion from a comprehensive set of legislative and regulatory policy proposals and a decrease of $590,000 for management efficiencies.

INCREASED COSTS FOR MIDDLE-INCOME VETS/BAN ON PRIORITY 8S

Question. This budget includes an increase in the drug co-payment and an annual enrollment fee of $250 for Priority 7 and 8 veterans. The threshold for Priority 7 is only $25,163 a year, so veterans with incomes above this level would be required to pay these new fees. The budget also continues the ban on Priority 8 veterans, who in some regions of the country can be making as little as $28,000 a year and still not be eligible for VA care. The President's co-pay increase and new enrollment fee are designed to literally drive veterans out of the system. Two years ago, the President had no qualms about prohibiting enrollment for new "middle-income" veterans. That policy continues today. In fact, the testimony touts that the President's enrollment decision was the "most effective" vehicle to manage health care resources. This budget takes a different route, however. The goal is to make the cost of coming to VA for health care prohibitively expensive. Either way, I have to question the priorities of this Administration. As you know, my father returned home from World War II as a disabled veteran and during the Viet Nam War, I interned in the Seattle VA hospital. I know first-hand the scars and wounds that burden our veterans when they come back home.

Mr. Secretary, our veterans—new and old—are some of our most important national security assets. Why not provide sufficient resources to care for all veterans?

Is this care not part of the cost of past wars and the current conflicts in which we are engaged?

Do you agree that VA healthcare for our soldiers returning home is a cost of war?

Answer. In the Eligibility Reform legislation, Congress established a priority-based enrollment system and required the VA Secretary, every year, to assess veteran demand for VA health care and determine whether or not resources are available to provide timely, quality care to all enrollees. Using this legislatively mandated system for prioritizing care to veterans, VA suspended enrollment in Priority 8 and has proposed cost-sharing policies for Priority 7 and 8 enrollees as a means of balancing veteran demand for VA health care and available resources. These policies also refocus the VA health care system on those veterans who need us most. With the implementation of the enrollment fee for Priority 7 and 8 enrollees, VA expects that 71 percent of all those using VA's health care system in 2006 will be veterans with service-connected medical conditions, special needs, and low incomes, up from 66 percent in 2004. The fees are more closely aligned with other public and private health plans.

REAL EFFECTS OF INCREASING OUT-OF-POCKET COSTS

Question. The Administration's budget calls for increasing the drug co-payment from $7 to $15 per 30-day prescription for Priority 7 and 8 veterans, as mentioned in an earlier question. It also would require these veterans to pay a $250 annual enrollment fee. At the bottom end of this spectrum, older veterans on fixed incomes could be making as little as $26,000 a year and still be subject to these increases in costs.

I'd like to briefly discuss the potential impact of some of your proposals on veterans in the "middle-income" bracket. Some of these veterans could be making as little as $26,000 a year and still be subject to the increases in out-of-pocket costs that are built into your budget. And, for a veteran living on a fixed income in a city with a high cost of living, like Seattle, this is quite harsh. For example, an older veteran on an average of eight medications would see a cost increase per year of more than $1,000, just to continue getting his or her needed medications and continue enrollment in VA health care.

How do you reconcile this with VA's mission of providing care to all who have served?

Answer. In the Eligibility Reform legislation, Congress established a priority-based enrollment system and required the VA Secretary, every year, to assess veteran demand for VA health care and determine whether or not resources are available to provide timely, quality care to all enrollees. Using this legislatively mandated system for prioritizing care to veterans, VA has proposed cost-sharing policies for Priority 7 and 8 enrollees as a means of balancing veteran demand for VA health care and available resources. These policies also refocus the VA health care system on those veterans who need us most. With the implementation of the enrollment fee for Priority 7 and 8 enrollees, VA expects that 71 percent of all those using VA's health care system in 2006 will be veterans with service-connected medical conditions, special needs, and low incomes, up from 66 percent in 2004. The fees are more closely aligned with other public and private health plans.

STATE VETERANS HOMES: ON THE CHOPPING BLOCK

Question. This budget contains proposals that will severely affect the State Veterans Home program. On the one side, the President will be seeking authority to restrict who can receive VA funding for care in these homes. While 50 percent of the veterans currently being cared for in Washington state's three facilities, the State Home Association has told me that in many States, 80 percent or more of State Home residents will be excluded by this change. According to the VA's average daily census for long-term care, there are estimated to be more than 19,000 individuals in State nursing homes. This budget would slash that figure to about 7,000—a 62 percent decline in 1 year.

Explain to me how you believe these homes will remain viable if these proposed policies are accepted?

Answer. State Veterans Homes are owned, operated, and financed by the States. VA provides limited financial assistance to the States in the form of per diem grants for nursing home, hospital, domiciliary, and adult day healthcare. Only the nursing home per diem is affected by the fiscal year 2006 budget proposal. The cost of care in State Veterans Homes varies from State to State, as does the amount of assistance provided to the Homes by the State. Currently, costs not covered by the VA per diem payments are covered from various sources, including the veterans themselves and State and Federal programs such as Medicare and Medicaid. VA's proposal could increase the share of costs borne by the State, depending upon the State's own policies for coverage of the costs of State Home care. In addition, VA long-term care has shifted from inpatient to outpatient, similar to the private sector. This is more convenient to patients and their families, and is more cost-effective

VA NURSING HOMES: ALSO ON THE CHOPPING BLOCK

Question. The Administration would also like to reduce VA's in-house capacity by almost 14,000 beds.

What can you tell me about where VA is in meeting the non-institutional capacity called for by GAO, and relied upon so heavily in your budget, to make up for this loss?

Answer. Non-institutional home and community-based care (HCBC) is part of the medical and extended care benefits package available to all enrolled veterans. We recognize that access to these services varies across VA's health care system. Last year, VA adopted a policy of increasing HCBC capacity by 18 percent annually to meet the full need of enrolled veterans by 2011, and established a performance measure for Network Directors to meet that goal. Capacity growth is targeted to those regions with the greatest current and projected need for services in order to reduce variability in access to care. Progress so far has been excellent. Capacity growth exceeded 20 percent in fiscal year 2004 and is at 113 percent of target so far in fiscal year 2005. The number of individual programs is also expanding. For example, VA recently approved its 100th Home-Based Primary Care Program (up from 77 less than 5 years ago), and Care Coordination services have now been approved in all 21 VISNs.

Care Coordination services involve the ongoing monitoring and assessment of selected patients using telehealth technologies to proactively enable prevention, investigation, and treatment that enhances the health of patients and prevents unnecessary and inappropriate utilization of resources. Care coordination provides patients a continuous connection to clinical services from the convenience of their place of residence.

SUBCOMMITTEE RECESS

Senator HUTCHISON. So with that, we are in our second vote and I am going to close this meeting. I thank you very much for your patience and look forward to working with all of you. And thank you, Dr. Perlin, for your comments as well.

[Whereupon, at 3:37 p.m., Tuesday, March 15, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2006

WEDNESDAY, MARCH 16, 2005

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

The subcommittee met at 2:08 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison, Allard, and Feinstein.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE ARMY

STATEMENT OF GEOFFREY G. PROSCH, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS AND ENVIRONMENT

ACCOMPANIED BY:

MAJOR GENERAL GEOFFREY D. MILLER, ASSISTANT CHIEF OF STAFF, INSTALLATION MANAGEMENT

MAJOR GENERAL WALTER F. PUDLOWSKI, SPECIAL ASSISTANT TO THE DIRECTOR, ARMY NATIONAL GUARD

BRIGADIER GENERAL GARY M. PROFIT, DEPUTY CHIEF, ARMY RESERVE

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. I'll call this meeting order. I'm very pleased to be able to have our second hearing on military construction. Last week, we had the first of our hearings, and today we are doing Army and Air Force. I want to welcome all of you to the Committee. My Ranking Member will be here shortly, but I wanted to go ahead and start so we could stay on time.

This is a dynamic year in military construction, and especially for the Army. Surely, the Army is doing more than probably we could ever have expected, doing modularity, global restationing and BRAC, all at the same time, as we are fighting the war in Iraq with heavy Army effort.

There are many demands on the Army right now, and a tough budget environment, but it doesn't change the fact that every soldier who is reassigned, restationed, or realigned will need a place to eat, sleep, and train, and every family will need quality education and healthcare.

Also, the experience of our military families throughout the processes of moving will directly affect morale, readiness, and retention of our men and women at a time when we must have retention.

So with all of these moving pieces, it seems to me that the Army should be investing heavily in infrastructure in order to have adequate facilities in place for its soldiers and their families when they arrive at the new post. Yet this year's budget request is $1.48 billion, down 16 percent from last year's request, 25 percent from last year's enacted levels.

I brought this up last week at the Defense Appropriations hearing, with both the Secretary and with General Schoomaker, so I do want everyone to know that I am concerned about the Army, the demands we're putting on the Army, and a lower military construction budget at the same time.

Having said that, I do so support where the Army is putting its increases, and that is in the Guard and Reserve. They are going up 23 and 22 percent, respectively, over their 2005 requests, and the Reserve request is 15 percent above enacted levels. That is, I think, a good thing. We have shortchanged Guard and Reserve facilities for many years. So, while we're not nearly where we need to be, I do support those increases. But I will ask you, as the representative of the Department, Mr. Prosch, to take back the message that I really believe we are shortchanging the Army in military construction.

On the Air Force, you have a 61 percent increase over fiscal year 2005. And, while the Air Force is not facing quite the level of change as the Army in the coming year, it will be actively participating in BRAC, global restationing, and the global war on terror. So there will be infrastructure needs over the next few years as these changes play out.

The Air Force has significantly boosted its family-housing budget request. It's up 18 percent from last year. And, as ardent a supporter as I am of housing privatization, I am pleased to know that with the budgetary cap on the program lifted, the Air Force is now really fully engaged in privatization. I am concerned that in our desire to meet the fiscal year 2007 goal of eliminating inadequate housing to all Services, that we also don't forgo responsible budgeting. I do think that the Committee, our Committee, needs to be kept apprised of the workings of the privatization, and, in cases where MILCON has been appropriated for certain projects that are now being converted to privatization, I think we need to be kept apprised of that and we need to have input when changes like that are made.

With that, I'm going to turn to Senator Allard to see if he has an opening statement. And when Senator Feinstein comes, I will certainly recognize her.

Senator Allard.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Thank you, Madam Chairman. I'd like to thank the panel for testifying today. And I'd like to thank you. I appreciate the opportunity to welcome our guests from both the Army and the Air Force here today.

Too often, in Congress, we focus on our military's fighting units and forget that significant combat-power multipliers are Defense installations. If we have the best installations and facilities, it will make it that much easier for our soldiers, sailors, and the airmen and marines to focus on their mission of defending our Nation.

I'm pleased to welcome our guests here from the Army today. I've been impressed by the proactive approach the Army has taken to address many of the pressing problems facing its military posts, facilities, and training ranges. By thinking ahead, I believe the Army is a couple of steps ahead of other services, addressing difficult problems, like encroachment and shrinking utility of our training ranges.

And, Madam Chairman, I'll also say that we've got, there at Fort Carson—we have some privatization of the housing which seems to be working very well. And both Congressman Hefley and myself have been following it very closely.

This praise does not mean the Army doesn't have problems. In particular, I am concerned about the redeployment of our troops stationed overseas to the continental United States. I support this redeployment, as it better addresses our global posture, but I am concerned the Army has not thought this through. I look forward to asking the witnesses some—from the Army some questions on this particular issue, if I'm here. Madam Chairman, I've got to leave in about 15 minutes or so.

Also, we'll be hearing testimony from witnesses from the Air Force. And, Madam Chairman, I have serious concerns about the way the Air Force has handled the cleanup of one of Colorado's former Air Force bases that was closed during a prior BRAC round. Once we've gone through BRAC closure, I think the follow-up in carrying through your commitments afterwards is extremely important. And so, I'll be asking questions in regard to the Air Force's lack of effort, and some issues regarding a closure that we had in Colorado. I may not be able to ask them in person, but, if not, we'll maybe submit questions to the Committee. Or perhaps, we'll submit them to the Army, and perhaps—maybe they can submit them back to the Committee for a response.

I look forward to working with all of you as we go through some difficult priorities setting here on the Committee. And I want to thank you, Madam Chairman, for giving me the time to say a few words.

Senator HUTCHISON. Thank you, Senator Allard.

We have our first panel today, Mr. Geoffrey Prosch, the Principal Deputy Assistant Secretary of the Army for Installations and Environment; Major General Geoffrey Miller, Assistant Chief of Staff of the Army for Installation Management; Major General Walter Pudlowski, Special Assistant to the Director of the Army National Guard; and Brigadier General Gary Profit, the Deputy Chief of the Army Reserve.

Mr. Prosch, I'm going to ask you to make your statement, but I do want to say how pleased I am with your accessibility. I have called on you many times, and you have responded, and I appreciate that very, very much. It helps for a very strong working relationship.

So if you—let me just see if my Ranking Member would like to make her opening statement now, or would you prefer to wait?

Senator FEINSTEIN. No statement, Madam Chairman, just to welcome everybody. I look forward to their presentations.

Senator HUTCHISON. Senator Burns submitted a statement to be included in the hearing.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Thank you, Chairwoman Hutchison. Gentlemen, thank you for coming to brief our subcommittee this afternoon. Your service and work is critical to the development and maintenance of the facilities for our soldiers, sailors, airmen, and marines around the world. Since today, we are talking specifically about Air Force and Army military construction, I will restrict my remarks to those areas. 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 the current and future requirements with which they have been tasked.

Our military personnel are based in dangerous areas all around the world. It speaks well of the character of our young men and women, who, despite these dangers, accept this duty and continue their voluntary service to our Nation. We must ensure that we provide the resources needed to maintain their installations both at home and overseas.

I hold firm in my belief that replacing dangerous and outdated facilities improves morale for our military forces worldwide, contributing to better-trained, more enthusiastic 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 dividends. When I chaired this subcommittee years ago, I did just that in my State of Montana. Our Air Force and Guard facilities were "vintage 1940" buildings. Today Montana has state of the art facilities and it has made all the difference in the world for those men and women. So it is that I really feel our commitment to quality of life and modern facilities must not end with the active forces. We must continue to support essential infrastructure improvements for our National Guard forces, which are fighting alongside our active duty forces.

Part of this quality of life includes physical fitness. It is clear that Air Force Chief of Staff, General Jumper, is making fitness a priority throughout the Air Force. I think this is a good thing. We are desperately in need of a new physical fitness center at Malmstrom Air Force Base (AFB), in Great Falls, Montana. Some of you may know that it can get a little chilly up in Montana during the year. . . . This, combined with the fact that Malmstrom AFB has the youngest average age of any Air Force base, has really accelerated the need for expansion of the existing facility. I hope you—Secretary Kuhn and Major General Fox—will work with me in finding a way to get this project accomplished as soon as possible.

We have also had some problems with Air Force contractors over the years at Malmstrom AFB, on various family housing projects. It just shouldn't be something that our airmen have to worry about—sinking foundations, front steps separating from the rest of the house, etc. While most of this is currently in litigation, I do look appreciate your willingness to continue discussions on these issues with you, should further steps need to be taken.

Mr. Prosch, I also note with interest a specific initiative the Army is undertaking as part of an overall improvement to its facilities posture. As we listen to your testimony today, I would like to hear more about the Army's "Range and Training Land Strategy" and hope we can discuss this further. Fort Harrison, in Helena, Montana, is a wonderful asset to not only the Montana National Guard, but the entire United States military. Various units from across the country love to come to Fort Harrison to train. I wonder if Fort Harrison could fit into this strategy somehow.

You will continue to have my strong support in these areas, as we invest in training and quality of life measures. It is of utmost importance that we do what we can to maintain the proficiency, readiness, and morale of these soldiers and airmen, whom this Nation relies upon to protect freedom and our way of life.

Again, I thank you for being here today and look forward to your testimony. Thank you, Chairwoman Hutchison.

Senator HUTCHISON. Thank you.

Mr. Prosch.

Mr. PROSCH. Thank you, ma'am.

STATEMENT OF GEOFFREY G. PROSCH

Madam Chairman Hutchison, Ranking Member Feinstein, Senator Allard, I'm pleased to appear before you with my Army Installation partners, Major General Geoffrey Miller from the Active Army, Major General Walt Pudlowski from the Army National Guard, and Brigadier General Gary Profit from the Army Reserve.

This is my fourth year to have this distinct honor to represent our great Army and to testify before Congress. It is wonderful to be here today with friends and Army supporters from this Committee. We look forward to the opportunities this Committee brings toward leveraging enhanced quality of life for our soldiers and families.

We have provided a written statement for the record that provides details on our Army's fiscal year 2006 Military Construction budget. On behalf of the Army Installation Management team, I would like to comment briefly on the highlights of our program.

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

We have submitted a military construction budget of $3.3 billion that will fund our highest-priority active Army, Army National Guard, and Army Reserve facilities, along with our family housing requirements. This budget request supports our Army vision encompassing current readiness, transformation, and people.

As we are fighting the global war on terrorism, we are simultaneously transforming to be a more relevant and ready Army. We are on a path with the transformation of installation management that will allow us to achieve these objectives. We currently have hundreds of thousands of soldiers mobilizing and demobilizing, deploying and redeploying. More troops are coming and going on our installations than in any era since World War II. Our soldiers and installations are on point for the Nation.

And on a special note I would ask everyone here to keep our forward-deployed soldiers in your thoughts and prayers. New forces have rotated recently to Iraq. The 3rd Infantry Division and the 3rd Armored Cavalry Regiment have returned for their second tour of duty. The 42nd Infantry Division, Army National Guard, the Rainbow Division, has deployed. Now, they are over there. The enemy will test them early on. So keep them in your prayers.

The Army recently identified key focus areas to channel our efforts to win the global war on terrorism and to increase the relevance and readiness of our Army. One of our focus areas is "installations as flagships," which enhances the ability of our installations to project power and support families. Our installations support an expeditionary force, where soldiers train, mobilize, and deploy to fight and are sustained as they reach back for enhanced support. Soldiers and their families who live on and off the installation deserve the same quality of life as is afforded the society they are pledged to defend. Installations are a key ingredient to combat readiness and well-being.

Our worldwide installations' structure is critically linked to Army transformation and the successful fielding of the modular force. Military construction is a critical tool to ensure that our installations remain relevant and ready.

Our fiscal year 2006 Military Construction budget will provide the resources and facilities necessary for continued support of our mission. Let me summarize what this budget will provide for our Army: new barracks for 5,190 soldiers, adequate on-post housing for 5,800 Army families, increased MILCON funding for the Army National Guard and the Army Reserve over last year's request, new readiness centers for over 3,300 Army National Guard soldiers, new Reserve centers for over 2,700 Army Reserve soldiers, a $292 million military construction investment in training readiness, and facilities support and improvements for our Stryker Brigades.

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

PREPARED STATEMENT

In closing, Madam Chairman, we thank you for the opportunity to outline our program. As I have visited Army installations, I have witnessed progress that has been made, and we attribute much of this success directly to the longstanding support of this Committee and your able staff. With your continued assistance, our Army pledges to use fiscal year 2006 MILCON funding to remain responsive to our Nation's need.

Thank you for the opportunity to appear before your Subcommittee and answer any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF GEOFFREY G. PROSCH

INTRODUCTION

Madam Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss our Army's Military Construction budget for fiscal year 2006. Our request includes initiatives and sustainment of programs of critical importance to our Army, the Congress, and the Global War on Terrorism, and we appreciate the opportunity to report on them to you. We would like to start by thanking you for your unwavering support to our Soldiers and their families who serve our Nation around the world. Their courage and sacrifices remain the foundation of our Army, and they would not be able to perform their global missions so successfully without your steadfast support.

OVERVIEW

Installations are the home of combat power—a critical component to the Nation's force capabilities. The Department of Defense and our Army are working to ensure that we deliver cost-effective, safe, and environmentally sound capabilities and capacities to support the national defense mission.

Today, United States forces are engaged worldwide in a war against global terror. Operations Enduring Freedom and Iraqi Freedom clearly underscore the need for a joint, integrated military force ready to defeat all threats to United States interests. To meet the security challenges of the 21st Century, we require the right blend of people, weapons, and support systems. Regarding support systems, we need a global framework of Army installations, facilities, ranges, airfields and other critical assets that are properly distributed, efficient, and capable of ensuring that we can

successfully carry out the roles, missions, and tasks that safeguard our security at home and overseas.

The Army's installations framework is multi-purposed. It must sustain the regular forward presence of U.S forces as well as their emergency deployment in crisis, contingency, and combat. It must have the surge capacity to support the mobilization and demobilization of our Army reserve component forces. It must also focus 10 to 20 years into the future to develop technologically advanced, affordable, and effective joint systems and platforms and develop highly qualified and committed installation management personnel who will operate and maintain them. Our framework must provide a productive, safe, and efficient workplace and offer a decent quality of service and facilities for our Soldiers and their families (comparable to the American citizens off post they are pledged to defend).

We recognize the enormity of the task to provide the right installations framework given the other competing funding programs. We are challenged to find the optimum management approach that balances the many purposes of our assets. For example, while our installations retain their primary military mission to organize, train and equip our forces, they also are home to rare species of plants and animals while experiencing encroachment from outside civilian communities. Our stewardship thus embraces the joint warfighting requirements of the Combatant Commanders with environmental management and stewardship of our Earth.

DEFENSE INSTALLATIONS STRATEGIC PLAN

In August 2001, the Department of Defense issued the first-ever Defense Installations Posture Statement along with the initial Defense Facilities Strategic Plan. Those concepts and initiatives have guided the Department's programs and budgets and enabled substantial improvements in the management and sustainability of our installation assets. However, the attacks of September 11, 2001, and the ongoing Global War on Terrorism significantly altered our requirement for homeland security. The Department of Defense 2004 Installations Strategic Plan significantly expands the scope and depth of the initial Strategic Plan. The expanded scope reflects the integral relationship between natural and manmade assets on our installations. It advances the integration of installations and the environmental, safety, and occupational health activities to enhance overall support of the military mission.

Our vision is to ensure installation assets and services are available when and where needed, with joint capabilities and capacities necessary to effectively and efficiently support DOD missions.

Our mission is to provide, operate, and sustain, in a cost-effective and environmentally sound manner, the installation assets and services necessary to support our military forces—in both peace and war.

Our goals include the following.

Right Size and Place.—Locate, size, and configure installations and installation assets to meet the requirements of both today's and tomorrow's force structure.

Right Quality.—Acquire and maintain joint Army installation assets to provide good, safe, and environmentally sound living and working places, suitable base services, and effective support for current and future missions.

Right Safety and Security.—Protect Army installation assets from threats and unsafe conditions to reduce risk and liabilities.

Right Resources.—Balance requirements and resources—money, people, and equipment—to optimize life-cycle investments and reduce budget turbulence.

Right Tools and Metrics.—Improve portfolio management and planning by embracing best business practices, modern asset management techniques, and performance assessment metrics.

THE WAY AHEAD

Army installations are the home of U.S. combat power and are an inseparable element of the Nation's military readiness and wartime effectiveness. From our installations, we generate the combat power required today and develop the combat power that will be needed in the future. To operate installations effectively and efficiently, we must sustain, restore, and modernize all of our installation assets and services—all the natural and manmade assets associated with owning, managing, and operating an installation, including the facilities, people, and internal and external environments.

Our plan is to deliver a framework of installations, facilities, ranges, and other critical assets that is properly distributed, efficient, and capable of ensuring that we can successfully carry out the roles, missions, and tasks that safeguard our security at home and overseas. We have made good progress in many areas, but much remains to be done. America's security depends upon installation assets that are avail-

able when and where needed and with the right capabilities to support current and future mission requirements. As the guardians of Army installations and environment, we embrace transformation as the only way to guarantee these capabilities are delivered—effectively and efficiently.

ARMY INSTALLATION STRATEGIES

To improve our Army's facilities posture, we have undertaken specific initiatives to focus our resources on the most important areas—Barracks, Family Housing, Revitalization/Focused Facilities, Range and Training Land Strategy, and Current to Modular Force.

Barracks Modernization Program.—Our Army is in the 12th year of its campaign to modernize barracks to provide 136,000 single enlisted permanent party Soldiers with quality living environments. The new complexes meet the Department of Defense "1+1" or equivalent standard by providing two-Soldier suites, increased personal privacy, larger rooms with walk-in closets, new furnishings, adequate parking, landscaping, and unit administrative offices separated from the barracks.

Army Family Housing.—This year's budget continues our significant investment in our Soldiers and their families by supporting our goal to have contracts and funding in place to eliminate inadequate housing by fiscal year 2007 in the United States and by fiscal year 2008 overseas. For families living off-post, the budget for military personnel maintains the basic allowance for housing that eliminates out of pocket expenses.

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

Installation Status Report – Facilities Quality Ratings	
C-1	Minor deficiencies that have negligible impact on mission performance
C-2	Some deficiencies that have limited impact on mission performance
C-3	Significant deficiencies that prevent performance of some missions
C-4	Major deficiencies that preclude satisfactory mission performance

We are a C–1 Army living and working in C–3 facilities. Our goal is to reach an overall Army average of C–2 quality by concentrating on seven types of C–3 and C–4 facilities. These focus facilities are general instruction buildings, Army National Guard Readiness Centers, Army Reserve Centers, tactical vehicle maintenance shops, training barracks, physical fitness centers, and chapels.

Army Range and Training Land Strategy.—Ranges and training lands enable our Army to train and develop its full capabilities to ensure our forces are relevant and ready. Our Army Range and Training Land Strategy supports the Department of Defense's training transformation goals, Army transformation, and our Army's Sustainable Range Program. The Strategy identifies priorities for installations requiring resources to modernize ranges, mitigate encroachment, and acquire training land.

Current to Modular Force.—The fiscal year 2006 budget includes projects to ensure that our "training battlefields" continue to meet the demands of force structure, weapons systems, and doctrinal requirements. As of fiscal year 2005, we have constructed or funded 80 percent of the Military Construction requirements for the Stryker Brigade Combat Teams.

Leveraging Resources.—Complementary to these budget strategies, the Army also seeks ways to leverage scarce resources and reduce our requirements for facilities and real property assets. Privatization initiatives such as Residential Communities Initiative (RCI), Utilities Privatization, and build-to-lease family housing in Europe and Korea represent high payoff programs which have substantially reduced our dependence on investment funding. We also benefit from agreements with Japan, Korea, and Germany where the Army receives host nation funded construction.

In addition, Congress has provided valuable authorities to utilize the value of our non-excess inventory under the Enhanced Use Leasing program and to trade facilities in high cost areas for new facilities in other locations under the Real Property Exchange program. In both cases, we can capitalize on the value of our existing assets to reduce un-financed facilities requirements.

Looking toward the immediate future, we are aggressively reviewing our construction standards and processes to align with industry innovations and best practices.

In doing so, we hope to deliver more facilities capability at comparable costs and meet our requirements faster.

MILITARY CONSTRUCTION

Our Army's fiscal year 2006 budget request includes $3.3 billion for Military Construction appropriations and associated new authorizations.

Military Construction Appropriation	Authorization Request	Authorization of Appropriations Request	Appropriation Request
Miltiary Construction Army (MCA)	$1,262,719,000	$1,479,841,000	$1,479,841,000
Military Construction Army National Guard (MCNG)	NA	327,021,000	327,012,000
Military Construction Army Reserve (MCAR)	NA	106,077,000	106,077,000
Army Family Housing (AFH)	549,636,000	1,362,629,000	1,362,629,000
Total	1,812,355,000	3,275,559,000	3,275,559,000

MILITARY CONSTRUCTION, ARMY (MCA)

The Active Army fiscal year 2006 Military Construction request is $1,262,719,000 for authorization and $1,479,841,000 for authorization of appropriations and appropriation. As was the case last year, we have included only minimal, critical, overseas projects in this year's budget. These projects will provide the infrastructure necessary to ensure continued Soldier readiness and family well-being that is essential throughout any period of transition.

People Projects.—The well-being of our Soldiers, civilians, and families is inextricably linked to our Army's readiness. We are requesting $759 million or 51 percent of our MCA budget for projects to improve well-being in significant ways.

Our Army continues to modernize and construct barracks to provide enlisted single Soldiers with quality living environments. This year's budget includes 19 barracks projects to provide new or improved housing for 5,190 Soldiers. With the approval of $716 million for barracks in this budget, 85 percent of our requirement will be funded at the "1+1" or equivalent standard. We are making considerable progress at installations in the United States, but will only fund high-priority projects at enduring installations in Europe and Korea.

We are requesting full authorization of $331 million for multi-phased barracks complexes, but requesting only $156 million in appropriations for these projects in fiscal year 2006. Our plan is to award each complex, subject to subsequent appropriations, as single contracts to gain cost efficiencies, expedite construction, and provide uniformity in building systems.

We are also requesting the second increment of funding, $21 million for a Basic Combat Training Complex that was fully authorized last year. This Complex will house 1,200 basic trainees and provide company and battalion headquarters with classrooms and an exterior physical fitness training area. The fiscal year 2006 budget also includes a physical fitness center for $6.8 million and a child development center for $15.2 million.

Current Readiness Projects.—Projects in our fiscal year 2006 budget will enhance training and readiness by providing arrival/departure facilities, maintenance facilities, and the second phase of a library and learning center. We will also construct combined arms collective training facilities, shoot houses, an infantry platoon battle course, a qualification training range, a multipurpose squad course, a digital multipurpose training range, urban assault courses, and a modified record fire range. These facilities will provide our Soldiers realistic, state-of-the-art live fire training. We are requesting a total of $424 million for these high priority projects.

Modular Force Projects.—Our budget supports transformation of the Army to a modern, strategically responsive force. Projects include a road upgrade, a tactical vehicle wash facility, a battle area complex, a modified urban assault course, and a vehicle maintenance facility. Our budget contains $115 million for these projects.

Other Worldwide Support Programs.—The fiscal year 2006 MCA budget includes $141 million for planning and design of future projects. As executive agent, our Army also provides oversight of design and construction for projects funded by host nations. The fiscal year 2006 budget requests $20 million for oversight of approximately $800 million of host nation funded construction in Japan, Korea, and Europe for all Services.

The fiscal year 2006 budget also contains $20 million for unspecified minor construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

Our Army National Guard's fiscal year 2006 Military Construction request for $327,012,000 (for appropriation and authorization of appropriations) is focused on Current Readiness, Modular Force, and other worldwide and unspecified programs.

Current Readiness Projects.—In fiscal year 2006, our Army National Guard has requested $71.6 million for six projects to support current readiness. These funds will provide the facilities our Soldiers require as they train, mobilize, and deploy. Included are one Readiness Center, two maintenance facilities, two training projects, and a training range environmental mitigation project.

Modular Force Projects.—This year, our Army National Guard is requesting $201.7 million for 37 projects to transform to a Modular Force. There are 13 projects for our Army Division Redesign Study, three for Aviation Transformation to provide modernized aircraft and change unit structure, four for the Army Range and Training Land Strategy, and 17 for the Stryker Brigade Combat Team initiative.

Other Worldwide Support Programs.—The fiscal year 2006 MCNG budget also contains $46.1 million for planning and design of future projects, along with $7.6 million for unspecified minor military construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

Our Army Reserve's fiscal year 2006 Military Construction request for $106,077,000 (for appropriation and authorization of appropriations) is for Current Readiness and other worldwide unspecified programs.

Current Readiness Projects.—In fiscal year 2006, our Army Reserve will invest $56.4 million to construct four new Reserve Centers and the second phases of two other Reserve Centers; invest $15.4 million to construct the first phase of a three-phase noncommissioned officer academy; and $5.4 million for a Public Safety Center—for a total facility investment of $77.2 million. Construction of the six Army Reserve Centers will support over 2,700 Army Reserve Soldiers. In addition, our Army Reserve will invest $11.5 million to construct six training ranges, which will be available for joint use by all Army components and military services.

Other Worldwide Unspecified Programs.—The fiscal year 2006 MCAR budget request includes $14.4 million for planning and design for future year projects. The fiscal year 2006 MCAR budget also contains $3.0 million for unspecified minor military construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING CONSTRUCTION (AFHC)

Our Army's fiscal year 2006 family housing request is $549,636,000 (for appropriation, authorization of appropriation, and authorization). It continues the successful and well-received Whole Neighborhood Revitalization initiative approved by Congress in fiscal year 1992 and supported consistently since that time, and our Residential Communities Initiative (RCI) program.

The fiscal year 2006 new construction program provides Whole Neighborhood replacement projects at seven locations in support of 709 families for $231.7 million. In addition, we will replace 709 houses and upgrade another 1,112 using traditional military construction.

The Construction Improvements Program is an integral part of our housing revitalization and privatization programs. In fiscal year 2006, we are requesting $162.4 million for improvements to 1,112 existing units at three locations in the United States and five locations in Europe, as well as $138.0 million for scoring and direct equity investment in support of privatizing 3,606 units at three RCI locations.

In fiscal year 2006, we are also requesting $17.5 million for planning and design for future family housing construction projects critically needed for our Soldiers.

Privatization.—RCI, our Army's Family Housing privatization program, is providing quality, sustainable housing and communities that our Soldiers and their families can proudly call home. RCI is a critical component of our Army's effort to eliminate inadequate family housing in the United States. The fiscal year 2006 budget provides support to continue implementation of this highly successful program.

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

The RCI program currently includes 45 installations with a projected end state of almost 84,000 units—over 90 percent of the family housing inventory in the United States. By the end of fiscal year 2005, our Army will have privatized 29 installations with an end state of 60,000 homes. We have privatized over 50,000 homes through December 2004, and with your approval of the fiscal year 2006 budget, we will have privatized over 71,600 homes by the end of fiscal year 2006.

ARMY FAMILY HOUSING OPERATIONS (AFHO)

Our Army's fiscal year 2006 family housing operations request is $812,993,000 (for appropriation and authorization of appropriations), which is approximately 59 percent of the total family housing budget. This account provides for annual operations, municipal-type services, furnishings, maintenance and repair, utilities, leased family housing, demolition of surplus or uneconomical housing, and funds supporting management of the Military Housing Privatization Initiative.

Operations ($138 million).—The operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. All operations sub-accounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate family housing.

Utilities ($132 million).—The utilities account includes the costs of delivering heat, air conditioning, electricity, water, and wastewater support for family housing units. While the overall size of the utilities account is decreasing with the reduction in supported inventory, per-unit costs have increased due to general inflation and the increased costs of fuel. We continue to make steady progress in the privatization of utility systems/infrastructure on our installations.

Maintenance and Repair ($309 million).—The maintenance and repair (M&R) account supports annual recurring maintenance and major maintenance and repair projects to maintain and revitalize family housing real property assets. Since most Family Housing operational expenses are fixed, M&R is the account most affected by budget changes. Funding reductions results in slippage of maintenance projects that adversely impacts on Soldiers and family quality of life.

Leasing ($214 million).—The leasing program provides another way of adequately housing our military families. The fiscal year 2006 budget includes funding for 13,190 housing units, including existing Section 2835 ("build-to-lease"—formerly known as 801 leases) project requirements, temporary domestic leases in the United States, and approximately 8,100 units overseas.

RCI Management ($20 million).—The RCI management program provides funding for the implementation and oversight requirements for procurement, environmental studies, real estate support, portfolio management, and operation of the overall RCI program.

BASE REALIGNMENT AND CLOSURE (BRAC)

In 1988, Congress established the Defense Base Realignment and Closure Commission to ensure a timely, independent and fair process for closing and realigning military installations. Since then, the Department of Defense has successfully executed four rounds of base closures to rid the Department of excess infrastructure and align the military's base infrastructure to a reduced threat and force structure. Through this effort, our Army estimates approximately $10 billion in savings through 2005.

Our Army is requesting $93.9 million in fiscal year 2006 for prior BRAC rounds ($4.5 million to fund caretaking operations of remaining properties and $89.4 million for environmental restoration). In fiscal year 2006, our Army will complete environmental restoration efforts at four installations, leaving nine remaining BRAC installations requiring environmental restoration. We also plan to dispose of an additional 1,119 acres in fiscal year 2006.

To date, our Army has disposed of 227,429 acres (88 percent of the total acreage disposal requirement of 258,607 acres). We have 31,186 acres remaining to dispose of at 21 installations. Our Army continues to save more than $900 million annually from previous BRAC rounds. To date, the Army has spent $2.6 billion on BRAC environmental restoration.

OPERATION AND MAINTENANCE

The fiscal year 2006 Operation and Maintenance budget includes funding for Sustainment, Restoration, and Modernization (S/RM) and Base Operations Support (BOS). The S/RM and BOS accounts are inextricably linked with our Military Construction programs to successfully support our installations. The Army has centralized the management of its installations assets under the Installation Management Agency (IMA) to best utilize operation and maintenance funding.

Sustainment, Restoration, and Modernization.—S/RM provides funding for the Active and Reserve Components to prevent deterioration and obsolescence and restore the readiness of facilities on our installations.

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

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

Base Operations Support.—This funds programs to operate the bases, installations, camps, posts, and stations for our Army worldwide. The program includes municipal services, government employee salaries, family programs, environmental programs, force protection, audio/visual, base communication services and installation support contracts. Army Community Service and Reserve Component family programs include a network of integrated support services that directly impact Soldier readiness, retention, and spouse adaptability to military life during peacetime and through all phases of mobilization, deployment, and demobilization.

Installation Management Agency.—The Installation Management Agency (IMA) is a result of the Army leadership's vision to streamline headquarters, create more agile and responsive staffs, reduce layers of review and approval, focus on mission, and transform the Army. IMA brings together all installation support services under one umbrella to promote optimal care and support of Soldiers and families. IMA is at the center of the Army's initiative to mold installation support functions into a corporate structure, enabling equitable, efficient, and effective management of Army installations worldwide. IMA supports readiness, promotes well-being, and preserves infrastructure and the environment.

In its first 2 years, IMA has been successful in executing the tasks associated with growing a new organization, while simultaneously supporting the Global War on Terrorism. In the upcoming year, IMA will continue to develop a cadre of leaders to orchestrate excellence in installation management; manage installations equitably, effectively, and efficiently; support the well-being of the Army's people; practice sound stewardship and resource management; deliver improved mission support to all organizations; and develop and sustain an innovative, team-spirited, highly capable, service-oriented workforce.

HOMEOWNERS ASSISTANCE FUND, DEFENSE

Our Army is the Department of Defense Executive Agent for the Homeowners Assistance Program. This program provides assistance to homeowners by reducing their losses incident to the disposal of their homes when military installations at or near where they are serving or employed are ordered to be closed or the scope of operations reduced. For fiscal year 2006, there is no request for appropriations and authorization of appropriations. Requirements for the program will be funded from prior year carryover and revenue from sales of homes. Assistance will be continued for personnel at five installations that are impacted with either a base closure or a realignment of personnel, resulting in adverse economic effects on local communities. The fiscal year 2006 Homeowners Assistance Program budget does not include resources for potential requirements that the new Base Realignment and Closure 2005 process may cause.

FISCAL YEAR 2005 SUPPLEMENTAL BUDGET REQUEST

The fiscal year 2005 Supplemental request funds facilities that directly support the Global War on Terrorism in both the United States and overseas locations. It contains $990.1 million in Military Construction for the Active Component Army.

Within the Central Command area of operations in Afghanistan and Iraq, there are $687.3 million for military construction projects. Projects in Afghanistan include barracks, a fuel storage tank farm and distribution system, Joint operations center, power generation plant, and an ammunition supply point. Projects in Iraq include barracks, a tactical operations building, medical facilities, an overhead cover system for force protection, an equipment support activity, a battalion and company head-

quarters, a 60-mile supply route, and a project to encapsulate hazardous materials bunkers.

Within the Southern Command area of operations at Guantanamo Bay, Cuba, there is $41.8 million for two military construction projects—a detention facility and a radio range security fence.

Within the United States, there is $261 million for military construction relating to modularity. The projects, distributed to seven different locations, include site preparation and utility work, an aircraft maintenance hangar, an aircraft hangar, and mobilization and training barracks.

Additionally, the fiscal year 2005 Supplemental budget includes $248 million in Other Procurement, Army for relocatable buildings to provide temporary barracks, company operations, and dining and maintenance facilities at five locations in the United States. These are required to support our Soldiers as they prepare for battle.

SUMMARY

Madam Chairman, our fiscal year 2006 budget is a balanced program that supports our Soldiers and their families, the Global War on Terrorism, Army transformation, readiness and Department of Defense installation strategy goals. We are proud to present this budget for your consideration because of what this $3.3 billion fiscal year 2006 budget will provide for our Army:

—New barracks for 5,190 Solders
—New housing for 5,800 families
—Management of 71,600 privatized homes
—Operation and sustainment of 48,000 government-owned and leased homes
—New or improved Readiness Centers for over 3,300 Army National Guard Soldiers
—New Reserve Centers for over 2,700 Army Reserve Soldiers
—Three Aviation Transformation projects
—$292 million investment in training ranges
—Facilities support for two Stryker Brigades
—Transfer/disposal of 88 percent of prior Base Realignment and Closure acreage

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

In closing, we would like to thank you again for the opportunity to appear before you today and for your continued support for our Army

Senator HUTCHISON. Thank you, Mr. Prosch. You are the only one on the panel making a statement?

Mr. PROSCH. Yes, ma'am.

Senator HUTCHISON. Then I would like to defer to Senator Allard, since he has to go, for the first questions. And then I will call on Senator Feinstein, and then I will go next. We are going to have a 5 minute time rule.

Senator ALLARD. Thank you, Madam Chairman.

EASEMENTS TO PREVENT URBAN ENCROACHMENT

One of the things that's happening in Fort Carson is that we have an opportunity to begin to take advantage of some easements around the base there to prevent urban encroachment. This is a problem, when we were on Armed Services Committee, that we've addressed with some authorizing legislation. And it seems as though we have reached a consensus, as far as the community leaders are concerned; we have reached consensus as far as the base commander is concerned; and we have reached a consensus with the property owners around there. The owners are willing sellers. In fact, there's only just a couple of property owners there who own very large ranches that border Fort Carson. There is urban encroachment that's occurring on that area, and I think everybody's concerned about it.

And so, I just want to inquire of you, Mr. Prosch, what sort of priority will these conservation easements have particularly when we have everything pretty well lined up.

Mr. PROSCH. Sir, we think it's a great program. And we've had some real successes in dealing with encroachment at Fort Bragg. We're getting some great successes also at Fort Hood and at the National Training Center. We've found that at Fort Bragg, our pilot initiative with these easements, we were able to obtain land around Fort Bragg and work in close coordination with the Fish and Wildlife Service, and actually develop a nature habitat surrounding Fort Bragg, which allowed us to move endangered species habitat to that area and free up training area.

We're doing the same thing at Fort Hood. On the 16th of April, we're going to commemorate a partnership with Central Texas that will allow us to free up 47,000 acres of land at Fort Hood for both training and cattle grazing.

We're doing the same thing at the NTC, with the leadership of Senator Feinstein. And I would welcome the opportunity to work closely with you and the great people in Colorado to help that.

If you look at the challenges we have in the environmental arena, encroachment and endangered species are the two biggest challenges that we have, because they threaten readiness. And if we can not do live-fire training and maneuver training, we can not get your soldiers combat-ready in the way that the threat they're going to see when they hit the ground in another area.

Senator ALLARD. Well, I thank you for that statement and agree with what you're saying.

RESTATIONING FACILITY REQUIREMENTS—FORT CARSON

The other thing that's happening in Colorado is that the 2nd Combat Brigade Team, the 2nd Infantry is being permanently transferred from Korea to Fort Carson, Colorado. I understand that there may be some significant restationing facility requirements. These requirements may cost as much as 300 million in military construction. I think Fort Carson is not the only base facing these challenges. What is the Army's plan to meet these requirements?

Mr. PROSCH. Sir, we're anxiously awaiting their arrival, in August. And I would turn it over to Geoff Miller, my active duty army assistant here, for the details.

General MILLER. Thank you.

One of the things, Senator, that's going on—you know, we're going to do a combination of things at Fort Carson, for example. We're going to renovate 17 of our barracks to the "One-Plus-One" standard to welcome the 2nd Brigade Combat Team back in. We're also going to do some interim facilities that will round out that capability. But we do—and we will need to come back to the Congress to ask for military—MILCON to be able to have permanent capability once the final stationing choices are made, after the BRAC announcements are made. So——

Senator ALLARD. So that's a request you would make in the next budget year, in the 2007 budget year?

General MILLER. Yes, sir, that's correct.

Senator ALLARD. I see. Okay.

Madam Chairman, that pretty well wraps up my questions. And I see my time's close to running out. And I thank you.

Senator HUTCHISON. Thank you.

Senator Feinstein.

Senator FEINSTEIN. Thank you very much, Madam Chairman.

Senator HUTCHISON. And we're on a 5 minute rule.

Senator FEINSTEIN. Thank you.

DECREASED BUDGET REQUEST

Why is the Army's request decreased by 16½ percent, when the Army's overall facilities quality rating is C3?

Mr. PROSCH. Ma'am, you'll see a decrease in military construction in this budget over what we did last year. Some of the rationale on that is that, because of the great success in our privatization for housing, we don't have to do as much military construction for housing. You can see that our OCONUS military construction is focused in our enduring installations. We're going to ask for your support for that OCONUS construction. Our military housing overseas, we are now——

Senator FEINSTEIN. Well, let me just stop you. As I understand, the housing request has a drop of $220 million, or 13 percent—actually, 12.9 percent—from last year's request, but the overall MILCON is down 16½ percent. In the time I've been on the committee, I've never seen anything quite like this, in terms of a decrease of the most active service engaged in war today.

RCI PROGRAM

Mr. PROSCH. Yes, ma'am. The family housing operations is dropped because of the success of the RCI program, because the operations are funded by Basic Allowance for Housing (BAH) funds to our privatization partner now. So that's one reason why you see a drop there. And that's been very successful. And that accounts for several hundred million dollars in drop of the family housing operations piece. But if you look at the——

Senator FEINSTEIN. You're saying that the same number of housing units are built, but built this much more cheaply?

Mr. PROSCH. We have 23 installations where we have privatized housing. One of the great success stories is at Presidio of Monterey. And what you see there is, we used the basic allowance for housing as the income stream to fund that. And our privatization partners construct and do the family housing operations for those programs, so that the Army is still funding it, but it's a different stream; it's not through the military construction program now. And——

Senator FEINSTEIN. Well, I'm just wondering, can you say, then, that private building of military housing is a big enough savings to reduce your budget by 16½ percent?

Mr. PROSCH. I'm just talking about the operations of family housing right now.

Senator FEINSTEIN. Something—I mean, just something in the numbers don't jive.

Mr. PROSCH. Right.

Senator FEINSTEIN. And maybe we could work together and see if——

Mr. PROSCH. Sure.

Senator FEINSTEIN [continuing]. We can get an understanding of those numbers.

Mr. PROSCH. Yes, ma'am.

Senator FEINSTEIN. Because I don't understand it.

I would like to ask you a question about—Senator Allard has similar concerns but about Fort Ord in——

Mr. PROSCH. Yes, ma'am.

FORT ORD BURN—REMEDIATION FUNDING

Senator FEINSTEIN [continuing]. California. The Army, according to this, intends to spend $4.8 million this coming year. And last year, range fires burned nearly 2,000 acres of Fort Ord at a location that the Army has had difficulty clearing because of native grasses. So the fire took care of it for you. Could you please describe for me the efforts taken by the Army last year at Fort Ord, and explain the funding and the time required to complete the remediation actions there?

Mr. PROSCH. Yes, ma'am.

At Fort Ord, the Army had scheduled a 500-acre programmed burn to try to take out some of the chaparral, native species, endangered plant there. And it got out of control, but was contained on post, and 1,470 acres were, in fact, burned. We have been able to surface-clear all of that 1,470 acres. The unexploded ordnance is the biggest challenge that we have with the range there at Fort Ord. To date, the Army has spent $344.4 million at Fort Ord. So we are steadily making progress. Last year, we spent $26.9 million in order to try to continue to make steady progress at Fort Ord. We have cleared, so far, a total of 27,000 acres at Fort Ord. We have, remaining, 14,000.

The biggest challenge is the impact area there, the 7,000 acres, in a range where the Army has been firing ordnance since 1917. The $4.8 million allocated for fiscal year 2006, we believe, is a balanced approach to try to deal with land that we're prepared to turn over. Should we have an opportunity to have a more rapid turnover, we could put some more money into that.

I would like to compliment Congressman Farr and the stakeholders there in the Monterey area. They have established a Strategic Management Assessment Requirements Technology Team, called a SMART Team. And we have very, very good cooperation with the stakeholders, the local people, the environmental community there. And we will continue to try to press on with this, as best we can.

Anything you'd like to add, Geoff?

General MILLER. I think one other thing, Senator, if we can add onto—is the SMART Team that's come on. We're using a new technology, which is an aerial survey technology using ground-penetrating radar to locate the ordnance in the old impact area so we can more rapidly make the decision. We think this is going to speed our ability to get at this last 14,000 acres, and then move back to public use of that land as quickly as possible.

Senator FEINSTEIN. So you have adequate funding to do what you need to do.

General MILLER. Yes, ma'am.

Senator FEINSTEIN. So if I watch, I'll be very pleased by what I see?

General MILLER. We believe that after we do this next survey, that we can more rapidly get in, and there may be an opportunity to invest in some—in the success that that will have.

Senator FEINSTEIN. Okay.

WEAPONS OF MASS DESTRUCTION CIVIL SUPPORT TEAMS FUNDING

General Pudlowski, this committee has added funding each of the past 3 years to implement the construction program of the Army Guard's Weapons of Mass Destruction CST program. How many facilities remain to be completed? And how much funding will be necessary?

General PUDLOWSKI. Thank you, ma'am.

First, let me thank you and the rest of the leadership, and tell you that the Guard soldiers are performing extremely well today in the Gulf and in other places throughout the world. And particularly from California, the number of soldiers that have come out of the 40th Division have been tremendous in assisting other commands in their preparations and efforts——

Senator FEINSTEIN. This committee anticipates that Guard soldiers from California and Texas are the best in America.

General PUDLOWSKI. Ma'am, I will tell you that they are doing extremely well——

Senator HUTCHISON. And if you don't mention Texas pretty fast, you're going to be in big trouble.

General PUDLOWSKI. I will tell you that the 56th Brigade and the 36th Infantry Division is doing just as well in the environment today. Those comments are coming back daily. And the 36th Division's got other missions ahead for their future, as well. And, sir, that's not to take away from what Colorado has done and how they've contributed.

Ma'am, to your question, the Civil Support teams are an important piece of what we have in the inventory of the National Guard, and how they've been employed. We have 23 additional units that still have to be organized. We're in the process of organizing it from a facility perspective. We would need the facilities for those 23. Total cost is approximately $40 million. And if that resource was made available——

Senator FEINSTEIN. Okay. So this is how many out of how many?

General PUDLOWSKI. This is 23 out of 55.

Senator FEINSTEIN. Thank you. And so, you anticipate that it'll be completed when? All 55.

General PUDLOWSKI. At the current rate, it would take us the next 5 years of the FYDP to accomplish that. But for a cost of $40 million—each one is approximately two-point-some-approximately $2 million apiece—we would be able to complete that whole operation.

Senator FEINSTEIN. Thank you.

RESERVES TRAINING—CALIFORNIA

Mr. PROSCH. Ma'am, may I just make one comment about a great contribution that Fort Hunter Liggett and Camp Roberts in California provide to all the Reserves in the western part of the United

States. Without Fort Hunter Liggett, we wouldn't have a significant maneuver area for them to utilize, because the National Training Center is very busy with the active force. Camp Pendleton has encroachment challenges and they're busy, and Fort Lewis is very busy. So it's very important for our Reserve forces. And Hunter Liggett allows not only the combat brigades, but also the combat-service support and the logistical units to train there. So they have tremendous capability, and they also have good support with the local communities. So we thank you.

Senator FEINSTEIN. So it's reasonable to believe, Mr. Secretary, that the Army is going to retain Hunter Liggett.

Mr. PROSCH. The Army is evaluating all installations fairly and squarely. You'll be very proud of the process, when the list comes out on May 17, based on military criteria.

Senator FEINSTEIN. Thank you.

GLOBAL RESTATIONING FUNDING

Senator HUTCHISON. Mr. Prosch, the Army is the service most affected by the Integrated Global Presence and Basing Strategy, and we're looking at 60,000 to 70,000 troops coming home. That has been announced. You know, I advocated that initiative, and am very pleased that it is going forward. I don't see very much in this budget request that supports restationing, aside from around $392 million earmarked in the BRAC account for global restationing.

My question is, first of all, is that $392 million in the BRAC account for the global restationing for the Army? That's my first question on this subject.

SUPPLEMENTAL FUNDING

Mr. PROSCH. We are going to be relying heavily on the supplemental to assist us with the standup of our ten new brigades and with the restationing of units that come from overseas. We are using BRAC as a strategic lever to determine the right location to put all these places.

Senator HUTCHISON. Are you—you're saying "supplemental"—are you looking at a future supplemental, after BRAC, in which you would start the process of preparing bases that are going to take these people, or are you talking about a great big MILCON commitment in the next year's budget for that purpose?

Mr. PROSCH. When you look at the supplemental right now, you see that we've got money earmarked to support modularity—I have some handouts here that your people could perhaps show to you—that we're using to provide facilities at the temporary locations where we put our ten new brigades. On the 17th of March, as part of the BRAC announcement, we will also include the locations of where we're going to move the units that are coming from overseas.

We are going to come to you, after the BRAC is announced, to get your support for the MILCON funding for the long-term answer to these organizations. But we're using the supplemental now in 2005, because we're standing up new brigades, as we speak.

Geoff, do you want to comment?

Senator HUTCHISON. You meant May, sir.

Mr. PROSCH. 16th of May. I'm sorry.

Senator HUTCHISON. Yeah, I was thinking, what's today?

Mr. PROSCH. On the 15th of March, they're going to announce the BRAC commissioners.

Senator HUTCHISON. Yes.

Mr. PROSCH. So the 16th of May is——

Senator HUTCHISON. Is the BRAC day.

And you will be, in that BRAC announcement, making the choices of where the incoming brigades are going.

Mr. PROSCH. Yes, ma'am.

Senator HUTCHISON. So I'd just—the reason I'm pursuing this is that I've gotten some mixed signals about funding for the moves. I just want to make sure that the commitment to the moves is made, it is there, and the money will follow.

Mr. PROSCH. Yes, ma'am.

Senator HUTCHISON. Thank you.

Mr. PROSCH. I would just add that we have announced the units that are going to be returning.

Senator HUTCHISON. Yes. You just haven't announced where they're going.

Mr. PROSCH. The when and the where—the where will be determined by the BRAC analysis.

Senator HUTCHISON. Right.

Mr. PROSCH. And the when—we're going to try to make the right decisions, based on quality of life. We will want to coordinate with the local school districts. We're going to want to make sure that we have adequate housing. But we're going to want to make sure that we've developed brigade-sized facilities for these units when they come back.

Senator HUTCHISON. Yes, I think all of that is absolutely essential and the correct way to approach it. I just have gotten mixed signals about the money being available to make these moves. And as long as you're telling me the commitment is going to be kept, that those troops will be moving home, and that we will have the funding request to do it. That's all I need to know.

Mr. PROSCH. Yes, ma'am.

Senator HUTCHISON. And you have said yes. Correct?

Mr. PROSCH. Yes, ma'am.

OVERHEAD AND COMPARTMENT PROTECTION LOCATIONS

Senator HUTCHISON. In the supplemental that is going to be before us shortly, the Army has requested $300 million for overhead and compartment protection at various locations, but no specificity. Could you elaborate on where those will be and what you're envisioning the uses for that $300 million to be?

Mr. PROSCH. Yes, ma'am. Let me start, then I'll turn it to Geoff Miller, who returned from Iraq about 3 months ago.

As part of the supplemental, one of the requests from the combatant commander, General Abizaid, was to try to provide enhanced overhead protection for our soldiers in theater. And so, we, as the executive agent, are trying to support the combatant commander's request. As you recall, there was a dining facility that was attacked recently. There is a distinct threat from mortar and rocket attacks. And so, they would like to provide enhanced protection for the large-density troop-soldier areas. It's a two-level type of facility, to where the top level would absorb the blast, and the

second level would actually stop the fragmentation from hitting the troops.

Senator HUTCHISON. And where—I understand that, and that's a very good explanation, but as you are expanding, are you looking at doing these all throughout Iraq and also Afghanistan, or are we just looking at Iraq?

General MILLER. Senator, right now they're focused on Iraq. There are 41 different locations, and, as Mr. Prosch said, they're in—where troops are concentrated—in living areas, in dining facilities. And kind of the rule of thumb, if there are more than 50 soldiers in an area, we wanted to put overhead cover, because we have a—we were having a fairly significant challenge in mortars. And that's going down. But these went in. So they will go into the Afghanistan—really, around Baghram Airport—as we build that up.

Senator HUTCHISON. I just want to, on a personal note, say, I was privileged to give four Purple Hearts to those who were in that dining facility, and I was—it was during December—I was most struck by how quickly they got to Brooke Army Medical. I think they got there Christmas Eve, and the attack was maybe the 19th, something very quick. I was very pleased. And, of course, they were great. I met with each of them before I was able to give them their Purple Hearts, and they were great young people. Just amazing.

General MILLER. Senator, if I can, for the record, we'll come back and give you the 41 locations——

Senator HUTCHISON. Okay.

General MILLER [continuing]. Where we're going to put—be putting this overhead cover.

Senator HUTCHISON. Thank you.

[The information follows:]

OVERHEAD COVER LOCATIONS—IRAQ

The following list identifies the 41 facilities currently scheduled to receive overhead cover. U.S. Central Command is continuing to identify additional facilities that require overhead cover:

[In thousands of dollars]

Location	Facility	Cost
Anaconda	Dining Facility	$14,590
Anaconda	Post Exchange—East	3,660
Anaconda	Post Exchange—West	3,000
Fallujah	Dining Facility 1	3,200
Fallujah	Dining Facility 2	3,200
Fallujah	Post Exchange	800
Marez	Dining Facility	12,000
Kalsu	Dining Facility	1,450
Freedom	Dining Facility	2,129
Hope	Dining Facility	6,000
Falcon	Dining Facility	7,278
Taji	Dining Facility 1	8,400
Taji	Dining Facility 2	8,400
Diamondback	Dining Facility	8,000
Rustimiyah	Dining Facility	3,090
Brassfield	Dining Facility/Gym	200
McKenzie	Dining Facility	1,920
Caldwell	Dining Facility 1	2,077
Caldwell	Dining Facility 2	2,077
Caldwell	Dining Facility	804
Warrior	Building 4098	5,683

[In thousands of dollars]

Location	Facility	Cost
Warrior	Building 4088	1,151
Warrior	Building 4096	172
Prosperity	Dining Facility	2,000
Victory	Dining Facility	6,626
Victory South	MWR Dining Facility	19,700
Victory South	Cafe Dining Facility	15,400
Liberty	Dining Facility DeFleury	6,750
Liberty	Dining Facility Black	6,750
Liberty	Dining Facility Pegasus	3,129
Gaines Mills	Dining Facility	160
Speicher	Dining Facility	3,710
Speicher	Dining Facility Victory	3,710
Danger	Dining Facility	2,000
Cobra	Dining Facility I	408
Summerall	Post Exchange	50
Summerall	Dining Facility	124
Hurricane Point	Dining Facility	846
Hurricane Point	Post Exchange	48
Taqqadum	Dining Facility 1	13,617
Taqqadum	Dining Facility 2	1,808
Various Sites	Miscellaneous	113,833
TOTAL		300,000

Senator HUTCHISON. My last question, and then I'll see if Senator Feinstein has any others for this panel.

JOINT BASING—ELLINGSTON FIELD

Mr. Prosch, as you know I am supportive of the service's move toward joint basing, specifically Ellington Field. You are very familiar with what we're doing there, and have been terrifically supportive. And I just wanted to ask you what the status is, from your standpoint, of the move of the Army over to Ellington Field from its present location, the Reserve unit in Houston, and see if you think that everything is going to go well there, and what you determine the status to be.

Mr. PROSCH. Ma'am, I'm very pleased to announce that Ellington Field is on schedule.

Senator HUTCHISON. Great.

Mr. PROSCH. And I would like to thank the Members of Congress for giving us a really good tool, which is called the Real Property Exchange. And we have been able to use that in a lot of places around the country where you have old armories in an urban, central part of town, where the land is very valuable, but the facilities are antiquated, and then trade that land and build a modern joint facility out in the suburbs. And that's exactly what we're doing at Ellington Field. We're taking some valuable land, we've got a partnership with the University of Texas Medical Association, and we're going to get a fair market value and plow that into a joint facility, with both the Army, Navy, Marine, and Air Guard at Ellington Field, which is a very strategic location, critical for the defense of the petrochemical industry.

And the land surveys are on track. We anticipate that the environmental studies will be completed in June of this year. We plan to complete all of the actual construction plans this summer. We anticipate to do an award in 2006, and actually break ground in

2006. We hope to have a memorandum of agreement signed with the Army and the University of Texas in August, and we'll send you an invitation to that signing ceremony.

Senator HUTCHISON. Thank you very much. I'm very pleased that it is going on track. I think what you're doing there and in other places is so right. It's right for the community, and it's right for our Services to be in better locations. And particularly this one, with the unique security risk of those chemical complexes, I think it is just essential to have the Air Force, Army, and Navy and Marine components there. It will very helpful. Along with the Coast Guard.

Mr. PROSCH. I might ask my colleagues from the Reserves to comment.

Senator HUTCHISON. General Pudlowski?

JOINT FACILITIES

General PUDLOWSKI. Ma'am, if I may, we, too, have seen, in the Guard, the opportunities that are presented by joint facilities. Last year when we came here, we had approximately 140 facilities that we had occupied in a joint fashion. By the end of the year, that had jumped up to 170 locations, and we've got 26 more projects that are scheduled in the FYDP.

I'll just give you a couple of examples of that. In Austin, Texas, we have two facilities, one of which will be a maintenance facility, that'll be a joint maintenance facility shared with the Army Reserve. And we have an Armed Forces Reserve Center that'll be shared with the Army Reserve, the National Guard, the Marine Corps Reserve, and the Naval Reserve, which gives us a greater approach and a greater appeal as to how we're going to do that. In California, we have the Los Alamitos facility that's going to be shared, not only with the Army Reserve, but also with the active Army. We continually look for those opportunities.

We're also seeing some others occur—for example, in West Virginia, where we have a training site—that we would look at the potential of that to be shared as a joint COOP site, with perhaps even the Department of Energy.

So there are opportunities here, and each time we find this opportunity, we seek it because it, in effect, conserves some of the State cost for that additional 25 percent when we make it a full Federal project.

Thank you.

Senator HUTCHISON. Thank you very much. I'm so pleased that you're doing that throughout the country. I just think it's the right thing.

General PROFIT. Ma'am, I would only add to what Mr. Prosch said about Ellington Field, that we're proud to be leading that effort in the Army Reserve, and I think your leadership in this particular effort has been pivotal, and I appreciate it.

Thank you very much.

Senator HUTCHISON. Thank you very much.

That's all I have for this panel.

Senator Feinstein.

MILCON PROJECTS IN SUPPLEMENTAL

Senator FEINSTEIN. I'm still into the 16½ percent. As I understand it, you took $138 million in MILCON projects and put them into the supplemental. And they include $100 million in these areas: the child development center for Fort Carson—I don't know why that's an emergency, if, in fact, it is in the supplemental; a barracks complex at Fort Lewis for $15½ million; a barracks at Fort Leonard Wood for $14.8 million; and then you have the whole—I guess, the modularity thing worldwide, at $100 million. Is that all correct, what I've just read?

Mr. PROSCH. I'm going to ask Geoff Miller to talk to specifics, and then let me try another try at why our MILCON request is down 16 percent.

General MILLER. Senator, the——

Senator FEINSTEIN. I think I probably misspoke. And I still don't understand it. But you have put an amount for modularity into the supplemental, right?

Mr. PROSCH. Yes, ma'am.

Senator FEINSTEIN. How much is that? Is that $100 million?

Mr. PROSCH. Geoff?

Senator FEINSTEIN. What is it? It's $180 million? All for modularity, in the supplemental?

General MILLER. Ma'am, we have a total of $559 million in the supplemental that is supporting modularity and movement through there. And it is a combination of OPA funds to buy modular facilities, interim facilities, in MILCON to do the preparatory work to allow these modular facilities that are barracks and headquarters.

So this is startup money, as Senator Hutchison pointed out, because we will come back in the future and ask for MILCON as we make the permanent stationing choices then to be able to transition these troops that are coming back from overseas and in the modularity piece, so we can have permanent facilities there.

Senator FEINSTEIN. Well, just so—I don't know whether this qualifies as an emergency, but, clearly, it's certainly a way of doing it. I mean, what you did is, you took a part of out of this budget and simply put it in the emergency supplemental, if I understand it.

MODULAR FACILITIES

Mr. PROSCH. Well, if I could just comment, we are growing 10 new brigades to try to stretch out the OPTEMPO period that our soldiers have so they don't have to go back to Iraq every other year. As we stand up these ten new brigade formations—we recruited soldiers at Fort Lewis, at Fort Bliss, at Fort Hood—and so, these soldiers, in order to not to have to put them inside gymnasiums and tents, we're going to use these modular facilities. So, in a way, this is really helping us fight the war on terror, by stretching out the OPTEMPO, and we believe this is the right thing to do. And with this supplemental, we can do this in 2005, immediately, versus several years in the MILCON piece.

Senator FEINSTEIN. Well, is this going to continue to happen as more people come home, that the modulars are going to be in emergency supplementals and not part of the regular budget process?

Mr. PROSCH. I believe that, after we get these 10 brigades stood up, and this time next year when we're testifying before you, we're going to be able to lock into military construction, because we will have determined the end state for our 43 new active brigades and our 77 total brigades in the Army. And we'll want to do it the old-fashioned way, with MILCON, with permanent facilities.

Senator FEINSTEIN. I appreciate that statement, Mr. Secretary.

Mr. PROSCH. Yes, ma'am.

Senator FEINSTEIN. I'm going to write it in indelible ink, and hopefully hold you to it.

Mr. PROSCH. Yes, ma'am.

Senator FEINSTEIN. Thank you.

Thanks, Madam Chairman.

Senator HUTCHISON. Well, and I think we could even do something before then. If, on May 17, we know where they're going, we could start making preparations, depending on the timetable that you all have for them moving, but——

Mr. PROSCH. Yes, ma'am, that will be helpful. And we will come see you immediately, because it might make sense to do some reprogramming within——

Senator HUTCHISON. I think one thing that I gleaned from Senator Feinstein, and I will say I agree with, the fewer modular units and the more permanent construction we can get a head start on, the better off we are.

Senator FEINSTEIN. I really agree with that.

Senator HUTCHISON. I just hate that you're doing it right now, and it's a huge expense that goes away in use. If we see, on May 17, where people are coming back and we can start military construction, even if the moves are a year or two away, and we can have permanent facilities and not waste money on modular units, that would be my preference, for sure. And I think we're seeing that on the committee.

BARRACKS

Mr. PROSCH. I would like to, just for the record, thank you all for the steady progress and support you've made. This is our 13th year of our barracks program, and over one-half of our active Army MILCON budget is going towards barracks. And we are going to be 85 percent complete at the end of 2006 to build out to the One-Plus-One standard. And I'm sure you're familiar with that. We now, as a standard in the Army, we want our soldiers to have a suite, where we have two private sleeping areas with a walk-in closet, and a common kitchenette and bathroom area—I took my son, when he was a college student, to one of these, and he said, "Wow, where do you enlist, Dad?"

Senator HUTCHISON. That's true. I saw those at Fort Bliss, the new ones, and it is very, very nice, and so much better than what we had before. It's great. They love it.

ADDITIONAL COMMITTEE QUESTIONS

Thank you very much. We appreciate not only your accessibility and your work, but also your testimony today.

Thank you.

Mr. PROSCH. Thank you.

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

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

BRAC ENVIRONMENTAL

Question. The Navy has sold portions of its previously BRAC'd property and ploughed that money back into environmental remediation. Has the Army experienced such sales, and, if so, do you have a similar agreement with the DOD Comptroller to use those funds for environmental remediation?

Answer. Yes, the Army has received revenues for BRAC properties and used the proceeds for environmental remediation.

ARMY MODULARITY

Question. Generals Pudlowski and Profit, do the National Guard and Reserves have additional MILCON requirements related to Army Modularity?

Answer. Yes, for the Army National Guard there are additional requirements for transformation to the Army Modular Force. The Army National Guard is currently assessing and validating all the requirements. We will program for these needs once this process is complete.

The Army Reserve does not currently have additional Military Construction requirements related to Army Modular Force transformation. However, as Army Reserve force structure in support of Modular Forces is determined, additional requirements may be identified. The Army Reserve will program for any such requirements as soon as they are known.

GUANTANAMO PRISON

Question. DOD is requesting a total of $41.8 million, through the Army Supplemental request, for construction of a permanent prison and a new security fence at Guantanamo, Cuba. The justification documents for the Guantanamo construction do not make clear what will be done with the current temporary facilities once the new prison is constructed. Do you intend to remove or demolish these facilities, or are they to be kept in case the prison population exceeds the 220 capacity of the new facility? In other words, is DOD expanding the detention facilities at Guantanamo, or replacing them?

Answer. The funding requested in the fiscal year 2005 Supplemental Request is to construct a 176 cell, long-term maximum-security detention facility for 220 detainees at Guantanamo Bay, Cuba. This facility, known as the Camp 6 Detention Facility, will allow for the closure of temporary Camps 1, 2, and 3. Although these camps would be closed, they would not be destroyed, retaining capability for the Joint Task Force commander to reopen them should the detainee population surge. By "mothballing" these camps and constructing Camp 6, the commander will be able to reduce the total internal guard force by 124 military police.

Question. If the new prison is to be strictly a replacement facility, does that mean the maximum capacity for housing detainees will be 220?

Answer. Camp 6 will have the capacity for 220 maximum security detainees. The existing Camp 5, with a capacity of 100 maximum security detainees, and Camp 4, with a capacity of 200 medium security detainees, will be retained, providing a total capacity of 520.

Question. What is the current capacity at Guantanamo, and what is the current detainee population?

Answer. The current capacity in Guantanamo (GTMO) in Camps 1 through 5 is 1,116. The current detainee population, as of March 16, 2005, exceeds 530. Camps 1, 2 and 3 were designed as temporary medium-security detention facilities requiring robust forces to guard "must retain" maximum-security detainees. As temporary facilities, these camps are nearing the end of their life expectancy. Refurbishment and maintenance costs are becoming prohibitive.

Question. How did DOD arrive at the 220 bed requirement?

Answer. The fiscal year 2005 Supplemental funding request is to build a 176 cell long-term maximum security facility with a capacity for 220 detainees at Guantanamo Bay, Cuba. The facility will include 132 single cells and 44 double cells. In September 2004, the detainee population exceeded 580 detainees. One assumption was that 250 of those detainees would be classified as "retain in DOD control". The remaining 336 would be transferred for continued detention or released to their country of origin. The 250 "retain in DOD control" would require long-term deten-

tion due to conviction by military commission, intelligence value, or because they are deemed too dangerous to transfer or release. The "retain in DOD control" number has since been revised upward to 300.

A second assumption was that, as the Global War on Terrorism continues, small numbers of additional detainees will arrive for screening. Since March 2004, 10 additional detainees have arrived in Guantanamo Bay.

The final assumption is that by building a facility with 220 beds, the Joint Task Force could close the temporary detention Camps 1, 2, and 3, reduce the number of personnel needed to guard the detainees. This will also maintain the capability to provide maximum security, long-term detention for up to 320 "retain in DOD control" detainees in Camps 5 and 6, and medium security detention for an additional 200 detainees in Camp 4.

Question. When do you expect the prison population to be reduced to that level?

Answer. Based on detainee movement operations already approved by the Deputy Secretary of Defense, the number of detainees could be reduced to less than 520 by May 1, 2005.

Question. What other MILCON will be required to support the permanent housing of detainees at Guantanamo? For example, what additional facilities will be required for the permanent stationing of the military personnel assigned to this mission?

Answer. We do not plan to seek additional MILCON funding for permanent structures at Guantanamo Bay at this time due to other higher priorities. The fiscal year 2005 Supplemental funding will be used to build the Camp 6 Detention Facility and the Radio Range Security Fence to allow for reduced force manning.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF FRED W. KUHN, DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE INSTALLATIONS

ACCOMPANIED BY MAJOR GENERAL L. DEAN FOX, FOR AIR FORCE CIVIL ENGINEER, DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

Senator HUTCHISON. And now we will turn to our second panel. That would be Mr. Fred Kuhn, the Acting Assistant Secretary of the Air Force for Installations, Logistics, and Environment; Major General Dean Fox, the Air Force Civil Engineer and Deputy Chief of Staff of the Air Force for Installations and Logistics.

Mr. KUHN. Madam Chairman, Senator Feinstein, distinguished members of the committee, good afternoon.

This year's Air Force MILCON budget is the largest in 14 years, with increases across the spectrum of Air Force operations throughout our Total Force. Our fiscal year 2006 military family housing submission is the largest in Air Force history. It keeps us on target to meet our goal of funding, to eliminate CONUS inadequate housing in 2007, and overseas inadequate in 2009. The Air Force remains committed to funding restoration and modernization to meet the OSD goal of a 67-year recapitalization rate by fiscal year 2008 and beyond. The Air Force is meeting OSD's facilities sustainment goal by funding $2 billion this year, and will continue to fund sustainment in accordance with that DOD facility sustainment model.

I sincerely thank the committee and the Congress for its efforts to lift the cap on housing privatization, because the Air Force would not have otherwise been able to meet our goal of funding the elimination of inadequate housing for Airmen and their families by 2007. We thank you for providing the privatization tools that allowed us to leverage 173 million taxpayer dollars into nearly $1.6 billion invested in 13 of our bases and in their local communities. This leverage of nine privatized dollars for every taxpayer dollar invested allows us to fix 11,000 homes now, and another 34,500 homes over the next 2 years, rather than burdening the Federal budget with an additional $5.6 billion in MILCON funds.

The success of our privatization program would not be possible without the authority you provided in Title 10, United States Code, Section 2883, which allows the Secretary of Defense to transfer military construction appropriations into the family housing improvement fund in order to fund these forward costs of our privatization projects. For example, Congress appropriated $15 million for Hickam Air Force Base, Hawaii, in fiscal year 2002 MILCON to renovate 102 units, but we were successful in awarding a privatization project with a portion of those MILCON funds to fix 1,356 Hickam Air Force Base homes for Airmen and their families. That project had a project development value of $298 million invested in

the local economy at a leverage of 71-to-1. We were able to use the remaining MILCON dollars to award other privatization projects, like Wright-Patterson Air Force Base, Ohio, where we are providing 1,536 homes, totaling $109 million in development.

Similarly, at Beale Air Force Base, in California, we are privatizing 1,344 homes and gaining $151 million in development with a government investment of $6.7 million, a 22-to-1 leverage. This project was in jeopardy following the fiscal year 2005 congressional rescission however, using the Section 2883 authority, we redirected funds from appropriations for Eglin Air Force Base, Florida, and Travis Air Force Base, California, to cover the Government's fund appeal.

When using the Section 2883 authority, we always make the appropriate notifications to Congress. And I want to emphasize that we always fix housing only at locations directed by Congress. To that end, we will privatize 2,155 homes at Eglin Air Force Base and its neighbor, Hurlburt Field, and 1,179 homes at Travis Air Force Base, California, using the funds originally appropriated for replacement projects at those bases.

The final example I would like to provide is Randolph Air Force Base, in Texas, where Congress appropriated funds for three MILCON projects in fiscal years 2003 through 2005. These three projects would have eliminated 406 inadequate homes at Randolph Air Force Base, in Texas. However, by delaying these projects and privatizing Randolph in a group with six other bases, we will now be able to fix the required inventory of 3,898 homes, while injecting $415 million into the local communities of these seven installations.

PREPARED STATEMENT

These examples are typical of how the Air Force has maximized the use of MILCON funds and transfer authority of Title 10 to accelerate our program and eliminate inadequate housing. As our program continues to execute and we look for additional opportunities to privatize, we will absolutely keep the Congress informed of every change we make in this area.

On behalf of all of our Air Force men and women and their families, I thank you.

[The statement follows:]

PREPARED JOINT STATEMENT OF FRED W. KUHN AND MAJOR GENERAL L. DEAN FOX

Madam Chairman, Senator Feinstein, and distinguished members of the committee, the strength and flexibility of airpower and our joint warfighting success in operations around the world is made possible by three interdependent factors; outstanding Airmen, superior weapons platforms, and an agile support infrastructure. The Air Force fiscal year 2006 military construction (MILCON) submission is our commitment to these three factors. It provides our Airmen and their families the proper facilities to work and live, which in turn will enable them to better execute our air and space missions. This year's Air Force MILCON budget request is the largest in 14 years, over $4.7 billion, with increases across the spectrum of air and space operations and throughout our Total Force. Our fiscal year 2006 Military Family Housing (MFH) submission will keep us on target to eliminate inadequate housing. The Air Force is committed to funding facility restoration and modernization at a 67-year recapitalization rate by fiscal year 2008, and funding facility sustainment consistent with OSD's Facility Sustainment Model (FSM). Sound investment in our installations allows us to take care of our people and their families through quality of life and work place improvements.

INTRODUCTION

Air Force facilities, housing, and environmental programs are key components of our support infrastructure. At home, our installations provide a stable training environment and a place to equip and reconstitute our force. Both our stateside and overseas bases provide force projection platforms to support combatant commanders. Because of this, the Air Force has developed an investment strategy focused on sustaining and recapitalizing existing infrastructure, investing in quality of life improvements, accommodating new missions, continuing strong environmental leadership, optimizing use of public and private resources, and eliminating excess and obsolete infrastructure wherever we can. Our total force military construction, family housing, and sustainment, restoration, and modernization programs are vital to supporting operational requirements and maintaining a reasonable quality of life for our men and women in uniform and their families.

The Air Force fiscal year 2006 President's Budget (PB) request of just over $1.3 billion for Total Force military construction reflects our highest construction priorities. It balances the restoration and modernization of current mission facilities, quality of life improvements, new mission requirements, future project designs, and limited funding for emergency requirements. This request includes $1.07 billion for active military construction, $165 million for the Air National Guard, and more than $79 million for the Air Force Reserve.

The Air Force fiscal year 2006 PB request of $1.2 billion for the Military Family Housing investment program balances new construction, improvements, and planning and design work. It will also advance our Housing Privatization program. But, while we continue to strive to eliminate inadequate housing, we cannot allow more housing to fall into disrepair. We need your support to keep our housing operations and maintenance submission intact.

In fiscal year 2006, we will bolster our operations and maintenance (O&M) investment in our facilities infrastructure. This investment has two components: Sustainment (S) and Restoration and Modernization (R&M), which we refer to together as our SRM program. Sustainment funds are necessary in order to keep "good facilities good." R&M funding is used to fix critical facility deficiencies and improve readiness. In this request we have dedicated $2 billion to Total Force sustainment. That is 95 percent of the requirement from OSD's Facilities Sustainment Model. However, in fiscal year 2006 the Air Force's Total Force R&M funds is restricted to $173 million. This means we must defer some R&M requirements, which has a cumulative effect on Air Force facilities and infrastructure that we must reverse. In the out years we intend to invest more heavily in critical infrastructure maintenance and repair through our O&M program in order to achieve the Air Force goal of a facility recapitalization rate of 67 years by 2008.

Overseas Military Construction

The quality of installations overseas remains a priority. Even though the majority of our Airmen are assigned in the United States, 20 percent of the force is assigned to extended tours overseas, including 29,000 Air Force families. Overseas base infrastructure is old and progressively deteriorating, requiring increased investment to replace and maintain. Host nation funding helps, but it is not enough. We also must provide supplemental funding to support time-critical infrastructure necessary for the Global War on Terror. The fiscal year 2006 request for overseas construction includes $193 million for 18 separate infrastructure and quality of life projects in the United Kingdom, Germany, the Azores, Italy, Turkey, Guam, and Korea. All projects are in places designated as enduring locations by regional commanders, as described in the Global Basing Strategy.

In addition, we want to thank you for the essential overseas fiscal year 2004 MILCON funding you approved in the Emergency Supplemental Appropriations Act (H.R. 3289). The supplemental provided essential construction projects in Southwest Asia and at critical en-route airlift locations directly supporting ongoing operations in that region.

Planning and Design/Unspecified Minor Construction

This year's Air Force MILCON request includes almost $96 million for planning and design (P&D), including $40.4 million for military family housing. The request includes $79 million for active duty, $12.9 million for the Air National Guard, and $3.8 million for the Air Force Reserve. These funds will allow us to complete the design work for fiscal year 2006 construction programs and to start the designs for fiscal year 2007 projects, allowing us to award contracts that year. However, P&D funds for Congressional inserts and directed designs are not funded in the President's Budget request. They are accomplished at the expense of other Air Force de-

signs. We would greatly appreciate your assistance ensuring adequate P&D funding for any Congressional inserts.

This year's request also includes $24 million for the Total Force unspecified minor construction (UMC) program, our primary means for funding small, unforeseen projects that cannot wait for the normal military construction process. Because these projects emerge over the year, it is not possible to predict the total funding requirements. When UMC requirements exceed our funding request, we augment them by reprogramming available MILCON construction funds.

SUSTAIN, RESTORE, AND MODERNIZE OUR INFRASTRUCTURE

The Air Force remains focused on sustaining, restoring, and modernizing our infrastructure. In 2006, we have increased sustainment funding to keep our "good facilities good" and targeted limited Restoration and Modernization (R&M) funding to fix critical facility deficiencies and improve readiness.

Our sustainment program is aimed at maximizing the life of our infrastructure by keeping our facilities in good condition. Without proper sustainment, our infrastructure wears out more rapidly. In addition, commanders in the field use O&M accounts to address facility requirements that impact their near-term readiness.

When facilities require restoration or modernization, we use a balanced program of O&M and military construction funding to make them "mission ready." Unfortunately, restoration and modernization requirements in past years exceed available O&M funding, causing us to defer much-needed work. The restoration and modernization backlog is projected to grow to nearly $9.8 billion in 2006. It is important for us to steadily increase the investment in restoration and modernization in order to halt the growth of this backlog, while fully funding sustainment to maximize the life of our good infrastructure

The Air Force Total Force sustainment funding in fiscal year 2006 is $2.0 billion, 95 percent of the amount called for by the Facility Sustainment Model (FSM) and consistent with established OSD goals. The fiscal year 2006 Total Force R&M funding is $173 million. This budget carefully balances sustainment, restoration, modernization, and military construction programs to make the most effective use of available funding in support of the Air Force mission.

CONTINUE DEMOLITION OF EXCESS, OBSOLETE FACILITIES

In addition to modernizing and restoring worn out facilities, we also demolish excess and obsolete facilities. This ensures funds are spent on facilities we need, not on sustaining ones we do not. For the past seven years, the Air Force has aggressively demolished or disposed of facilities that are unneeded or no longer economically viable. From fiscal year 1998 through fiscal year 2004, we demolished 18.5 million square feet of non-housing building space. This is equivalent to demolishing more than three average size Air Force installations and has allowed us to target our infrastructure funding to maintain more useful facilities. While this demolition cost us $221 million in O&M funding in the short term, it saves us money in the long term. For fiscal year 2005 and beyond, the Air Force will continue to identify opportunities to eliminate unnecessary facilities.

INVEST IN QUALITY OF LIFE IMPROVEMENTS

The Air Force sees a direct link between readiness and quality of life. When Airmen deploy, time spent worrying whether their families are safe and secure is time not spent focusing on the mission. Quality of life initiatives are critical to our overall combat readiness and to recruiting and retaining our country's best and brightest. Family housing, dormitories, and other quality of life initiatives reflect our commitment to our Airmen.

Family Housing

The Air Force Family Housing Master Plan details our Housing military construction, O&M, and privatization efforts. It is designed to ensure safe, affordable, and adequate housing for our members. To implement the plan, our fiscal year 2006 budget request for the family housing investment program is more than $400 million over the fiscal year 2005 budget. Consistent with Department of Defense Strategic Planning Guidance, the Air Force intends to eliminate inadequate family housing units in the United States by 2007, accelerate funding at four northern tier bases one year earlier than originally planned, and eliminate inadequate overseas family housing units by 2009. We thank you for your assistance in helping keep us on the path to meet these goals.

For fiscal year 2006, the $1.2 billion requested for our housing investment program will provide over 2,900 new homes at 17 bases, improve more than 2,000

homes at 16 bases, and support privatization of more than 2,200 homes at three bases. An additional $767 million will be used to pay for maintenance, operations, utilities and leases to support the family housing program.

Dormitories

We are just as committed to providing adequate housing for our unaccompanied junior enlisted personnel. We are making great progress in our Dormitory Master Plan, a three-phased dormitory investment strategy. Phase I, eliminating central latrine dormitories, is complete and we are now concentrating on the final two phases of the investment strategy. In Phase II we are building new dormitories to eliminate our room shortage. In Phase III, we will replace existing dormitories at the end of their useful life with a standard Air Force-designed private room to improve our young Airmen's quality of life.

The total Air Force requires 60,200 dormitory rooms. It will cost approximately $711 million to fully execute the Air Force Dormitory Master Plan. That will replace all inadequate permanent party dormitory rooms by fiscal year 2007 and all inadequate technical training dormitories by fiscal year 2009. This fiscal year 2006 budget request moves us much closer toward these goals, requesting $184 million for eight dormitory projects—creating 1,648 new rooms for unaccompanied personnel at both stateside and overseas bases. With this request, we will reach 47 percent of our final permanent party goal and 19 percent of our technical training goal.

Fitness Centers/Family Support Centers

Along with housing, fitness centers are a critical component of the Air Force's quality of life. Our expeditionary nature requires that Airmen deploy to all regions of the world, and into extreme environments. They must be physically prepared to deal with these challenges. Our Airmen must be "fit to fight." Under our new fitness program, Airmen are devoting more time and energy to physical fitness. As a result, fitness center use has increased dramatically. The Air Force Fitness Center Master Plan prioritizes requirements based on need, facility condition, MAJCOM input, Operations Tempo, and a location's remoteness or isolation. The fiscal year 2006 military construction program includes two fitness centers: Charleston Air Force Base (AFB), SC and Vandenberg AFB, CA.

Family Support Centers are also critical to the quality of life of our Airmen and their families. They provide needed support services and ensure a strong sense of community on our bases. This is especially important in overseas locations where our Airmen and their families are separated from cultural and community support networks they are accustomed to in the United States. For them, our Air Force family becomes their primary support structure, especially when a spouse is deployed. The fiscal year 2006 submission includes a new Family Support Center at Aviano Air Base, Italy.

ACCOMMODATE NEW MISSIONS

Our Airmen are the best in the world, but superior weapons have also played a key role in recent joint warfighting successes in the Global War on Terrorism. Advanced weapon systems enable our combatant commanders to respond quickly in support of national security objectives. The fiscal year 2006 Total Force new mission military construction program consists of 40 projects, totaling more than $402 million, and supports core modernization, beddown of new missions, and expansion of existing missions. These include Global Hawks 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 and a HC–130P simulator facility at Kirtland AFB, New Mexico; a Distributed Common Ground Station at Hickam AFB, Hawaii; and small diameter bomb facilities at RAF Lakenheath, United Kingdom. In particular, two new systems, the F/A–22 Raptor and the C–17 Globemaster III, require extensive construction support.

The F/A–22 Raptor is the Air Force's next generation air superiority fighter, but it is equally capable attacking ground targets or gathering intelligence data. Langley AFB, Virginia, will be home for the first operational F/A–22 squadrons. Flight training, weapons training, and aircraft battle damage repair training will be conducted at Tyndall AFB, Florida, Nellis AFB, Nevada, and Hill AFB, Utah. Our fiscal year 2006 military construction request includes one F/A–22 project at Langley AFB, one project at Tyndall AFB, two projects at Nellis AFB, and one project at Hill AFB for a total of $47.5 million. These projects support the F/A–22 initial beddown and training and will not be affected by the final aircraft purchase number.

The C–17 Globemaster III is replacing our 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, the construction funding requirements for Charleston and McChord are complete. The request for fiscal year 2006 includes two projects for $6 million at Dover AFB, three facility projects for $12.6 million at Travis AFB, and two facility projects for $54.8 million at Elmendorf AFB.

OPTIMIZE USE OF PUBLIC AND PRIVATE RESOURCES

Housing Privatization

We would also like to thank you for eliminating the cap on the Department of Defense Family Housing Improvement Fund. Our Airmen and their families appreciate your staunch commitment to their quality of life. To date, we have awarded thirteen privatization projects providing 10,977 privatized homes for our Air Force families. The Air Force has leveraged an investment of $173 million with private sector funding to yield $1.6 billion in total development.

Last year, we completed three privatization 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). We recently awarded five new privatization projects at Moody AFB, Georgia; Little Rock AFB, Arkansas; Buckley AFB, Colorado; Hanscom AFB, Massachusetts; Hickam AFB, Hawaii; and awarded the second phase of the project at Elmendorf AFB. Two years ago we set a goal to privatize 60 percent of U.S.-based family housing by 2007. With this budget we are on track to beat that goal by an additional 12 percent. The fiscal year 2006 request includes $65 million to start privatizing more than 2,200 units at three more bases: Peterson AFB and the U.S. Air Force Academy in Colorado; and F.E. Warren AFB, Wyoming.

Utility Privatization

In addition to privatizing housing, the Air Force is interested in privatizing utilities where it makes economic sense and does not adversely affect readiness, security, or mission accomplishment. Our installations are key to our operational capabilities. Our network of bases provides necessary infrastructure for deploying, employing, and sustaining air and space operations and re-deploying and reconstituting the force afterwards. Our bases are also the training platforms from which skilled Airmen learn their trades and prepare for deployment. Reliable utility services are essential to operations at every Air Force base.

To date, under OSD's utilities privatization program, the Air Force has conveyed 10 systems, with a plant replacement value in excess of $230 million. By the time the program is complete, we anticipate as many as 100 of about 500 systems could be privatized. We are on track to meet 95 percent of OSD's milestone: completing Source Selection Decisions by September 30, 2005. During the course of this process, we expect that many competitive solicitations will end up as sole source procurements from local utility companies.

CONCLUSION

The readiness of our fighting force, now and in the future, depends upon our infrastructure. We will continue to enhance our installations' capabilities and our Airmen's quality of life and ensure Air Force infrastructure remains ready to support our global operations.

HOUSING PRIVATIZATION

Senator HUTCHISON. Thank you very much, Mr. Secretary.

I think the Air Force has come to privatization a little later than some of the other Services, and with some of the MILCON money, there has been a determination, after MILCON has been appropriated, that privatization would be the better route. My question is, How are you going to work with the committee in the future to come to us with a change, if you're not going to use MILCON money where you told Congress you would? Where would this money go if there is a reprogramming request? If you're going to go to privatization, we need to have some sort of notification. How would you propose to handle that?

Mr. KUHN. I think there are many ways that we have done this and we will continue to do this. One of the ways is, the gentleman to my right and the individuals in his office have come over to the Congress to talk about every housing privatization project in the Air Force, where the MILCON started for the projects, and how they interrelated.

I also see that there are three points in which we also come to you under congressional notification. One is in the concept approval of the housing privatization program, in which we not only do a notification, but we offer to come over to talk to your staff about these issues. And we come back a second time, before award, to talk to you about the project itself, the dollars that were leveraged, any details that you would like. And then there's the third notification when the money actually gets transferred into the family housing improvement fund.

But I think my commitment to you, and General Fox's commitment to you, is that we can, and have, offered to come over to talk to this issue on a systematic, periodic basis with your staffs, and they have been incredibly responsive to us in that, and it's been a very helpful dialogue.

Senator HUTCHISON. Good. Thank you.

Mr. KUHN. Yes, ma'am.

Senator HUTCHISON. Bolling Air Force Base was going to be traditional construction but now it is going into privatization.

Mr. KUHN. Yes, ma'am, into a group.

Senator HUTCHISON. Yes. My question is, you're going to privatization for Bolling, and are you going to preserve the historic houses? How are you going to handle those historic homes?

General FOX. Madam Chairman, we are looking at Bolling Air Force Base as a privatization candidate. And when we initially looked at Bolling and ruled it out the first time that we looked, it was because it was too good a deal for a developer, if you would. The basic allowance for housing was too high to make it feasible for the government to press ahead. So the only way that we look at it and say that it's a smart move for the government is to group it with some other bases that might not be quite as good a deal. So, in essence, it becomes the way to carry some other bases that are not as good a leverage.

As Mr. Kuhn mentioned, the great thing about privatization is the up-front capability that it gives us. We are now seeing nine-to-one leverage across our entire housing privatization program, which means, for every dollar that the Government puts forward up front, we're leveraging nine in private development. So that's what makes the program successful for us.

At Bolling Air Force Base, we're looking at potentially grouping with five other bases. And so, as we look at those bases and what we press ahead with in privatization, certainly we will have the developer give us proposals that will include preserving the historic units. I believe that the developer who would then own those units will probably have other proposals, as well. But, at this point, I don't think that we're able to tell you what a proposer would give us, in terms of the different propositions that they might make to us.

Senator FEINSTEIN. Madam Chairman?

Senator HUTCHISON. Yes?

Senator FEINSTEIN. At 2:30, we have a closed intelligence meeting on the defense intelligence budget.

Senator HUTCHISON. Sure.

Senator FEINSTEIN. And I'd like to be excused. It's the only chance I have——

Senator HUTCHISON. Of course. Do you have a question before you leave? Whatever is your pleasure.

Senator FEINSTEIN. I think—can I ask one question——

Senator HUTCHISON. Sure.

SPANGDAHLEM AIR BASE, GERMANY

Senator FEINSTEIN [continuing]. On Spangdahlem? Because we've gone over this before. There are two project requests for Spangdahlem, the large-vehicle inspection station, at $5.4 million, and the control tower, at $7.1 million. The question I wanted to know is, Do we know which air assets will remain at Spangdahlem following the global realignment that would support the infrastructure improvement? And, secondly, why haven't we requested NATO funding for these projects?

And another project that appears to be eligible for NATO funding is a warehouse at Aviano.

General FOX. Senator Feinstein, the purpose for Spangdahlem, for the long term, it is an enduring base. Spangdahlem is one of two bases, coupled with Ramstein Air Base, also in Germany, that replaced the capability that Rhein-Main Air Base has provided us.

Senator FEINSTEIN. General, we went over this. I think it was—was it last year?

Senator HUTCHISON. Yes.

Senator FEINSTEIN [continuing]. Last year, so we're relatively familiar with it. I mean, part of our problem has been that you folks change your mind periodically after we've begin a project. And I guess what I want to see is that there really is going to be the air assets there to support the improvements.

General FOX. Senator Feinstein, there's no change in Spangdahlem, nor Ramstein.

Senator FEINSTEIN. But that still doesn't answer my question, because we've never really, to my knowledge, been really assured that the air assets are going to be there.

General FOX. Both those bases, for the long term, replace the Rhein-Main capability that brings heavy airlift through Central Europe en route to other NATO locations or Southwest Asia.

Senator FEINSTEIN. So what you're telling us is that, on a permanent basis, there will be sufficient air assets at Spangdahlem to justify these permanent improvements.

General FOX. Yes, ma'am. Yes, ma'am. At Spangdahlem and Ramstein, both of those become airlift capabilities, to include wide-body aircraft, C–5 and C–17 aircraft.

Senator FEINSTEIN. Have we asked for NATO funding for any of this?

General FOX. Yes, ma'am.

Senator FEINSTEIN. And is it forthcoming?

General FOX. The vehicle inspection gate is not eligible for NATO funding, but the tower is partially eligible, and we have asked for

NATO recoupment of funds. So when we go forward with that project, we pre finance, and then go back to NATO and ask for recoupment of those funds. But Spangdahlem and Ramstein both are enduring locations.

Senator FEINSTEIN. And they will recoup $7.1 million?

General FOX. No, ma'am. We——

Senator FEINSTEIN. How much will they give you?

General FOX. I would have to estimate, at this point. I'll answer, for the——

Senator FEINSTEIN. Well, I'd just like——

General FOX [continuing]. For the record.

Senator FEINSTEIN [continuing]. To get you on the record so we know the money comes back and that you don't use it for something else.

NATO PRECAUTIONARY PREFINANCE STATEMENT

General FOX. Senator, the money does not come back to us, and I can't use it for something else. When—in a NATO scenario, we file a—what is known as a precautionary pre finance statement, which tells NATO we intend for them to pay back any and all funds that are eligible under NATO. NATO funds a minimum military essential requirement. So when they look across all NATO member countries, they say—if those NATO member countries have a very-much-smaller control tower requirement—and usually most countries don't build to our standards—they will fund to the minimum standard. And so, we can expect to recoup whatever the minimum standard is that other countries——

Senator FEINSTEIN. Of that——

General FOX [continuing]. Would get.

Senator FEINSTEIN [continuing]. $7.1 million?

General FOX. Yes, ma'am.

Senator FEINSTEIN. Or in excess of the $7.1 million?

General FOX. A portion of that $7.1 million.

Senator FEINSTEIN. I guess I don't understand the word "recoup"—does that mean——

General FOX. Recoupment——

Senator FEINSTEIN [continuing]. They pay you dollars?

General FOX. Recoupment means that NATO applies, then, funds that they will fund against—a project that we pre finance—against the United States share to the NATO Security Investment Program. So then the following year, the United States does not contribute as much as it ordinarily would to NATO.

NATO contributes—NATO's budget, in Security Investment Program, is in the neighborhood of about $550 to $600 million per year. The United States share of——

Senator HUTCHISON. The question I think——

General FOX [continuing]. That's about 25 percent.

Senator HUTCHISON. Right. But what she's saying is, okay, we fund it, NATO comes back, say, and gives us $4 million of the $7 million in credits to other NATO accounts. So the Air Force has funded the NATO commitment, basically.

General FOX. So——

Senator FEINSTEIN. So it's taken off of——

General FOX. Basically, it buys down——

Senator FEINSTEIN [continuing]. Our NATO commitment.

General FOX [continuing]. It buys down our normal contribution in subsequent years to NATO. It reduces our share.

Senator FEINSTEIN. Is that same thing true for the warehouse at Aviano?

General FOX. It would be. I can't tell you exactly what percentage of the warehouse at Aviano Air Base qualifies for NATO, based on the minimum NATO standard. But it is exactly true, as a normal course of business in Europe, the U.S. Air Forces in Europe files a recoupment request for anything that is or might be eligible for NATO funding. NATO funds, normally, operational requirements only, and then to a common minimum standard across NATO.

Where we've really leveraged NATO funding very well for the United States is when we went to Aviano and did the Aviano beddown. We convinced them that, since it was a replacement for Crotone Air Base that was not built, that they should also fund support facilities, as well. So we leveraged something like $350 million that NATO paid for the Aviano beddown, for example. So we do claim, for the U.S. Government, everything that NATO makes eligible across member nations.

Senator FEINSTEIN. But it's just deducted from our contributions today——

General FOX. It just means that——

Senator FEINSTEIN [continuing]. So it's just a fungible exchange.

General FOX. Yes, ma'am. We do not get funding back; it just decrements the amount in subsequent years that we the United States would normally contribute.

Senator FEINSTEIN. Thank you both very much. I appreciate that.

Thanks, Madam Chairman.

Senator HUTCHISON. Thank you.

GOODFELLOW AIR FORCE BASE, TEXAS

I just have one more, and this is more of a local nature.

Goodfellow Air Force Base, in San Angelo, Texas, is one of the good examples of true joint training facilities. All of the services are represented there. I wanted to ask you, it seems to me that Goodfellow has a lot of expansion room, and they're doing this intelligence training and language training that is so essential right now. My question is, do you have any plans to expand that mission profile with the same type of intelligence and its cryptology and language training for intelligence services? Are you looking at any expansions of that at this time?

Mr. KUHN. I don't know of any expansions, vis-a-vis the Air Force. I don't know what DOD or, for instance, the joint cross-service groups in the BRAC might be looking at for that. But I've met with the Goodfellow community on many occasions. We've talked about the lands, we've talked about their jointness in that area and in other areas, and they've been in the forefront of this issue for a lot of years.

Senator HUTCHISON. Well, it seems that it has really picked up with our war on terrorism, because, of course, we're recruiting more people who can, not only——

Mr. KUHN. Yes, ma'am.

Senator HUTCHISON [continuing]. Learn to speak Arabic, but to try to decipher signals. And I just——

Mr. KUHN. Yes, ma'am. Where jointness becomes even more important. Yes, ma'am, I agree with you. But just where I sit in the Air Force, I don't know of any plans of the Air Force to do anything for that particular——

ADDITIONAL COMMITTEE QUESTIONS

Senator HUTCHISON. But there is a lot of expansion room there.

Mr. KUHN. Yes, ma'am, there is.

Senator HUTCHISON. Have you been there to see their facilities?

Mr. KUHN. Yes, ma'am. Had a barbeque there. Yes, ma'am.

Senator HUTCHISON. Oh, yes, that's——

Mr. KUHN. Yes, ma'am.

Senator HUTCHISON. Well, the barbeque is at Dyess, in Abilene, also. That's another big one.

Mr. KUHN. Been there, too.

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

QUESTIONS SUBMITTED TO FRED W. KUHN

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

FAMILY HOUSING

Question. Mr. Kuhn, is the Air Force privatizing family housing at places where authorization and appropriation for the family housing requirements have not been received?

Answer. No. All of the awarded AF housing privatization projects had MILCON projects (for significantly smaller scope or number of units) slated for them, including Patrick AFB, which had funds, authorized and appropriated that were rescinded by Congress. The Air Force uses the authority under Title 10, United States Code Section 2883, to transfer Military Construction appropriations into the Family Housing Improvement Fund in order to fund the scored costs of our privatization projects. During the March 16, 2005 Senate Appropriations MILCON and Veterans Affairs Committee hearing, Mr. Kuhn affirmatively answered Senator Hutchinson's question regarding whether the Air Force would notify the committee in cases where MILCON would be used for privatization projects. As our Military Family Housing program continues to execute and we look for additional privatization opportunities we will continue to keep the committee informed of changes in our program.

BUDGET OVERVIEW

Question. Mr. Kuhn, I understand you hoped to bring forward a $1.8 billion MILCON request, but it was reduced to $1.3 billion in the last rounds of the budgeting process. What did not get funded as a result of that cut?

Answer. Many changes occurred from the fiscal year 2005 President's Budget Request Future Year Defense Program (FYDP) to the fiscal year 2006 President's Budget Request. Major Commands and Bases were forced to defer requirements to future years due to competing budget priorities. A list of deferred requirements is attached

JOINT FUNDING/JOINT BASING

Question. Mr. Kuhn, the Defense Department consistently says it will emphasize jointness in the upcoming BRAC round which I think is exactly the right thing to do. The Air Force generally has the best facilities among the Services. How do you intend to embrace jointness and still ensure Air Force facilities are of the quality you believe you need to most effectively execute your mission?

Answer. Thank you for the compliment regarding the existing infrastructure structure within the Air Force. The Air Force fully embraces the concept of jointness through the joint utilization of infrastructure assets. This is not a new concept for

us. This is something we are already doing at the majority of our installations, active, guard and reserve today. We strongly believe the responsibility to maintain the installation at these high standards belongs to the host unit commander. Prior to a new tenant from another service moving onto an Air Force installation, the potential tenant and Air Force personnel conduct a site survey. The host unit commander informs potential tenants of construction compatibility standards, the inter-service support agreement standards, and tenant funding responsibilities. Final approval for inter-service beddown activities is at the Secretariat-level where facility and inter-service support levels are addressed. This high-level review reinforces the expectation to support existing facility and installation services standards. The Installation Capability Council, which is chaired by OSD with members from the Services and their Secretariats have chartered a Joint Basing Group. This group is developing a policy for the Common Delivery of Installations Support. The policy will include standards, metrics and pricing or reimbursement rules for installations support.

QUESTIONS SUBMITTED BY SENATOR WAYNE ALLARD

LOWRY AIR FORCE BASE-HAZARDOUS WASTE

Question. All the developers at Lowry Air Force Base, save one, have had their claims for asbestos remediation rejected by the Air Force. The Colorado Delegation has been patient with the asbestos reimbursement cost process, but the Air Force's response has been most unsatisfactory. What is remarkable is that the Air Force continues to talk up the Lowry Redevelopment as its shining example in the BRAC process, yet this glaring unresolved problem remains. Why has the Air Force refused to acknowledge its responsibility for the asbestos it left at Lowry Air Force Base, including the asbestos found in utility pipes?

Answer. Our approach to asbestos, as well as to other unknown and undisclosed contamination on former Air Force property, is consistent with the law. We accept the full responsibility imposed by Federal law with respect to Air Force contamination that poses an unacceptable risk to human health and the environment. Where—as at Lowry—the condition of the property was disclosed to and accepted by the Lowry Redevelopment Authority (LRA), and where much of the soil there has been relocated from other locations on Lowry or brought onto Lowry at the direction of the developers or the LRA, our obligations have changed. And where—as at Lowry—there has never been a credible, science-based assertion that a situation poses an unacceptable risk to human health and the environment, the obligations of the Federal Government are nonexistent. With respect to your question on asbestos materials in utility pipes, the Air Force does not remove underground utility pipes from base closure property. The LRA and its builders have been aware that the Air Force did not remove the underground utility lines. It is the developer's responsibility to ensure the proper management of such pipes during construction activities.

Question. All the developers at Lowry Air Force Base, save one, have had their claims for asbestos remediation rejected by the Air Force. The Colorado Delegation has been patient with the asbestos reimbursement cost process, but the Air Force's response has been most unsatisfactory. What is remarkable is that the Air Force continues to talk up the Lowry Redevelopment as its shining example in the BRAC process, yet this glaring unresolved problem remains. Why has the Air Force refused to reimburse the developers who used their own money to pay for the Air Force's hazardous waste?

Answer. Please be assured that the decisions to deny claims were made only after careful review of the facts and applicable law, and that the decisions were made with the full support of the U.S. Department of Justice. The privileged nature of the settlement discussions prevents us from discussing any details.

Question. All the developers at Lowry Air Force Base, save one, have had their claims for asbestos remediation rejected by the Air Force. The Colorado Delegation has been patient with the asbestos reimbursement cost process, but the Air Force's response has been most unsatisfactory. What is remarkable is that the Air Force continues to talk up the Lowry Redevelopment as its shining example in the BRAC process, yet this glaring unresolved problem remains. Don't you find it embarrassing that this hasn't been resolved particularly when communities from around the country are meeting at Lowry this Spring to discuss successful redevelopment strategies?

Answer. No. The Air Force has followed Federal and State laws in its response to the discovery of asbestos at Lowry Air Force Base. The developers incurred their costs at the behest of a State agency that directed unprecedented sampling and re-

sponse actions and then, without any basis, informed the developers that the Air Force would pay for it. It is not the Air Force's responsibility to resolve such errors. We believe that Lowry is an excellent example of successful redevelopment and we applaud the LRA for the work it has accomplished to date. We also note that the meeting in question is sponsored by a non-Federal group, the National Association of Installation Developers (NAID). The announcement for the June 4–7, 2005 conference presents the following information: ". . . Lowry . . . has reached marketplace success must faster than anticipated, while driving an economic engine that is helping the region recover . . ." and "since closing in 1994, and then breaking ground in 1997, Lowry has become one of Denver's hottest neighborhoods. Nearly 3,000 new homes for 6,500 residents now command premium prices . . . to date the LRA estimates a $4 billion economic benefit to the State."

LOWRY AIR FORCE BASE-PRIVATIZATION INITIATIVE

Question. I would also like to point out a good news story from Lowry, and that is the privatization initiative. This plan would allow the Air Force and the Lowry Redevelopment Authority to privatize the remaining environmental issues and to complete the conveyance of all the remaining land at Lowry. This effort would effectively end any Air Force involvement at Lowry, protect them against any future environmental clean-ups, and allow the LRA to privately contract out all of the remediation efforts left at the site. I believe that if this plan had been put in place prior to the discovery of asbestos in the soil at Lowry, the entire issue would have been taken care of in a much less confrontational manner. I hope that as we proceed with another round of BRAC that the DOD will push for these agreements. Will the Department of Defense continue to pursue privatization initiatives with the communities that are affected by the BRAC process?

Answer. Yes, the Air Force will continue to pursue privatization initiatives at locations where it is economically feasible. In addition to Lowry, the Air Force Real Property Agency is pursuing privatization at the former McClellan AFB, CA. In coordination with the Department of Defense, the Air Force is developing criteria for the BRAC 2005 Handbook that will aggressively reflect privatization as a viable method under BRAC 2005.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

SUPPLEMENTAL REQUEST/KUWAITI AERIAL PORT

Question. Because of the timing of the President's Budget Request, and the submission of the $75 billion Supplemental request, it's impossible not to question projects included in the supplemental as emergencies. The Air Force has asked for an aerial port at Ali Al Salem Air Base in Kuwait. The request is for $75 million and that's just the first phase of an unspecified number of phases. First, can you give me the total cost and number of phases for this project, and secondly, why our location at Kuwait City Airport isn't sufficient? These are temporary facilities, are they not?

Answer. The $75.5 million MILCON request in the fiscal year 2005 Supplemental is an emergency. It is intended to provide the minimum construction requirements necessary to move all flying operations out of the Kuwait City International Airport (Mubarak AB) and meet the current contingency requirements in support of Operation IRAQI FREEDOM (OIF). The project expands the runway, taxiway, aircraft parking, and fueling capability at Ali Al Salem (AAS) in order to enable the airfield to support wide-body aircraft. Additionally, the project provides only the basic facility needs to process passengers, handle cargo, plus billeting/dining facilities (using pre-engineered buildings). The $75.5 million project in the fiscal year 2005 Supplemental was developed last year assuming continued commercial traffic into Kuwait City International Airport (KCIA). Current revised planning assumption is that all U.S. flights will be redirected to AAS vice KCIA. With this increased number of daily commercial landing and takeoffs, recent pavement/soil analysis done by the Corp of Engineers determined that the existing design and condition of the Host Nation (HN) airfield will require repairs ($18.3 million to $35 million depending on design) to the existing airfield pavements in order to support heavy aircraft beyond 2 years. We will request HN funding for this effort, and if unsuccessful in obtaining HN funding will submit O&M funded repair under section 2811. Bottom line: the $75.5 million project will effectively move all operations out of KCIA in the short term, but the additional load on the AAS runway will cause it to fail unless it is repaired. Next, there is a four-phase plan to transition Ali Al Salem into an enduring base with permanent type facilities in accordance with the long range

CENTCOM Master Plan. These phases are not tied to OIF, (like the interim $75 million Supplemental project mentioned above), and will be submitted for Host Nation funding/cost sharing and potential future U.S. MILCON funding. The preliminary scope of work and cost estimates for these future phases are reflected in detail in the below spreadsheet.

[In thousands of dollars]

Project title	HN funding request
Phase 1 Priority:	
Conc Strat Lift Ramp 8 wide/48 other	75,300
Connecting Taxiways	2,800
Engine Runup & Maint Pad	3,100
Fuel Hydrant Sys (8 Strat, 24 Other), Ph 1	15,000
Flightline/Satellite Fire Station	3,000
2 Lane Asphalt road, Ph 1	2,000
Communications	2,200
Supporting fac, utilities, demo, sitework	7,000
Demining, Ph 1	7,000
Phase 1 Total	117,400
Phase 2 Priority:	
Operational Fuel Storage	10,000
Fuel Hydrant Sys (8 Strat, 24 Other), Ph 2	24,900
PAX Terminal	5,000
Fleet Service Warehouse	2,300
Air Freight Terminal	5,000
Wide body Maintenance Hangar	22,400
Maintenance Shops w/Hangar	4,500
Hangar Apron	3,600
Squadron Ops Facility	3,400
AMU Facility	3,400
Fuels Ops & Testing Facility	1,100
2 Lane Asphalt road, Ph 2	800
Army Fac (Troop Processing, Hospital, etc)	59,000
Supporting fac, utilities, demo, sitework	7,000
Demining, Ph 2	7,000
Phase 2 Total	159,400
Phase 3 Priority:	
12,000′ × 200′ Runway w/50′ shoulders	23,000
7,500′ × 100′ Taxiway w/50′ shoulders	10,500
Asphalt Overruns	1,300
Ladder & High Speed Taxiways	16,900
Hot Cargo Pad	4,900
Air Traffic Control Tower	1,800
Airfield Lighting/NAVAIDS	11,200
2 Lane Asphalt road, Ph 3	800
Supporting fac, utilities, demo, sitework	7,000
Demining, Ph 3	7,000
Phase 3 Total	84,400
Phase 4 Priority:	
80 km Pipeline from Refinery	38,400
Flightline Dining Facility	2,700
Housing (10×24 room)	8,400
Repair old runway/taxiway after move	24,600
MWR & Support Facilities	2,800
2 Lane Asphalt road, Ph	42,900
Supporting fac, utilities, demo, sitework	7,000
Demining, Ph 4	7,000
Phase 4 Total	93,800

[In thousands of dollars]

Project title	HN funding request
Cost Sharing Totals	455,000

The transition from Kuwait International Airport to Ali Al Salem serves two purposes. One, the Government of Kuwait (GoK) has requested that all Military operations relocate as they move to establishing a Free Trade Zone and increase tourism to their country. Second, by consolidating the Aerial Port of Debarkation APOD (currently at KCIA) with the passenger processing and tactical airlift (currently at AAS) the force protection risk of convoying deploying/redeploying forces between these locations is mitigated. Currently Military and U.S. commercial aircraft are parked adjacent to the uncontrolled freeway and accessible by commercial vehicles operating on KCIA. Bussing troops from KCIA to Camp Buehring for in processing, then on to AAS for airlift into Iraq exposes them to risk of attack. The fiscal year 2005 Aerial Port project allows relocation of APOD from KCIA to mitigate force protection risks to troops, improves efficiency of logistics and troop movements, and satisfies HN request to allow KCIA civil aviation expansion. The facilities to be constructed are pre-engineered temporary facilities with anticipated life expectancy of 5 to 7 years given the extreme temperature conditions of AAS.

RECAPITALIZATION RATE

Question. Mr. Kuhn, as promised, the Air Guard's request is up nearly 30 percent from last year's request, but that still only represents a $38 million increase. When compared to the amount funded with Congressional ads, the Air Guard still falls $73 million below last year's funded amount. The recapitalization rate for the Air Guard is 163 years—just slightly less than 100 years off the 67 year goal set by DOD. Given that only 24 percent of this year's request buys current mission projects, how do you plan to buy down the recapitalization rate?

Answer. The OSD goal for the Services to achieve a 67-year recapitalization rate is by fiscal year 2008; a goal which the Air National Guard is currently programmed to meet. The Air National Guard's fiscal year 2006 and fiscal year 2007 MILCON programs continue to be dominated by new mission requirements for the beddown of the C–5 at Memphis, TN and Martinsburg, WV. Projects associated with these beddowns are primarily new footprint and do not count toward the recapitalization rate. The completion of these beddowns and the up-turn in funding projected for fiscal year 2008 will make this possible.

QUESTIONS SUBMITTED TO MAJOR GENERAL L. DEAN FOX

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

SUSTAINMENT/BASE OPERATIONS SUPPORT (BOS)

Question. General Fox, your testimony notes your restoration and modernization (R&M) backlog will grow to nearly $9.8 billion in 2006. It also notes your request for R&M funds was restricted to $173 million in fiscal year 2006. How do you expect to make any progress against the backlog with such small R&M request?

Answer. The readiness of our infrastructure remains an emphasis item for the Air Force; however, near-term fiscal constraints prohibited us from bringing forward a more robust R&M request. During the Program Review period, the Air Force was forced to react to major adjustments in the overall Department of Defense budget, including reductions of almost $4.8 billion to the Air Force budget in fiscal year 2006. In developing options to source funding in response to this direction, we looked at the full range of Air Force programs, from flying programs to installation support programs. While our fiscal year 2006 budget request for R&M is less than we would prefer, in the out-years we intend to invest more heavily in critical infrastructure maintenance and repair through our R&M program in order to achieve a facility recapitalization rate of 67 years by fiscal year 2008. This strategy is in line with established OSD goals. This additional investment in our R&M program will assist in making progress against our R&M backlog.

Question. General Fox, your testimony notes your restoration and modernization (R&M) backlog will grow to nearly $9.8 billion in 2006. It also notes your request for R&M funds was restricted to $173 million in fiscal year 2006. What funding strategy does the Air Force intend to employ to bring down this backlog?

Answer. Our strategy is to invest more heavily in the out-years in critical infrastructure maintenance and repair in order to achieve a facility recapitalization rate of 67 years by fiscal year 2008. This strategy is in line with established OSD goals. This strategy will assist in making progress against our R&M backlog.

Question. General Fox, your testimony notes your restoration and modernization (R&M) backlog will grow to nearly $9.8 billion in 2006. It also notes your request for R&M funds was restricted to $173 million in fiscal year 2006. Given the backlog, why has the Air Force not asked for more R&M?

Answer. Near-term fiscal constraints prohibited us from bringing forward a more robust R&M request. During the Program Review period, the Air Force was forced to react to major adjustments in the overall Department of Defense budget, including reductions of almost $4.8 billion to the Air Force budget in fiscal year 2006.

Question. General Fox, your testimony notes your restoration and modernization (R&M) backlog will grow to nearly $9.8 billion in 2006. It also notes your request for R&M funds was restricted to $173 million in fiscal year 2006. Why has the Air Force not submitted a larger sustainment and BOS budget?

Answer. Sustainment, Base Operating Support (BOS), and Restoration and Modernization (R&M) are three separate programs, each with separate requirements and associated funding goals. For Sustainment, the Air Force's fiscal year 2006 budget request is in keeping with established OSD goals; namely, it represents 95 percent of the requirement derived from the OSD Facility Sustainment Model. For BOS, while our fiscal year 2006 budget request is less than we would prefer, near-term fiscal constraints prohibited us from bringing forward a more robust BOS budget. During the Program Review period, the Air Force was forced to react to major adjustments in the overall Department of Defense budget, including reductions of almost $4.8 billion to the Air Force budget in fiscal year 2006. In developing options to source funding in response to this direction, we looked at the full range of Air Force programs, from flying programs to installation support programs.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

VANDENBERG AFB/MCCLELLAN AFB

Question. General Fox, the Air Force plans to spend $34.7 million in fiscal year 2006 for environmental remediation at the former McClellan AFB. Could you please tell me, what is the extent of remediation efforts still required at McClellan, how much time and how much funding is still required?

Answer. Former McClellan AFB is on the EPA National Priorities List (NPL) list and is a very complex environmental site. There are nine operable units, which have been organized into 15 specific Records of Decision (RODs). Two RODs are completed. 2010 is the projected Final ROD date, with 2015 being the final remedy in place date. The Estimated Cost to Complete is $752 million. The Air Force is seeking to implement alternate contracting methods to buyout all or portions of the environmental program over the FYDP. Currently 11 percent of the property is conveyed. All conveyances are estimated for completion by end of 2016.

FOREIGN CURRENCY EXCHANGE

Question. Maj Gen Fox, Your program notes the challenging foreign currency exchange rate. The dollar has been in decline for a couple of years now. When submitting requests for this budget, did your estimates take into consideration the weakened value of the dollar? If so, given a consistent dollar valuation, will exchange rates continue to be a challenge in fiscal year 2006?

Answer. Yes, we have taken into consideration the weakened value of the dollar in developing the cost estimates of our fiscal year 2006 overseas projects. However our prior year projects were programmed at higher rates of exchange and the issue of exchange rates will remain a challenge when making payment for these projects in fiscal year 2006.

SUBCOMMITTEE RECESS

Senator HUTCHISON. Yeah.

Well, thank you very much. Those are my questions. And I appreciate your being here and look forward to working with you.

Mr. KUHN. Thank you very much.

General FOX. Thank you.

Senator HUTCHISON. Thank you.

Our hearing is recessed.

[Whereupon, at 3:16 p.m., Wednesday, March 16, the Subcommittee was recessed, to reconvene subject to the call of the Chair.]

MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2006

TUESDAY, JUNE 28, 2005

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

The subcommittee met at 4 p.m., in room SD–138, Dirksen Senate Office Building, Hon. Kay Bailey Hutchison (chairman) presiding.

Present: Senators Hutchison, Allard, Feinstein, Johnson, and Landrieu.

OVERSEAS BASING COMMISSION

STATEMENT OF HONORABLE AL CORNELLA, CHAIRMAN, OVERSEAS BASING COMMISSION

ACCOMPANIED BY:

MAJOR GENERAL LEW E. CURTIS, III, UNITED STATES AIR FORCE (RET.)

VICE ADMIRAL ANTHONY A. LESS, UNITED STATES NAVY (RET.)

BRIGADIER GENERAL KEITH MARTIN, PENNSYLVANIA ARMY NATIONAL GUARD (RET.)

LIEUTENANT GENERAL H.G. TAYLOR, UNITED STATES ARMY (RET.)

OPENING STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. The hearing will come to order. I apologize for being late, I thank all of you for being here and I'm very pleased that we now have our report and our hearing. The Commission has concluded that making the necessary changes in the report did not have a material affect on its conclusions and recommendations, thus the report has been edited in response to concerns of the Department, and we appreciate all of the cooperation by both the Department of Defense and the Overseas Basing Commission.

The Overseas Basing Commission was created in November of 2003 in the Military Construction Appropriations Act, Senator Feinstein and I were the authors of that legislation. We passed the legislation because we were concerned that the United States was pouring large amounts of money into overseas military facilities that were more appropriate to the Cold War than to the security environment of the 21st century. I also was concerned that the Department was not thinking boldly enough about the posture more appropriate to that new security environment, and creating the

Commission served a dual purpose—providing Congress with an independent view of our overseas basing needs, and working with the Department of Defense to tackle this effort vigorously.

We have before us a fresh look at these important questions, not necessarily does it have all the right answers, but it is another independent view of the subject. I believe we'll find that the Commission's very existence will prove to have been as important as any of the specific recommendations it has to make.

I'm pleased to note the Commission report overall is in support of the Global Basing Strategy of the Department of Defense, and while the Commission diverges from the Department on some of the specifics, its plan, in the words of the report says, "The Commission fully understands the need for change and endorses most of the initiatives undertaken in the Department of Defense's Integrated Global Posture and Basing Strategy."

I will not read the rest of my opening statement, but just to say that I think the goal of the Commission and our goal in passing the legislation authorizing the Commission has been met, and I think that in the main it is also in agreement with the Department of Defense Global Basing Initiative. There are some differences, and we will discuss those. We will certainly want to hear from the Department of Defense as well, but I think when we are looking at some of the problems that we had in transporting troops during the run up to the situation in Iraq, and the training constraints that we have at overseas bases, that certainly the move now to having more troops at home and deploying from here is something that is in the works, thanks to a lot of effort on the part of the Department.

So, with that, let me ask my ranking member, Senator Feinstein for her opening statement, and as the co-sponsor of the legislation to create the Commission, we're very pleased that we now have a report, and we believe it will add to the body of knowledge to make all of our bases better training facilities, and better places for our service men and women to live and work. Senator Feinstein.

STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. Thank you very much, Madame Chairman, and my thanks to the Commission, to its Chairman, Al Cornella, to the members, I really think you have done an excellent job. I had a chance at reading the classified version and have just received this new one now and look forward to looking through it.

I am very pleased you're working through the classification issues which have arisen in conjunction with the report, and we've reached the point where we can go forward with this hearing today. Senator Hutchison's and my goal in establishing the Commission was really to enable and obtain an objective, informed overview of the global basing plan from the perspective of experts outside of the Pentagon. Your report offers precisely the type of overview we were hoping to achieve and it raises a number of valid and very thought-provoking questions.

The timing of the report in conjunction with the ongoing BRAC process could not really be more propitious. I understand you've been invited to testify before the BRAC Commission, and I would

anticipate that your insight into the global basing plan will be a valuable asset to them in their deliberations.

I agree with both you and the Defense Department that it is time to re-think the stationing of the United States military forces around the world, but I also share your concerns that the Pentagon may be moving too fast, too soon without giving enough consideration to America's overarching foreign policy and national security objectives. This isn't just an exercise of moving pieces on a chessboard. When, how and where we reposition existing military forces overseas has a far-reaching impact, not only on our national security interest, but also on a whole host of economic and political interests. The movement of troops from Europe and Korea back to the United States will have a huge impact on the communities to which they are returning, as your report rightly points out, quality of life is a key element of the global re-basing strategy, so the Department needs to be very careful to avoid returning American troops and their families to bases in communities that are not ready to receive them, and this is a major concern, I think, of Senator Hutchison, and certainly of my own.

How the Pentagon expects to accomplish this in the midst of the wholesale realignment of domestic bases that will occur as a result of BRAC is a question that needs to be answered, and interestingly enough, I see where, in your report, you mentioned that costs, which are anticipated to be between $9 and $12 billion with only $4 billion currently budgeted from fiscal year 2006 to 2011. You mentioned that these may be understated, and that an independent analysis conducted for your Commission put the tab at closer to $20 billion. I think this is something that we need to come to grips with, I hope, Mr. Cornella, that you will talk about that in your remarks.

Secondly, timing and synchronization are central themes, but your report is a great first step, I really want to thank you for it, and I certainly look forward to your testimony. Thanks, Madame Chairman.

Senator HUTCHISON. Thank you. Senator Allard.

STATEMENT OF SENATOR WAYNE ALLARD

Senator ALLARD. Madame Chairman, I would like to make my full statement a part of the record.

But I would just like to just briefly make these comments.

In some respects the Commission was critical of the manner in which the Department of Defense put together its current Integrated Global Basing Posture and Basing Strategy, and some may even be tempted to argue that the Commission's recommendations indicate that we need to delay, or stop entirely, the BRAC process. Madame Chairman, I disagree with that assessment.

PREPARED STATEMENT

I note that the Overseas Basing Commission stating it fully, agrees with the Department's contention, that there's considerable need for a rebasing initiative, in fact, the Commission strongly endorses most of the rebasing initiatives undertaken by the Department of Defense, and I look forward to getting to the heart of the

recommendations offered by the Commission, and I believe that this hearing will further demonstrate how important it is that the BRAC process move forward, and that the Department's re-basing initiative is fully implemented, and I note with interest that there's one bullet in your conclusions and recommendations where you state that the overseas basing posture of the United States and domestic base closure and realignment are closely related. Although the Commission calls for an overarching review of the overseas basing posture, you state that we believe that the BRAC process should move forward as scheduled, thank you, Madame Chairman.

[The statement follows:]

PREPARED STATEMENT OF SENATOR WAYNE ALLARD

Thank you, Madame Chairman for holding this important hearing.

The Commission on the Review of Overseas Military Facility Structure of the United States has performed a great service for our country. The Commission's report lays out several principles that should be considered when reviewing the Department of Defense's overseas rebasing initiative. These principles include among others:

—Ensuring that the rebasing initiative is tied to a master plan
—Coordinating with agencies outside the Department of Defense
—Assessing the impact of rebasing on intelligence, force protection, homeland security, and other important national priorities

In some respects, the Commission was critical of the manner in which the Department of Defense put together its current Integrated Global Posture and Basing Strategy. Some may even be tempted to argue that the Commission's recommendations indicate that we need to delay or stop entirely the BRAC process.

Madame Chairman, I disagree with that assessment. I note that the Overseas Basing Commission stated it fully agrees with the Department's contention that there is considerable need for a rebasing initiative. In fact, the Commission strongly endorsed most of the rebasing initiatives undertaken by the Department of Defense.

I look forward to getting to the heart of the recommendations offered by the Commission. I believe that this hearing will further demonstrate how important it is that the BRAC process move forward and that the Department's rebasing initiative is fully implemented.

Thank you for the opportunity to say a few words. I look forward to the testimony of our witnesses.

Senator HUTCHISON. Senator Landrieu.

STATEMENT OF SENATOR MARY L. LANDRIEU

Senator LANDRIEU. Thank you, Madame Chair, I have a full statement for the record.

I would just like to add, I think it's very important that our desires and needs as a Nation be brought into line with our budget and monies that we have to allocate, and I'm seeing, unfortunately, a pattern of setting out on a course underestimating the costs associated, and basically running up the debt. And so, I think we've got to be very practical in this approach, we have some strategic defense postures to keep in place, but we also have some very real budget constraints, and if the cost is going to be twice or three times as much as we had anticipated, then we're going to need to find the money somewhere, and just can't pretend that we can do this with minimal to no cost, and we've got to be able to be more realistic about that, and I'll say more about that in the statement that I submit. Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Madame Chairman, thank you for calling this hearing to review the Overseas Basing Commission recommendations.

Since the end of the Cold War, the United States has stood as the unrivaled military leader in the world. Our fighting men and women have preserved national security and served our foreign policy interests admirably since the collapse of the Soviet Union. However, the attacks of September 11, 2001 on the United States highlighted the need to transform our national defense strategy to address the terrorist and extremist threats which seek to destroy our country's influence in the world.

Admiral Nimitz, one of our foremost Naval heroes defined the task for us. He noted that "whoever gets there firstest with the mostest wins." That is our contemporary challenge which positions U.S. fighting men and women abroad. We must place them around the globe in such a way as to assure that U.S. forces are the first in the The Theater, and that they can bring overwhelming force to bear.

Yet while our government contemplates a global strategy to keep our Nation more secure, we must also consider the personal impacts our decision-making will have. As we contemplate closing facilities in Germany and other places in Europe, we must keep a special focus on our military families. We are already asking them to make incredible sacrifices. We do not need to add the inevitable burdens of separation and worry by relocating our bases to places where it is unlikely or impossible for their families to follow.

Another consideration for this process is ensuring that our allies and friends recognize that we aim to strengthen our commitment to secure our common interests. We must explore ways in which we can together transform our partnership in order to enhance our collective defense capabilities. It is time for our allies to work toward this goal together. Gone are the days when the United States can be expected to foot the bill for every cause.

Madam Chairman, while I trust that all the members of the Overseas Basing Commission will provide valuable recommendations to strengthen the U.S. Global Defense Posture, I think it is important that this subcommittee keep in mind that managing this complex concept is a costly endeavor. While have put much effort into the building blocks of posture changes which include the facilities that make up our overseas footprint. However, we also need a new approach to managing the force which includes our permanent and rotational presence overseas must include our allies and their own accountability for the goals which they can no longer expect to achieve without their own proportionate investment.

We must make certain that we keep our Nation's obligation to those who have served and sacrificed in its defense. I believe that the U.S. Global Defense Posture is important and necessary. I also believe that our commitment to this endeavor must be tempered by realistic expectations to be achieved and by appropriate and responsible contributions to be made by the United States as well as our Allies.

In its report, the Overseas Basing Commission expressed areas where the Department of Defense can provide for a more secure America. Suggestions in the report range from better communication and a wider spectrum of views by partners in the decision-making process to a more cohesive overall design which would be administered by a specific body that would be assigned responsibilities to both guide and monitor its implementation. Also, the Commission suggests Congress exercise its full authority in ensuring that plans and programs are appropriate to the task.

The Commission's recommendations are critical in the strategy of transformation which will change the face of national security for many years to come. It is essential we have an honest and open dialogue to insure America continues to preserve the lives of its citizens for generations to come.

Thank you all for your testimony. Also, I hope that in the future we will be able to discuss one of the most important issues which faces this committee, the shortfall in Veterans Health Care funding.

Madame Chairman, Senator Hutchison, thank you for your continued leadership on these issues. I look forward to the testimony of our witnesses.

Senator HUTCHISON. Senator Johnson.

STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Thank you, Madame Chairman. I want to in particular welcome a fellow South Dakotan, Al Cornella, Chairman of the Commission, to the panel today and express my appreciation and the Senate's appreciation for you leadership. Mr. Cornella is a

former BRAC Commissioner and has been willing to take on the very significant task of chairing the Overseas Basing Commission, and we're appreciative of that, Al, we are proud of your service to the country. I welcome our other panel members here, as well, who have each of them, undertaken a very large scale, but very important undertaking, and will serve the Senate well, I'm certain. I will submit a full statement, Madame Chairman.

I do, however, want to note that I believe that the Overseas Basing Commission recommendations and the ongoing quadrennial review are of such significance that it would have been my preference to have seen those issues resolved prior to going onto the BRAC Commission's deliberations about the closure and the Department of Defense's recommendations, frankly, for the closure of military bases around the country. I think that all of these interact with each other, and it is hard for me to imagine how the recommendation from the Department of Defense could be, well premised without in fact having prior access to the studies and reviews of the quadrennial review as well as the Overseas Basing Commission.

Nonetheless, here we are, and I look forward to the testimony of the Commission, and I want to tell the Commission that I was very supportive of this effort I think that your work is going to be a very constructive and positive contribution to our overall review of America's military posture in the world and domestically as well, thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Mr. Johnson. I would like to thank Chairwoman Hutchison and Ranking Member Feinstein for calling today's hearing to discuss the Overseas Basing Commission's interim report.

I would also like to thank Chairman Al Cornella for appearing before the Subcommittee today. The work performed by the Overseas Basing Commission is vitally important to our national security and the long-term viability of our military force.

Today the Military Construction and Veterans Affairs Subcommittee will hear testimony from Commission members about redeploying servicemembers from U.S. military facilities overseas. Their report could not come at a more important time.

The threats facing the United States today are vastly different from those during the Cold War. Much has changed since that conflict ended and we must shift our security posture to confront new and emerging enemies. In addition, Secretary Rumsfeld has released his list of proposed domestic base closures and realignments, and the Base Realignment and Closure (BRAC) Commission has begun their important work to review and revise the Secretary's list. Domestic base closures have a profound effect on our military force and the economic health of local communities. We should not close a single domestic base if it may unduly compromise our ability to defend our homeland.

Currently, the Department of Defense is undertaking a monumental shift in overseas deployments. The threats confronting the United States have changed dramatically following the collapse of communism and the terrorist attacks of September 11. In response, approximately 70,000 soldiers, as well as 100,000 family members and civilian employees, will be returning from overseas in the next decade. This shift in our military force abroad is long overdue.

However, the Overseas Basing Commission's interim report raises a number of important questions that must be addressed. For instance, the U.S. military plans to move troops stationed overseas back to American soil, but according to the Commission, if a crisis arises abroad, the military does not have enough sea and air transportation to rotate forces rapidly enough to respond. Just as troubling, the Bush Administration has projected it will cost $12 billion to redeploy soldiers back to the United States, but has only budgeted $4 billion for fiscal years 2006 through 2011. The Commission believes these costs are understated and according to their independent analysis the price tag is closer to $20 billion.

Furthermore, if the Defense Department's proposed changes in overseas bases are enacted, it will result in additional troop rotations. The Commission's report argues that extended and more frequent rotations could strain U.S. military personnel and their families to the point where the United States is incapable of maintaining an all-volunteer force. I am extremely concerned with these conclusions. The military is already having trouble meeting recruitment and retention quotas. Creating more stress for our soldiers and their families will exacerbate this problem and irreparably damage our military.

In response to these concerns, the Commission cautions the Department of Defense and urges them to reduce the speed of returning soldiers from overseas bases, and I believe this idea has merit. At a time when we are fighting wars in Iraq and Afghanistan, we must ensure the redeployment of American service members is in accord with our long-term strategic defense goals and should be thoughtfully planned and executed.

Additionally, the Commission contends overseas redeployment should wait until the Department of Defense determines which domestic military bases will be shuttered during this round of base closures. If Secretary Rumsfeld and the Pentagon continue to move forward with their plan to bring troops back to the United States from overseas deployments, I believe we must consider postponing this current round of domestic base closures. Simultaneously closing domestic and overseas bases may irrevocably damage our ability to defend against threats at home and abroad.

I commend the Overseas Basing Commission for addressing the critical issues and concerns raised in preparation for shifting troops back to the United States. I strongly encourage Secretary Rumsfeld and the Department of Defense to seriously consider the Commission's recommendations. We must reorganize our military force in order to respond to the threats of the 21st century. The challenge is to do so in a manner that is not detrimental to our national security and the men and women who proudly serve our country.

Senator HUTCHISON. Thank you, Senator Johnson. I think that the Department in the next panel will discus how it took into consideration the troops that were coming back during the BRAC process, so we will get a chance to question them on that.

Mr. Cornella, thank you for Chairing the Commission, I want to thank each Commissioner for all of the time and effort that you have put into doing this, you came to Washington many times, you went overseas, we appreciate the effort for this volunteer force that you gave us, and with that, let me ask you, Mr. Cornella, to give us the synopsis of the report, and whatever you would wish you say.

STATEMENT OF AL CORNELLA

Mr. CORNELLA. Madame Chairman, Senator Feinstein, staff members, distinguished guests, members of the general public, my name is Al Cornella. As I was introduced, I serve as the Chairman on the Commission of Overseas Military Facilities Structure of the United States, thankfully more commonly known as the Overseas Basing Commission.

I serve with five other Commissioners, four of whom are present today. From my far left, the Commission vice-Chairman Lou Curtis, Major General United States Air Force, Retired, Tony Less, United States Navy, Retired, Pete Taylor on my right, Lieutenant General, United States Army, Retired, and Keith Martin, Brigadier General, Pennsylvania Army National Guard, Retired. Dr. James Thompson, our sixth Commissioner and President of BRAC is out of the country and unable to be here with us today.

I would also like to introduce the Commission's Executive Director, Ms. Patricia Walker, seated behind me.

Madame Chairman, I would respectfully ask that the statements you received be entered into the record, and I be allowed to make a brief opening statement.

The Commission's talented staff included lead research analysts, a general counsel administrative staff, and analysts detailed from the Department of Defense and Government Accountability Office. The Commissioners and staff have worked diligently to prepare the May 2005 report. A final report will be provided to Congress and the President by August 15, 2005. We were asked to provide this early report so it might be used in conjunction with the domestic BRAC process.

OVERVIEW

The Overseas Basing Commission was established by public law in fiscal year 2004. The Commission's task is to independently assess whether the current overseas basing structure is adequate to execute current missions, and to assess the feasibility of closures, realignments or establishment of new installations overseas to meet emerging defense requirements.

However, the Commission's work is not intended to preclude the Department of Defense's effort toward developing an integrated global presence and basing strategy, or IGPBS, and you'll probably hear me use that acronym several times. Rather, the Commission report should assist Congressional Committees in performing their oversight responsibilities for DOD's basing strategy military construction appropriations, and the 2005 base re-alignment and closure determinations.

But one thing I would like to add as I note from your opening statements, that there are views about criticism of the Department. I do not believe that our report is offered as criticism of the Department, it's offered as ways to strengthen the IGPBS plan, but we feel these are constructive thoughts that we're sending forth.

The Commission has been active since May 2004 and began with a thorough analysis of national security, defense and military strategies. The Commission completed a careful review, the Foundation for Global Reposturing, the 2004 Department of Defense, again IGPBS. It is important to note, at this point, the Department on several occasions has advised us that we are entitled to and have received all of the information that has been provided to Congress relative to overseas basing.

Second, based on the Commission's interview, interviews of key officials in the office of the Secretary of Defense, the Joint Staff, the Combatant Commanders and the State Department, the Commission developed evaluation criteria to assess how effectively the current and future overseas basing posture support current and future national security and military operations. In addition, the Commission consulted with former senior military leaders, and other national security experts. We conducted four public hearings where we received testimony from former experts, military experts, defense analysts and experts on military family issues. At the final hearing, we had representatives from the Department of Defense and the State Department. We have engaged in briefings from the Department of Defense, the State Department, the Congressional Budget Office, Congressional research service, and other entities.

We visited military installations in many countries, meeting with U.S. forces, embassy representatives, foreign military officers and local officials. We have met with the majority of combatant commands, and in most cases, with the commanders and their staffs. We have made two trips to the Pacific Command, three to the European Command, and one to the Central Command. We spent about 2 months overseas traveling, the Commissioners also received briefings from U.S. Southern Commands, Special Operations Command, and Transportation Command. We have interacted with several thousand people over the past year, the vast majority from within the Department of Defense. All of the Commissioners and I have learned a great deal from these discussions, both here and abroad.

Based on this review and analysis, the Commission has identified six major areas of concern—geopolitical considerations, timing and synchronization, operational requirements, mobility, quality of life and costs, and I will touch on a few of these briefly, and then we are prepared to address all of them in your questions.

TIMING AND SYNCHRONIZATION

The Commission would like to make note that decisions have been made in regard to locations and force levels before the 2005 Quadrennial Defense Review, QDR, and the 2005 Mobility Capability Study had been completed. The simultaneous activities of Service Transformation Army Modularity Operation Enduring Freedom, Operation Iraqi Freedom and the Global War on Terrorism, IGPBS, BRAC, resetting the forces and rebuilding, of prepositioned equipment—have all competed for funding within a limited budget, not to mention the stress that's created on the forces, the current schedule of IGPBS moves will adversely impact the service's ability to adequately fund modernization and readiness.

In regard to mobility, strategic and infra-theater, lift and sea lift capabilities must be significantly upgraded. We have yet to meet the lift capabilities identified by the mobility requirement study of 2005, which was conducted in the year 2000. In addition, announcements of global reposturing are being made before the presently ongoing Mobility Capability Study is concluded. Again, it would seem prudent to wait for the results of that study. It is clear that the mobility of our military forces being stressed by the current strain on strategic infra-theater lift and sea lift capabilities, the stress on strategic lift capabilities is being caused in large part by ongoing military operations in Afghanistan and Iraq. Strategic mobility is the key to our ability to respond to events worldwide, plans for sea and air lift capabilities as well as pre-positioned equipment sets must take into account the additional demands that IGPBS could place on an increasingly continental United States-based force. Surging forces from the continental United States will be problematic if strategic and tactical life capabilities and pre-positioned stocks are not in place.

QUALITY OF LIFE

Next, I'll briefly turn to quality of life issues. These issues are complex, but are also key concerns of the global positioning strategy, primarily because the United States relies on an all-volunteer

force. In order to sustain the military force both in numbers and in strength, the expectations of military personnel and their families with regard to active and reserve duty as well as redeployments must be met. If these expectations are not adequately met, then the U.S. military risks being severely compromised. Needless to say, this has enormous consequences politically, and in terms of maintaining national security. We have a moral obligation to our men and women in uniform and to their families to provide the quality of life support that they deserve. Returning forces and families should have housing, schools for their children and adequate medical facilities in place before they return, and the same should be maintained abroad until the last service member departs.

The Commission calls this the "last day-first day" approach; not only does this have moral implications, but it will also be reflected in retention rates. The Commission notes with concern that the impact in recruiting and retention by IGPBS rotational forces has not been adequately evaluated, nor have associated risks to sustaining the voluntary force been assessed. We strongly recommend that this be given priority, and that necessary assessments be completed as quickly as possible.

GEOPOLITICAL CONSIDERATIONS

In the present era of the global War on Terror and the indisputable global competition in defense, intelligence, diplomacy, commerce and energy matters, the Commission feels it would be wise to broaden the underlying assumptions, scope and participation in the IGPBS process to include vital players involved in other areas of national security. The inter-agency process, for example, might include the Departments of Defense, State, Energy, Homeland Security, Justice, Commerce and Treasury, the National Intelligence Director and others. After completing the interim report, we were advised that have a fourth Commission, but we of the fourth Commission have come to a similar conclusion—the others are in the 9/11 Intelligence Commission—while moving troops back to the United States may be a political priority, force projection demands can only be met by developing a rebasing strategy and coordination with strategic U.S. alliances abroad, both existing and future.

Many of our overseas basing capabilities rest on contingencies such as future political relations with bilateral partners involving fully negotiated and ratified legal agreements that support those relations. In many cases the status of forces agreements, Article 98 agreements and other legal agreements are not in place at the proposed new locations.

TROOP LEVELS

I will mention one specific recommendation, as it is the only one that has potential to change the number of returning troops, and we estimate this recommended change to affect roughly 4,000 troops. In order to hedge against uncertainty in regard to near-term threats, demonstrate aid and continued and enduring commitment to NATO, and allow for heavy force military-to-military contact with our NATO allies, at least one of the heavy brigade combat teams scheduled for return to the United States should remain in Europe, fully manned, until one, the Balkans support mission is

lifted to a ground-based defensive tank killing system is stationed in Europe and Operation Iraqi Freedom is mitigated. Additionally, heavy brigade combat teams' equipment should be repositioned to float in the region. These recommendations are in addition to the Department's plan for a Stryker Brigade in Germany, and the 173rd Airborne Brigade in Italy, and again, we offer these suggestions only to strengthen the Department's plan, not as a criticism.

PREPARED STATEMENT

As a final note, I wish to thank the members of the committee for inviting the Commission to appear today. It's been my privilege to briefly describe the Commission work to date. Of course, the report has not been finalized and it is my hope that this will be the beginning of dialogue in this matter, so that the Commission can strengthen its analysis, conclusions and recommendations before submitting the final report on August 15. Please be assured that the Commission and staff are open to the views and concerns of Congress.

Thank you for giving us this opportunity to serve your needs and those of the Nation, and we will be happy to answer any questions you may have at this time.

[The statement follows:]

PREPARED STATEMENT OF AL CORNELLA

My name is Al Cornella, and I serve as the Chairman of the Commission on the Review of Overseas Military Facility Structure of the United States, more commonly known as the Overseas Basing Commission (OSBC).

I serve with five other Commissioners four of whom are present today—the Commission Vice Chairman, Lewis Curtis, Major General United States Air Force (Retired); Anthony Less, Vice Admiral, United States Navy (retired); Pete Taylor, Lieutenant General, United States Army (Retired); Keith Martin, Brigadier General, Pennsylvania Army National Guard (Retired). Dr. James Thomson, our sixth Commissioner and the CEO and president of RAND is out of the country and could not be here today. I would also like to introduce the Commission's Executive Director, Ms. Patricia Walker.

The Commission's talented staff included lead research analysts, a general counsel, administrative staff, and analysts detailed from the Department of Defense and the Government Accountability Office. The Commissioners and staff have worked diligently to prepare this May 2005 report. A final report will be provided to Congress and the President by August 15, 2005. We were asked to provide this early report so it might be used in conjunction with the domestic BRAC process.

The Overseas Basing Commission was established by public law in fiscal year 2004. The Commission's task is to independently assess whether the current overseas basing structure is adequate to execute current missions and to assess the feasibility of closures, realignments, or establishment of new installations overseas to meet emerging defense requirements.

However, the Commission's work is not intended to preclude the Department of Defense's efforts toward developing an integrated global presence and basing strategy. Rather, the Commission report should assist Congressional committees in performing their oversight responsibilities for DOD's basing strategy, military construction appropriations, and the 2005 Base Realignment and Closure Commission determinations.

This Commission has been active since May 2004, and has conducted four hearings where we received testimony from former military experts, defense analysts, and experts on military family issues. We have engaged in briefings from the Department of Defense, the State Department, the Congressional Budget Office, Congressional Research Service, and other entities. The Commission has met with commanders and received extensive briefings on the transformation plan for the European Command, Pacific Command, and Central Command. The Commission has also met with the Transportation Command, Special Operations Command, and

Southern Command. The majority of our time was dedicated to the areas of greatest change.

Main Testimony

Congress created the Overseas Basing Commission as an independent, unbiased entity to produce a report that advises Congress on the current and future overseas basing structure of U.S. military forces. This is truly a daunting task. In order to explain the preliminary conclusions and recommendations that the Commission is prepared to offer to this committee today, let me begin by explaining the analytic approach we took examining and thoroughly studying various important aspects of the overseas basing structure.

Analytic Approach

First, the Commission began with a thorough analysis of national security, defense, and military strategies. The Commission completed a careful review of the foundation document for global reposturing, the 2004 Department of Defense Integrated Global Presence and Basing Strategy (IGPBS).

Second, based on the Commission's interviews of key officials in the Office of the Secretary of Defense, the Joint Staff, the COCOMs, U.S. Transportation Command, and the State Department, the Commission developed evaluation criteria to assess how effectively the current and future overseas basing postures support current and future national security and military operations.

In addition, the commission consulted with former senior military leaders and other national security experts. Commissioners and staff participated in six overseas trips to various commands. We conducted four public hearings where we received testimony from former military experts, defense analysts, and experts on military family issues. At the final hearing we had Mr. Doug Feith and Vice Admiral Robert F. Willard from the Department of Defense and Ambassador Rose Likens as a representative of the State Department. We have engaged in briefings from the Department of Defense, the State Department, the Congressional Budget Office, Congressional Research Service, and other entities.

We visited military installations in many countries, meeting with U.S. Forces, embassy representatives, foreign military officers, and local officials. We have met with the majority of Combatant Commands and in most cases with the commanders and their staffs. The Commissioners have received briefings from U.S. Central Command, U.S. Southern Command, U.S. Special Operations Command and U.S. Transportation Command. We have made two trips to the Pacific Command, three to the European Command, and one to the Central Command. All the Commissioners, and I, have learned a great deal from these discussions, both here and abroad.

Finally, based on its review and analysis, the Commission identified six major areas of concern:

—Geopolitical Considerations;
—Timing and Synchronization;
—Operational Requirements;
—Mobility;
—Quality of Life; and
—Costs.

I will briefly address each area of concern, and explain the findings and conclusions of the Commission on each issue.

Geopolitical Considerations

The Commission has determined that the DOD's IGPBS does not adequately address current and future geopolitical and strategic needs in response to existing and emerging security threats for two reasons. First, it is the view of the Commission that the IGPBS is too narrowly based on military concerns. While the Commission wishes to commend the Department of Defense on the design of IGPBS—which is a strategy that is directly aimed at addressing the matrix of existing and emerging threats—it is clear that the IGPBS has been almost exclusively designed by and for the military.

In the present era of a global war on terror and the indisputable global competition in defense, intelligence, diplomacy, commerce and energy matters, the Commission feels that it would be wise to broaden the underlying assumptions, scope and participation in the IGPBS process to include vital players involved in other areas of our national security. The interagency process might, for example, include the Departments of Defense, State, Energy, Homeland Security (especially Immigration and Customs and Border Patrol), Justice (especially the Federal Bureau of Investigation), Commerce, and Treasury, the National Intelligence Director, and others. After completing the interim report, we were advised that we are the fourth com-

mission to come to this conclusion. (Others are 9–11, Intelligence, and Roles and Missions Commissions)

The basic concept of the IGPBS—as established by DOD—is fundamentally strong, and can be further refined to include issues related to homeland security, law enforcement, energy, non-proliferation, and other pressing national needs and priorities. Information sharing and inter-agency coordination among government agencies is a top priority of this Administration, and we feel that IGPBS can support this goal by broadening and diversifying its approach and implementation.

Indeed, many of our overseas basing capabilities rest on contingencies such as future political relations with bilateral partners fully negotiated and ratified legal agreements that support those bilateral relations. In many cases, the Status of Forces Agreements (SOFA), access agreements, Article 98 agreements, and other legal agreements are not in place in proposed new locations.

Timing and Synchronization

Another reason the Commission feels that the IGPBS should be modified relates to more particular matters of the proposed timing and synchronization of IGPBS. The Commission has concluded that while the IGPBS is an ambitious plan to restructure our global posture, it does so without fully taking into account other dynamic, ongoing and, in some cases, unpredictable changes.

If the IGPBS is based on the 2001 Quadrennial Defense Review (QDR), why would you not wait for the results of the current 2005 QDR—scheduled to be completed this fall—or the 2005 Mobility Capabilities Study (MCS) to be completed in August before announcing movements of forces?

The simultaneous activities of service transformation, Army modularity, Operation Enduring Freedom, Operation Iraqi Freedom, the Global War on Terrorism, IGPBS, BRAC, resetting the forces, and rebuilding of pre-positioned equipment sets all compete for funding within a limited budget. Not to mention the stress on forces. The current schedule of IGPBS moves will adversely impact the Services ability to adequately fund modernization and readiness.

Operational Requirements

The commission is concerned that heavy forces in Europe are being removed from the mix. We also note the strategic importance of Okinawa. Diminishing our capabilities on the island would pose risk to our allies and our national interests in the region. At the same time, we feel it is important to move from Futenma Marine Corps Air Station.

Moreover, not enough attention has been given to our ability to train and exercise the force in the formulation of the overseas basing plan. Infrastructure is sparse in some regions and, capabilities for integrated training across services and with allies remain sketchy.

The Commission notes with concern that the impact on recruiting and retention by IGPBS rotational forces has not been adequately evaluated, nor have associated risks to sustaining the volunteer force been assessed. We strongly recommend that this be given priority, and that the necessary assessments be completed as quickly as possible.

Mobility

It is clear that the mobility of our military forces is being compromised by the current strains on strategic lift, intra-theater lift, and sealift capabilities. The stress on strategic lift capabilities is being caused, in large part, by our on-going military operations in Afghanistan and Iraq. However, other tactical lift demands in terms of responding to political crises such as in Haiti and Sudan, as well as unanticipated natural disasters necessitating military intervention such as in the recent December 2004 tsunami event, also play a factor in challenging DOD's mobility capabilities.

While moving troops back to the United States may be a political priority, force projection demands can only be met by developing a rebasing strategy in coordination with strategic U.S. alliances abroad (both existing and future).

Strategic and Intra-theater air and sealift mobility capabilities must be significantly upgraded. We have yet to meet the lift capabilities identified by the Mobility Requirements Study 2005 (conducted in the year 2000). In addition, announcements of global reposturing are being made before the presently ongoing Mobility Capabilities Study (MCS) is concluded. It would seem prudent to wait for the results of that study.

Strategic mobility is the key to our ability to respond to events worldwide. Plans for sea and airlift capabilities, as well as prepositioned equipment sets, must take into account the additional demands that IGPBS could place on an increasingly continental United States (CONUS)-based force. Surging forces from CONUS will be

problematic if strategic and tactical lift capabilities and prepositioned stocks are not in place.

Quality of Life

Next, I would like to turn to quality of life issues. These issues are complex but are also key concerns of the global positioning strategy, primarily because the United States relies on an all-volunteer force. In order to sustain the military force (both in numbers and in strength), the expectations of military personnel and their families with regard to active and reserve duty as well as redeployments must be met. If these expectations are not adequately met, then the U.S. military risks being severely compromised. Needless to say, this has enormous consequences politically and in terms of maintaining national security.

We have a moral obligation to our men and women in uniform—and to their families—to provide the quality of life support they deserve. Returning forces and families should have housing, schools for their children, and adequate medical facilities in place before they return and the same should be maintained abroad until the last service member departs. The commission calls this a "last-day, first-day" approach. Not only does this have moral implications, but will also be reflected in retention rates.

Costs

Now, with regard to the cost of changing the overseas basing structure and the realignment and closure of bases in general, the Commission recognizes that the costs are significant. In many cases, it is not even possible to predict the true costs of certain strategic changes.

The cost of IGPBS is estimated at $8 to $12 billion. An independent analysis for the commission put the figure closer to $20 billion. Many costs are sunk into projected host nation support that may not come to fruition. In other cases, the services are expected to pay from within their service budgets.

For example, costs need to be estimated and planned for troop and base relocations. Significant upgrades of main operating bases, forward operating sites, cooperative security locations, and pre-positioned combat support sites need to be planned. Let us also not lose sight of the fact that significant financial investments in new weapons systems, strategic lift capabilities, training, and integrated systems need to be made in order to keep the U.S. military as the premier fighting force in the world.

Finally, these changes need to keep abreast of making Quality of Life expenditures in order to attract and keep a dedicated military force. Investing in the training of our military force is also a vital component of maintaining strategic capability, and requires the expenditure of enormous funds.

In light of this, the Commission recognizes that Congress should be informed of realistic costs as to coordinate strategic and operational requirements with budgetary needs and constraints. The Congress needs accurate estimates to determine what is prudent, and must be prepared to support IGPBS if it is to succeed.

Therefore, in light of the previously mentioned concerns, the Commission makes the following recommendations:

—The detailed synchronization required by so massive a realignment of forces requires that the pace of events be slowed and reordered. We know of no nation asking us to leave. These moves should be conducted at a pace that does not place additional stress on our armed forces.

—That the entire effort of overseas basing be integrated into one overarching design that is coordinated and synchronized with all ongoing initiatives. Furthermore, an interagency review process is put in place to periodically consider the impacts of the global force posture and to ensure that outcomes are consistent with overall national interests.

—The Commission believes strongly that Congressional oversight of the global posture review is truly necessary. The Congress, including the Armed Services and Foreign Relations Committees, should provide more rigorous oversight (to include hearings) of the global basing process given the scope and cost of the DOD rebasing plans, their impacts on the individual services, the men and women of our armed services and their families, and to the political and trade alliances of the United States. Particular attention should also be paid to the timing and synchronization and cost of all the related efforts.

—DOD must ensure that all necessary infrastructure and quality of life programs (such as housing, medical, schools, etc.) are retained at overseas bases until the last day the service members and their families depart. At the same time, Congress must ensure that the necessary infrastructure and quality of life programs

are already in place by the first day the first troops and families arrive from their overseas locations.

—Moreover, the Commission strongly urges that the planned overseas basing structure be coordinated with strategic lift considerations, especially with regard to troop and equipment mobilization. We feel that this planning is necessary in terms of adequately meeting the demands of the overall global prepositioning strategy

Additionally, the Commission recommends that:

—Marine Corps air assets assigned to Futenma Marine Corps Air Station on Okinawa should relocate to Kadena Air Base and/or Iwakuni Marine Corps Air Station; all other Marine Corps assets should remain on Okinawa.

—In order to hedge against uncertainty in regard to near term threats, demonstrate a continued and enduring commitment to NATO, and allow for heavy force military to military contacts with our NATO allies, at least one of the heavy brigade combat teams scheduled for return to the United States should remain in Europe fully manned until: (1) The Balkan's support mission is lifted; (2) a ground-based offensive tank killing system is stationed in Europe; and (3) Operation Iraqi Freedom is mitigated. Additionally, a heavy brigade combat team equipment set should be pre-positioned afloat in the region. These recommendations are in addition to the current DOD plan for a Stryker Brigade in Germany and the 173rd Airborne Brigade in Vicenza, Italy.

—Further, there should be a commitment to support continuous rotational deployments to Eastern Europe and provide U.S. military-to-military presence in the new NATO countries.

—The U.S should review its treaty with Iceland, and update it to reflect the post-Cold War security environment.

—Greater depth is needed in Africa to secure long term United States interests against potential competitors. The Horn of Africa initiative should be replicated in those locations elsewhere on the African Continent that may prove to be of increasing importance to future strategic concerns. To some extent, similar initiatives are needed in Latin America.

Final Remarks

As a final note, I wish to thank the members of this committee for inviting the commission to appear today. It has been my privilege to describe the work of the Commission to date, and to express its preliminary recommendations.

Of course, the report has not been finalized, and it is my hope that this will be the beginning of a dialogue in this matter so that the Commission can strengthen its analysis, conclusions and recommendations before submitting its final report on August 15, 2005. Please be assured that the Commission and staff are open to the views and concerns of Congress. Thank you for giving us this opportunity to serve the needs of the Congress and of the Nation, and we will be happy to answer any questions that you may have at this time.

Senator HUTCHISON. Thank you very much, Mr. Cornella, and we will do 5 minute rounds so that everyone will have a chance, and then we'll go back through for a second round.

TIMING OF IMPLEMENTATION

Let me start with the slowing of the plan, and that is the area that concerns me the most in your recommendations. I certainly agree that in a perfect world we would have everything right up to the last day overseas for a family, and then the first day they arrive everything would be in place, but I don't know that that is realistic, nor do I think it is necessarily in the best interest of the families or the military, and here's why.

General Schoomacker has made modularity a priority for our forces to be trained for the kind of combat that they are seeing today, and I just wondered, if you are looking at the military capability, did you consider that moving the troops home, and having the modular brigades begin to train together so that they could go back into Iraq and Afghanistan, what impact slowing the process down, as you have suggested, would have on that capability?

Mr. CORNELLA. Well, I'm going to let some others answer as well, but I will start with your question, Senator. I think you point out exactly what may be the problem, in the sense that for modularity to occur, the timing is sensitive. And as forces are moved back from overseas for all of this to take place, it is intermeshed and it has to happen, but that is one of our concerns, that in order for that to happen on the schedule that has been put forth, we are very concerned that that infrastructure, as you indicate, will not be in place at those receiving locations, and we think that's critical, both in regard to the moral obligation to our forces that I indicated, and to quality of life for those folks, and for retention. I'm going to see if any of the other Commissioners would like to respond; I do have a little more to follow up on.

Senator HUTCHISON. I'd be happy to hear from anyone else on that, but just if you could also direct your attention to the capabilities to do that overseas, versus on our own bases.

Mr. CORNELLA. I'm not sure I understand your question, Senator.

Senator HUTCHISON. Well, if they're trying to get these brigades trained and ready to go, and they designated the bases to do that, we don't have that kind of capacity in Europe and Germany right now.

Mr. CORNELLA. I would turn to General Taylor.

General TAYLOR. Madame Chairman, I appreciate the opportunity to respond to that.

TROOP MOVEMENT

I think there may be a little bit of misunderstanding about what we have recommended. We're not saying that the forces should not come back except in that one case, and we explained why we felt that was necessary, or suggested that the Department should consider leaving one heavy brigade there, but the majority of the forces, large majority of them, we're in agreement, they should come back. All we're saying is that, don't do it until we have both the quality of life and the training capability at our bases here in the United States to receive these. The bases here in the United States are fairly well occupied right now, and it's going to take some infrastructure, in both quality of life resources as well as training capability, new ranges—just a piece of desert is not necessarily enough to train forces, we've got to build the modern digistat ranges, we've got to make sure there's adequate infrastructure there to receive them.

Our forces in Germany are being trained right now, yes, and I've served there many years, and yes, there are some challenges, but we have been able to train some forces over there, our forces have given a good account of themselves in Iraq and Afghanistan that have been moved from Europe, but again, I emphasize that we're not suggesting that they shouldn't come back, we just want to synchronize with the preparation of the infrastructure here, at the receiving bases here in the United States before we do that. And maybe that's going to happen, but based on the information that we were able to obtain through the conduct of our assessments, we didn't see that the right resources had been allocated, or the right plans had been made for that.

Senator HUTCHISON. Well, it just seems to me that building permanent facilities at a foreign base that you know you're closing is certainly not a wise use of funds, and you cannot train the number of brigades that we're talking about in Germany, which I'm not telling you anything that you don't know, it just seems that maybe the focus should be more on getting the facilities ready in the bases that are going to take them here, and that would certainly be the more permanent use of the dollars that are going into this, because if you delay too long, you may be really affecting the capabilities to transform the military, which certainly, the Department is trying to do right now, and I think General Schoomacker's whole theory is based on having them here and getting them trained so that they can deploy directly from domestic bases.

General TAYLOR. Madame Chairman, I think we're saying exactly the same thing, it's just a matter of timing, and we encourage the Congress to put the right amount of resources into it to do it as quickly as we can, and as soon as that's done, I think we'd be totally supportive of what you've said.

Senator HUTCHISON. Well, the other thing is, pouring money into overseas bases that we know we're going to abandon has to be looked at very carefully in this big picture, and the longer we wait the more things can happen that cause us to lose that focus. So, I think we are headed for the same goals, but I do think we have a difference in emphasis for what should happen when. From my standpoint, I know that others disagree with me, so we will certainly want to hear from them as well, and also the Department. My time is up, so I'm going to stop and go to Senator Feinstein.

MOBILITY

Senator FEINSTEIN. Thanks very much, Madame Chairman. I wanted to ask you about your comments on mobility. The reason I do this is because virtually wherever I go, and I talk particularly to Navy commanders, the question always comes down to strategic lift and our inabilities and deficiencies there, and you write that adequate strategic sea lift, airlift and pre-positioned equipment and stocks do not exist, and that current Intra-theater airlift is overstressed. Aside from the lift capability, the Commission is also concerned that the air and sea ports, inter-nodal connectivities and other mobility-enabling systems are not adequate to meet potential contingencies. Nor is there a budgetary plan to do so. And I've had this told to me by CINCs, by others, and I watch the budgets and we never seem to come to grips with it.

Can you add, in any way, to what you've said, anybody who'd like to comment?

Mr. CORNELLA. General Curtis, would you like to comment?

General CURTIS. Senator Feinstein——

Senator FEINSTEIN. Don't be shy, say what you think.

General CURTIS. Senator Feinstein, I've watched the airlift mobility issues since I was a Captain at headquarters back when the C–5 was first introduced. It is always tough to find the space within the budget for the adequate procurement of lift, and every time we go through the mobility capability study, and the associated budget requirements, fitting everything in, our unconstrained requirement is difficult, and in my experience, there are trade-offs made.

But clearly, as we become a more CONUS-based force, and we re-do the Army, both up armor and more air mobile vehicles, like the Stryker, we need to balance those things very carefully with lift capability versus our other requirements for modernization. And there are no easy answers to that, nobody will be satisfied in the end, because there are never enough dollars to go around, but everybody within the equation that reaches a solution needs to understand that's a very critical balance, and I'm sure you do.

COST

Senator FEINSTEIN. Thank you. Could you expand on your comments on funding, that the cost may be understated, and tell us a little bit about the independent analysis that was conducted for you that put the tab at $20 billion?

Mr. CORNELLA. Thank you, I will take that question.

I left that out of the shortened version of the statement, and there's not necessarily a great deal of explanation in the other statement we presented to you. There is in our long report, quite a bit of information in regard to the cost, but that assessment was done by a detailee from the Government Accountability Office, and estimated at $20 billion, and I think that information was validated on May 10th by a senior member of the Department when they said they did agree with our figures, but we had cast a wider net to draw those figures in. And so we were looking at areas other than what they were stating in the $10 to $20 billion, pardon me, the $9 to $11 billion. We also did have several—two to be exact—members of the Department say that the cost could be closer to $25 billion, so we feel the $20 billion number is defensible.

STRYKER BRIGADE

Senator FEINSTEIN. I understand your European concern, that replacing our heavy forces with a Stryker Brigade before we've developed the organic tank killing weapon system necessary. What kind of response has there been to that recommendation so far?

Mr. CORNELLA. Response from the Department?

Senator FEINSTEIN. Right.

Mr. CORNELLA. Well, we've not discussed that specific recommendation at length with the Department, we have had conversations in our travels with Commanders that made that suggestion to us, that they thought that that was a good idea that that take place, and General Taylor, do you have anything you want to add?

General TAYLOR. There is an initiative on the part of the Army to have an offensive tank killing capability with the Stryker variant, but so far it has not come to fruition, and so our basic premise is that we definitely need to have an offensive ground tank killing capability there as well as the other issues that we mentioned, and we're not saying that that Brigade should necessarily stay there forever, but until the criteria that we mentioned are realized.

Senator FEINSTEIN. In terms of deployment of bases, and transitioning the military, what lessons do you think were learned in Iraq and Afghanistan?

General TAYLOR. I would first state an opinion, primarily about Iraq that, while initially we felt that we could do this with much

lighter forces, we're finding out more and more that heavy forces, even in a city environment is very necessary. I know of some people who fight in that area very well, and some of them are parts of my family, and they would clearly rather fight out of a tank as even an up-armored Humvee, and I think the reports coming back from some of the recent efforts in Iraq have been, and Baghdad, have shown that there is a place for heavy force, although the Stryker variant up in Mosul has been very valuable as well. So, I think we're still learning, I think the decision on all of this is still out, but we haven't lost the need for some of our heavy forces.

Senator FEINSTEIN. Thank you, my time is up, Madame Chairman.

Senator HUTCHISON. Senator Allard.

OVERSEAS SAVINGS

Senator ALLARD. Thank you, Madame Chairman.

I noticed in your summary here that you hadn't talked in detail as did Senator Feinstein, as to some of the costs. I wonder if you could give us just some bottom line figures, if possible, has the Department of Defense conducted an estimate as to how much money would be saved by reducing their basing overseas?

Mr. CORNELLA. I'm not sure if we were provided with that number. Now it's logical to assume that if bases are reduced overseas, there will be some savings, and they may be significant. At the same time, those facilities may have to be replicated within the United States; and also, I'm not sure that those figures that are being put forth include any mobility that might be required in order to surge out of the continental United States. And I can't address that—those will be good questions for the Department in the next panel.

Senator ALLARD. Did you try and conduct any kind of estimate?

Mr. CORNELLA. I would have to ask staff about that; we will provide you with that information.

Senator ALLARD. Okay. Is it correct to say that you do not recommend the Department of Defense go back and do its re-basing strategy?

Mr. CORNELLA. I think that I would turn to my other Commissioners, but I don't think that we mean to indicate that they do that.

General TAYLOR. Again, Senator, it's a timing issue, and a synchronization issue, not the fact that they shouldn't do it. Unfortunately, it's not 100 percent clear, at least up to the point when we completed most of our reports, exactly what the timing was, that was still a developing process. Remember, this was prior to the release of the BRAC report, so exactly where they were going, or that the Department was recommending they were going was not available to us at that time. Now, some of that at least portions of that information is available to us, and that will help as we complete our report and look at where they might be going here in the United States.

FORWARD OPERATING SITES

Senator ALLARD. It seems to me like in one of the hearings on the Armed Services Committee, they talked about forward basing,

maybe in the Balkan states where we don't have now, that you would end up basically with an air field with utilities, and if you put in temporary tents, they would be basically two by fours in tent structure, and then when your mission was done, you would move out, does that seem like a reasonable approach to you?

General TAYLOR. You're talking about both the security locations and the forward operating sites? Yes, and our only question about those is whether or not we have consummated the agreements with the host countries that we should have in place before we go too much farther, and that's being worked by both the Department and others, but the concept is valid and we have no problem with that.

Senator ALLARD. And do you have any reason to believe that those host countries wouldn't cooperate with us? The last time I talked to most of them they were thrilled to death to be part of NATO, and even be part of the forward deployment effort.

General TAYLOR. I would suggest that would be a question to ask the next panel. I'm sure they can enlighten you. We did not have verifiable information that these agreements have been consummated, but I'm sure the next panel can respond to that better.

BRAC

Senator ALLARD. Okay. To what extent do you believe the Department of Defense used its IGPBS to formulate its recommendations for base closure and realignment? The Secretary of Defense admitted his recommendations for base closures and realignments to Congress and BRAC and it was in May, and the question is, to what extent do you believe that the Department of Defense used the IGPBS to formulate its recommendations for base closure and realignments, did you look at that?

Mr. CORNELLA. Yes, and I think it had a great deal to do with the recommendations to the BRAC Commission. The numbers of returning troops from overseas impacted Army bases most significantly.

Senator ALLARD. And the follow up, then, do you see any reason why the BRAC process should not go forward?

Mr. CORNELLA. Or as we say in our report, we see no reason why that should not go forward. I just would like to add one thing to your previous question about the Nations where we might have lily pads, or CSLs or whatever you might like to call them. We have seen instances most recently, without mentioning the names of any countries, one where access to an Air Force base was either restricted or denied within the last few months. We also have seen instances during the Iraq War where certain Nations did not allow access. These are the types of things that we're talking about in regard to making sure that those agreements are in place before you establish those locations in those countries.

Senator ALLARD. Thank you, Madame Chairman, I see my time has expired.

COST

Senator HUTCHISON. Thank you, Senator Landrieu?

Senator LANDRIEU. Thank you. Let me just see if I can summarize a couple of these questions, because I think the work you have done is extremely important, and we appreciate how difficult it can

be sometimes to really give an independent view, and we want to be sure that we have our ears open and are willing to hear the independent view, so let me just ask again—one of the bottom lines of your report, which is all documented here, Mr. Cornella, is that the cost associated with moving our troops back could be twice as much as what is currently estimated? Is that correct?

Mr. CORNELLA. Yes, Senator.

TIMING

Senator LANDRIEU. Is it also correct that you are suggesting that the time frame that is being adopted as we speak is probably too aggressive to accomplish the goal?

Mr. CORNELLA. Well, I think again, it's a timing issue. If all of this could be timed properly, and we had, maybe, an infinite pot of money, there probably would not be a problem, but there are a lot of things that are taking place, and I cited many of those in my opening statement.

Senator LANDRIEU. But in your estimation of the summary of your report, there is a time frame that has been proposed, and you reviewed it and in your professional judgment, you all are saying that it is unlikely that the time frame can be met?

Mr. CORNELLA. We have addressed it, we have talked to commanders in the field, and we feel it's probably ambitious.

Senator LANDRIEU. Would it be fair to say, then, that you have some serious concerns about meeting that time frame?

Mr. CORNELLA. Well, I think we do in the sense that a lot of the moves are already taking place, and have started in regard to the Pacific, probably, without mentioning names of countries, more than have taken place in Europe, but I would agree with your statement, Senator.

Senator LANDRIEU. Again, I'm not trying to put words in anybody's mouth, I'm just trying to clarify for the record what I think. The goal of this hearing is, is to really hear what you are saying about your view, and if it is that we've underestimated the cost, we need to hear.

Mr. CORNELLA. Two thousand eleven sounds like a long way off, it's really not that far, and I guess my point was that a lot of the moves are already taking place as we rotate forces through Iraq and Afghanistan, and I think the plan is to bring the forces back from those rotations after they pick up their families in Germany and other locations, so the bulk of the moves may take place sooner rather than later, they may take place sooner, rather than towards the end of that 2011 time frame.

Senator LANDRIEU. General Curtis, then I think Mr. Martin had something to add.

General CURTIS. Yes, Senator, there are three numbers down here in the report, and they really measure three different things, as our numbers often do in government. And, the $4 billion is the number specifically tailored to this move within the palm through 2011. The $9 to $12 billion, as I understand it from the material being given by the DOD is an estimate which includes other things of the total cost of this move, and some of this money, I'm given to understand, would come out of the general O&M accounts within the services, not specifically be identified within the POM itself.

Finally, the $20 billion number is a life cycle number beyond the POM, so it isn't directly comparable to either one of the two previous numbers. The concerns I have after watching the process, how we execute our financial processes is that the moves with either be slipped because of an insufficiency of funding to do it right, we will move without doing it right, or we will take money out of the O&M accounts to pay for the move, and not know what we didn't buy, what we gave up in terms of readiness or something else by forcing the Services to fund parts of the move internally. They're three different numbers that all mean the same thing, but they could drive unforeseen consequences if we insist on meeting the schedule without fully funding it with identifiable funds, and that's one of our big concerns.

Senator LANDRIEU. Mr. Martin.

Mr. MARTIN. Thank you very much, Senator, Madame Chairman. In perspective, this is the most sweeping transformation and repositioning of U.S. forces since the late 1940's, the Defense Reorganization Act of 1947. United States forces, the repositioning thereof, it should be positive for our national security and our national defense. The Department's plan is a good plan, if fully coordinated, synchronized, it can and will enhance the Nation's security and defense interests. But it should be and must be positive for our service men and women to the maximum extent possible. The bottom line of what we said on the quality of life is we shouldn't be moving soldiers, sailors, airmen and Marines any faster than we can build the new housing, the new medical facilities, new schools and training facilities as General Taylor pointed out, and certainly no faster than we can provide the air lift, sea lift and pre-positioned stockage to move them from their United States, now CONUS-based homes, to potential points of influence and engagement. We have an opportunity right now because of the Secretary's vision to do the right thing, we need to do it the right way. It is an opportunity, and we believe, a responsibility, because if we don't take care of the force we have now, we could face a future, and the enemies and threats of tomorrow with forces we won't have, and options we don't like.

Senator LANDRIEU. Thank you.

Senator HUTCHISON. Are there any other questions of this panel? If not, thank you very much for all of the effort that you made. We appreciate it and look forward to looking at it further, and now I would like to call the second panel from the Department of Defense forward. Thank you very much.

Mr. CORNELLA. Thank you, Senator.

DEPARTMENT OF DEFENSE

STATEMENT OF HONORABLE RYAN HENRY, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR INSTALLATIONS AND ENVIRONMENT

ACCOMPANIED BY:

PHILLIP GRONE, DEPUTY UNDER SECRETARY OF DEFENSE FOR INSTALLATION AND ENVIRONMENT

ROSE LIKINS, ACTING ASSISTANT SECRETARY OF STATE, BUREAU OF POLITICAL-MILITARY AFFAIRS

Senator HUTCHISON. The next panel is Mr. Phillip Grone, Deputy Under Secretary of Defense for Installations and Environment, the Honorable Ryan Henry, Principal Deputy Under Secretary of Defense for Policy, and Ambassador Rose Likins, Acting Assistant Secretary of State, in the Bureau of Political and Military Affairs.

STATEMENT OF RYAN HENRY

Mr. HENRY. Thank you, Madame Chairman, Senator Feinstein, members of the subcommittee, thank you for the opportunity for appearing before you today, along with the Overseas Basing Commission and Chairman Cornella. Joining me today as you mentioned are Acting Assistant Secretary of State, Rose Likins, and Deputy Under Secretary, Phil Grone. And I want to say I appreciate the insightfulness of your opening remarks today. I would like now, if I may, to submit my full statement for the record, and make just a few brief remarks at this time.

GLOBAL DEFENSE STRATEGY AND PROCESS

Madame Chairman, the Administration's plan to strengthen America's Global Defense Posture will result in the most profound re-ordering of military forces overseas since the end of World War II. The September 11 attacks clarified our understanding of the key security issues that we will face during the beginning of the 21st century. Simultaneously, we realize that much of our in-place force posture still reflected a Cold War structure. We had forward garrison forces configured to fight near and where they were based. Unlike the past century, today we no longer can predict where, when, or in what manner our forces may be called on to fight, therefore our forces need to be able to rapidly project power into theatres far from where they may be based. Through our Global Defense Posture Realignment, we have aimed to strengthen our ability, fulfill our international commitments to ensure that our future alliances are capable, affordable, sustainable and relevant.

Then to focus on capabilities, and not just numbers. The Defense Department conducted our Global Defense Posture Review thoroughly and deliberately. We've collaborated with our inter-agency partners through broad and sustained deliberations. We've also consulted extensively with our allies and our partners to incor-

porate their views. The Department of Defense and the Department of State have held joint consultations with relevant international partners, in over 20 foreign capitals, beginning in December 2003, and continuing on a sustained basis since then. We also have communicated with Congress, and personal and Committee staff members throughout the review. We've provided a detailed report to Congress in September of 2004, followed by the submission of detailed overseas master plans from each of the regional Combatant Commanders in February 2005. And over 40 times the Secretary of Defense, the Combatant Commanders, the members of the Joint Staff, and the Office of the Secretary of Defense have traveled here to Capitol Hill to consult with Congressional Committees and Members.

Finally, as mentioned by Chairman Cornella, we have worked closely with the Overseas Basing Commission in its efforts to provide Congress with an assessment of a global presence, basing and infrastructure needs.

A COMPLEX UNDERTAKING

Madame Chairman, as members of the Overseas Basing Commission have expressed, the United States Global Defense Posture is incredibly complex. It is a multidimensional field involving numerous areas; strategic analysis of geopolitical and military factors, facilities and infrastructure analysis, diplomatic and legal negotiations and arrangements, acquisition policies and transportation issues, operational plans and synchronization with the Base Realignment Commission, the QDR, the Army Modularity Transformation, the Mobility Capabilities Study, and the Navy's Fleet Response Plan. We, in the Department, have thousands of people working on this complex endeavor, full-time in the military services and the combatant command, on the joint staff, in the acquisition community and other areas, all overseen by senior military and civilian officials and managed by Secretary Rumsfeld.

Madame Chairman, we stressed in our discussions with the Commission that posture is more than just our footprint of facilities, it also includes the presence, force management, our surge capability and the pre-positioning of stocks among these building blocks of global posture. Quality of life concerns related to force management merit particular attention. Changing the way in which we posture our forces was driven in large part by the President and the Secretary's desire to relieve stress on our military forces and their families by providing more security at home, with fewer overseas moves and less disruptions. Specifically, posture changes will help reduce double separations, those caused when accompanying dependents are separated from both the service member and the their loved ones in the United States.

Additionally, our posture changes are phased over several years to help ensure quality of life is sustained. Equally important, the plan changes to our posture directly support service initiatives aimed at keeping pace with our military personnel, such as the Army's Modularity and Unit Location concepts, the Navy's Fleet Response concept, and the Air Force's ongoing Force Management Improvement.

Madame Chairman, of particular importance in this complex undertaking has been our sustained effort to inject the Global Defense Posture into other ongoing defense transformation initiatives, specifically, the BRAC and the 2005 QDR. I welcome the Commission's statement of support for the U.S. Global Defense Posture as important and necessary. The Commission's report reflects their earnest effort to assess military facilities, and structure of the U.S. overseas facilities. The Commission fundamentally agrees with many of the aspects of the President's posture plan, and it recognizes the importance of changing of posture to meet the 21st century's security challenges.

Madame Chairman, thank you for this opportunity to speak to you, and I look forward to answering your questions. And, if we may, Ambassador Likins would also like to have an opening statement.

Senator HUTCHISON. Madame Ambassador.

STATEMENT OF AMBASSADOR ROSE LIKINS

Ambassador LIKINS. Thank you, Madame Chairman, and Senator Feinstein. I appreciate the opportunity to be here and to offer a few brief remarks.

Since late 2003, the Department of State has been working closely with the Department of Defense and the National Security Council on reviewing and strengthening the U.S. Global Defense Posture. The Department has played an active role in the shaping and implementation of our future defense posture. We have been both participants in the inter-agency process, and have been spearheading the diplomatic talks and initiatives necessary to obtain the understanding and agreement of our friends and allies for this important initiative. The Department has and will continue to provide its frank assessment of these proposals, and to provide our views as to the best way forward. We've had a very good working relationship with our DOD colleagues on this issue, conducting all consultations together and jointly briefing Congress on several occasions.

While the initial planning for the IGPBS was undertaken by the combatant commanders in the individual services, these plans were presented to the inter-agency for a full and thorough examination before their submission to the President. The Department has made its foreign policy views known on many occasions and will continue to do so. We firmly believe that we are taking the appropriate time to get this right, we continue to rigorously review proposals with our DOD colleagues, thoroughly examine the many facets of these plans, including the necessary legal arrangements, and have conducted numerous consultations with friends and allies around the world.

While consultations in some parts of the world are quite advanced, others have not even begun, indicative of the fact that we will take whatever time is necessary to ensure that our plans are logical, workable, and that our engagement strategy makes sense. Consultations are proceeding carefully and deliberately to ensure that the arrangements put in place to host our forces are enduring and beneficial to a wide range of United States interests. Through the consultation process, we've received valuable feedback that has

enabled us to adjust proposals and calibrate our expectations. We have gained valuable insights throughout the process, and in many ways, the consultation process is one of the many mechanisms for re-thinking, and adjusting our defense posture plans.

To use just one example, during the consultation process, we learned that the government of Germany was undertaking its own base realignment and closure process. This prompted us to accelerate the sharing of details with German officials related to our proposed posture changes in Germany and to undertake some additional coordination on our two initiatives. I want to assure you that we will not rush into a location where there are not adequate legal protections and guarantees for our forces, and for their freedom of action. We believe that proper legal arrangements are a fundamental requirement for any defense posture changes. The State Department believes these negotiations and DOD have substantially been involved in all talks. We have dedicated legal experts and a special negotiator working to ensure that the best legal arrangements are secure. We support the OBS's view that their long-term strategic national objectives, beyond simply military objectives, somewhat to reassure you that our efforts on this issue are focused on results that make sense from both the defense and strategic foreign policy perspective. Thank you very much.

Senator HUTCHISON. Thank you, Madame Ambassador. We're going to just have about 10 minutes of questions because we have two votes called, and I don't want to keep you waiting any longer.

Let me say, first of all, I'm very pleased that both the Department of State and the Department of Defense are represented on this panel because I wanted to make sure, and I think it is very important, that the Department of State is a part of this process as we are looking at closing of bases, or forward deploying somewhere else, that we have both Defense and State involved.

Mr. Henry, one of the Commission report findings says, "If unforeseen threats arise in either the near term or the mid-term, we could be caught in mid-stride, unable to meet them." This is part of the reason they wanted to delay some of these moves. My understanding is that the entire reason for transforming our posture is because we're not currently positioned to meet unforeseen threats, and we need to have the capability to meet them as soon as possible. I would just like to ask your comments on that part of the report, and if you think speeding up the process will cause transformation to occur better, or slowing it down would.

Mr. HENRY. Yes, Madame Chairman, I would agree with your statement, and as I mentioned in my opening statement, uncertainty is part of the strategic landscape which we have in a post-9/11 world. We no longer have the comfort or the certainty that we had during the Cold War when we had a single enemy and we could predict where we would probably have to meet him. In a world we live in today, we might need to use our forces through large expanses of the Earth's globe, therefore, in the places we have our forces, we have to be able to move them quickly to where they might be needed to be employed. That's a fundamental feature of the transformation, and our capability to meet it. We just can't predict how we will have to fight with our forces, where or when.

As far as your question regarding transformation, this is a part of an integrated approach to transformation. The Secretary of Defense has published his National Defense Strategy which supports National Security Strategy, and from which the Base Realignment Commission, the Global Defense Posture, the Quadrennial Defense Review, all of the major movements that we're making in the Defense Department stem from. This is key to transformation, all of these things supported simultaneously to move forward in a networked fashion.

Senator HUTCHISON. Mr. Henry, in the previous panel there was concern raised, and also in the report, about our lift capacity. Do you think that we have a better capability for lift where we need to go by basing more of our troops in the United States, or do you think we have a lift problem that requires troops to stay in Germany and Korea?

Mr. HENRY. One of the analyses we did post-the Iraqi major combat operations, was to look at the amount of lift that was needed to move forces from Europe and around to where they had to go, and to try to determine the amount of lift and the speed of lift with which to get into the theatre, and if it would make a difference coming from Europe or from the continental United States, and depending on how we might position ourselves as a part of the Base Realignment Commission, in some instances, we could actually move quicker from the United States. That was one of the considerations that drove the Global Defense Posture, as was spoken by the previous panel, combatant commanders and operators will never have as much lift as they would like to, to feel comfortable, it is a matter of adjudicating the risk overall of the contingencies that we might have to face. As was mentioned by the panel, we are also in the process of a Mobility Capabilities Study, something we do approximately every 5 years to look at the total lift requirements, and how we're going to meet them. As this has been dovetailed into the Base Realignment work that we have been doing, they have first done one using the old structure and analysis. Now they're looking and finishing up their analysis, using as a baseline the Global Defense Posture. As we presented the committee in our report back in September of 2004, and it looks like the impact will not be significant in roughly, in the same area that we would have had with the other structure. The details are still to be concluded on that, and we await the conclusion of the study, which will be integrated in the QDR.

Senator HUTCHISON. Thank you. Senator Feinstein.

Senator FEINSTEIN. When troops are moved back to the United States, will they be accommodated in permanent or temporary facilities.

Mr. GRONE. Depending upon the unit and depending upon the location and depending upon the time, there will be a mix of permanent or temporary, in the main it will be permanent. The discussion about whether or not facilities would be available for returning forces is a phased plan over a 4-year period, 5 years if you count the troops coming back from Korea this summer to Fort Carson between fiscal year 2005 and fiscal year 2009. We are working, particularly with the Army, on standardizing our facilities design so that they can be sited to any location to use commercial construc-

tion standards, all of which is designed to make permanent facilities more quickly and more readily available to returning forces.

Senator FEINSTEIN. So, you will not be coming to this subcommittee or any other subcommittee to look for additional dollars for temporary housing?

Mr. GRONE. There may be occasions where, depending upon the unit, there may be some temporary billeting for single enlisted personnel that is required, but in the main we are planning to move out aggressively to provide permanent facilities as quickly as we can.

Senator FEINSTEIN. If you do that, then what type of coordination is being done with local school districts to mitigate the impact of thousands of soldiers coming back with many children?

Mr. GRONE. Well, we have, the Army in particular, since the bulk of the returning forces are Army, are engaged in a series of intensive consultations with local school districts and State and local government on transportation, schools and other issues that might be affected by forces returning from abroad. Certainly, with regard to housing, our preference is to rely, as is our standard housing policy, on the community first, and based on what we know, particularly for the three locations, whether we have the bulk of the forces returning from abroad, Fort Carson, Fort Riley and Fort Bliss, based on that 5 year window between 2005 and 2009 that we have people coming back, based on our assessment of the market's ability, the local market's ability to adapt based on our existing housing privatization efforts at all three of those locations. We believe that there is sufficient market availability there to accommodate returning forces, and a phase-in for families as we have laid it out over the course of that 5 year period, so we are intentionally engaged with school systems, and with local governments. We'll continue that consultation through the summer, so that when we get to the school year, 2006, next year, that we will be as integrated as we can be. That is not to say there won't be challenges, there will. But we believe that we will have a quality of life piece well in hand, and we look forward to continuing to consult with the subcommittee as we move forward to make sure that you're comfortable with the plans as we lay them out.

Senator FEINSTEIN. I would really appreciate that, because I know in California, we have schools that are really overcrowded at present, and I think there needs to be some real planning done in that regard, but thank you. Let me ask you, Mr. Henry, because I'm really concerned with what I see as lift deficiencies, and everything I've heard from the field doesn't jive with what you say. Would you be willing to share with our subcommittee your projected plans for specific lift—in other words, how many C–17s, new C–17s, et cetera, that kind of thing—because everything I read is that the lift capability of our country is severely stressed.

Mr. HENRY. Yes, we would be glad to share that, one thing it will be part of the QDR that we'll be reporting to the Congress, but we'll be glad to come up here in the interim as the data becomes available and then as decisions are made as to how we're going to proceed, we'd be glad to share that with the committee.

Senator FEINSTEIN. I would certainly appreciate knowing what you're planning is. I mean, in the next 10 years, how many C–17s will there be, for example?

Mr. HENRY. Yes, Senator, and as those decisions are still awaiting the final report out of the Mobility Capabilities Study, as mentioned earlier, and so specific decisions still await the final analysis and data.

Senator FEINSTEIN. Thank you very much, Madame Chairman, I think that does it for me. I would just like to conclude by saying, I know DOD doesn't like helpful suggestions, or any suggestion, but I really think this is a good report, and I really ask you to review it with an open mind. I think they've raised some very good points, and these are all people who have served, who have been there, done that, I think they know what they're talking about, period.

Senator HUTCHISON. Thank you, I think they acknowledged that they will.

Senator FEINSTEIN. Not quite, but it was a nod, which is the best DOD ever does.

Mr. HENRY. Senator, we've read the report with great interest and we look forward, hopefully, to being able to discuss with the Commission their conclusions prior, and we think that we can help them with information and analysis and insights that would make the final report even better. Perhaps correct inaccuracies and some assumptions that we think that we could help them with.

Senator HUTCHISON. I would just say that the biggest concern I have about the report is the slowing it down. I really believe that when you make a decision like this, that in order to be the most efficient, to use our taxpayer's dollars wisely and to bring people home where they know it's going to be permanent, it should be done quickly and not drug out. Now, obviously we do want to have the accommodations, we want the housing, and I think the public/private partnerships make that much more able to be done than if we were just building them through MILCON. Certainly coordination with the school districts and health care facilities in a community will be very important, and I think that is valid, but I would rather see us gear up to do it quickly, than to slow down and have buildings in Germany and buildings in America that are duplicative.

Mr. GRONE. In that regard, Madame Chairman, the most important potential impediment we have to implementation is not full authorization and appropriation of the budget requests to support the round, so if we had the resources available, we could certainly accelerate, and we will move out as expeditiously as you desire to ensure we have facilities in place for our people.

CONCLUSION OF HEARINGS

Senator HUTCHISON. We'll work with you on that. Thank you very much, we're going to go to our vote now. Thank you.

[Whereupon, at 5:30 p.m., Tuesday, June 28, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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