

**MILITARY CONSTRUCTION APPROPRIATIONS FOR  
FISCAL YEAR 2003**

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**HEARINGS**

BEFORE A

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

SECOND SESSION

ON

**H.R. 5011/S. 2709**

AN ACT MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION FOR  
THE DEPARTMENT OF DEFENSE FOR THE FISCAL YEAR ENDING SEP-  
TEMBER 30, 2003, AND FOR OTHER PURPOSES

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# MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 2003

TUESDAY, MARCH 5, 2002

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

The subcommittee met at 2:30 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Dianne Feinstein (chairman) presiding.

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

## DEPARTMENT OF DEFENSE

### OFFICE OF THE SECRETARY

#### STATEMENT OF HON. DOV ZAKHEIM, UNDER SECRETARY OF DEFENSE (COMPTROLLER)

##### OPENING STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. I know Senator Hutchison is on her way, but in the interest of time and not to keep everyone waiting, I think we will begin. I would like to call to order this hearing of the Subcommittee on Military Construction to review the President's fiscal year 2003 military construction budget request. Secretary Zakheim, Secretary DuBois, I am very pleased to welcome you to the subcommittee again, and we look forward to your testimony, and I thank you for all you have done.

We have an ambitious schedule, so what I would like to do is finish my remarks, then hear from the Ranking Member her remarks, and then ask all of the witnesses if they would submit their prepared statements for the record and try to summarize their comments very briefly so that we might move this along.

Secretary Zakheim, the President's 2003 MILCON budget is slightly less than \$9 billion. That is a 14-percent cut, or decrease from last years' MILCON bill, and it is 10-percent decrease from what the President requested last year. It is fair to say, I think, that this budget request has raised the concern of many members in Congress, and particularly given the \$48 billion increase in the overall budget request I feel that we should as nearly as possible adhere to the President's request.

I am also aware that where investment in military construction is needed and necessary, this committee wants to provide it, so the real question is whether this can be done within these budget constraints, and I believe it is really up to you, both Secretaries, as

well as the commanders in the field and in Washington, that if you feel this budget does not meet your needs, that you so state, or as the saying goes, forever after hold your peace, because I do not think we can play games with this budget in the sense of, well, we can cut MILCON but the Congress is going to put it all back again.

I do not believe that is going to happen this year, so I think if there are shortfalls, if there are shortcomings, if there are real problems for the men and women in our Armed Services, not only abroad but also in this country, that it is really up to the commanders to say so and really up to you to let us know, both the Ranking Member and myself, or else you may end up getting just what has been requested, and I want to make that really very clear.

Senator Tim Johnson requested a statment be put in the record. [The statement follows:]

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Madame Chairwoman, I'd like to thank you and Ranking Member Hutchison for holding today's hearing. I appreciate your continued leadership on the subcommittee and your commitment to maintaining the strength of our military through thoughtful investments in our defense infrastructure.

I'd also like to thanks today's witnesses for coming before the subcommittee and to share with us their knowledge and expertise. We are grateful for your service to our nation.

Although military construction appropriations do not go to fund the latest fighter aircraft or battleships, it would be a mistake to think that the work of this subcommittee is any less important to the defense of our nation. In fact, the ultimate success of Operation Enduring Freedom—the ongoing fight against global terrorism—will be due in large measure to the funding contained in the Military Construction Appropriations Bill.

The funding in this bill will construct and maintain our military facilities around the world. It will build new, state-of-the-art training facilities. It will upkeep of the runways our Air Force uses to fly missions against Al Qaeda. It will create new medical clinics to care for sick and injured service members. And it will maintain facilities where our high-tech war-fighting equipment is kept in peak condition to be used by our soldiers, sailors, airmen, and marines.

These are just a few examples of the projects that will be funded by the Military Construction Appropriations Bill. Projects that will provide the foundation for ensuring we continue to field the best-equipped, best-trained military in the world.

Madame Chairwoman, as you well know, all of the best weapons and all the best facilities in the world will be rendered useless if our military personnel and their families are not afforded a good quality of life. That is why this subcommittee has placed such a high priority on addressing the issue of military housing. I am pleased that we have made some progress toward ensuring quality housing for all of our military personnel and their families. But more needs to be done. In fact, according to the Department of Defense, 20 percent of all service members on U.S. military bases live in inadequate housing.

The President's budget request includes a very modest increase for family housing, I am hopeful we can do more because the issue of quality housing goes to the heart of military readiness. We should not underestimate what poor housing can do to the morale of our military families. The stress on morale not only affects the preparedness of our military units, but discourages some of our most able personnel from re-enlisting, and makes recruitment of the best and brightest even more difficult. As you know, South Dakota is home to one active duty installation, Ellsworth Air Force Base. As a Lead Wing for the Aerospace Expeditionary Force, the 28th Bomb Wing at Ellsworth Air Force Base has played a leading role in the war in Afghanistan. In fact, the capabilities of the B-1 bombers flying out of Ellsworth is one of the reasons the war has been so successful. I am very proud of the men and women who are serving at Ellsworth. In my conversations with them, I have heard that an upgrade in facilities, especially in housing, is essential to their quality of life. This highlights the important work of this subcommittee. If we are going to recruit and retain quality people for our military, it is necessary for us to provide ade-

quate funding to all aspects of the military, not just to the weapons programs. I look forward to working with my colleagues to address this important matter.

Since we are privileged to be joined by representatives from the Army National Guard, I would also like to take this opportunity to say a word about the increasingly important role the National Guard plays in defending our nation. Most South Dakotans know at least one of the 4,500 current members of the South Dakota Guard and Reserves, or the thousands of former Guardsmen and Reservists. South Dakota's Guard and Reserve units consistently rank in the highest percentile of readiness and quality of its recruits. But keeping and recruiting the best of the best in the South Dakota National Guard and Reserves is becoming more of a challenge as our military's operations tempo has remained high, while the number of active duty military forces has decreased. This tempo places significant pressure on the members of the reserve component, as well as the buildings and other support systems meant to sustain them.

Once again, I would like to thank the witnesses for coming before the subcommittee to share with us their expertise. I look forward to working with you, Madame Chairwoman, and the rest of my colleagues as we move forward with the fiscal year 2003 Military Construction Appropriations Bill.

Senator FEINSTEIN. So with that—and I do not see the Ranking Member—Mr. Secretary, why don't we proceed with your comments and your statement.

#### FISCAL YEAR 2003 BUDGET REQUEST

Mr. ZAKHEIM. Thank you, Madam Chairwoman. I am certainly honored to be back here again to present the military construction component of the President's fiscal year 2003 DOD budget request, and I might add that if, indeed, our wishes are met and we get what we ask for, I would be delighted. The President's budget request advances his commitment to win the war on terrorism, to take the best care of our military people and their families, and to transform America's defense posture, our forces, our capabilities, our infrastructure to enable us to counter 21st Century threats decisively.

The request supports the new defense strategy and recommendations from Secretary Rumsfeld's 2001 quadrennial defense review and his other strategic assessments. The budget includes strong funding both for current demands, most notably the ongoing war on terrorism, and for investments for the future. It supports the President's defense commitment not only through the increased total funding, but also, and most important, through the wise allocation of that funding.

The fiscal year 2003 military construction budget furthers the President's defense aims with a balanced program to improve the quality of life for our military through better working and living conditions. This budget will enhance our sustainment and modernization of existing facilities. It will fund critical new construction. It will replace facilities that are no longer economical to repair. It will address environmental compliance requirements; and it will continue caretaker efforts at closed bases.

The request for military construction and family housing totals, as you have already noted, about \$9 billion, and funds over 300 construction projects at more than 185 locations. It is true that the request is about \$1 billion lower than last year's request, but in no way does that imply any easing of our commitment to revitalizing DOD's infrastructure. The \$9 billion total is the second largest request in the past 6 years. In addition, we have added \$1.6 billion to the 2003 funding that had been anticipated in the President's

budget request for 2002. In other words, a year ago we anticipated \$1.6 billion less in military construction funding for this year than we actually asked for.

I should add that complementing the \$9 billion request is increased funding for sustainment restoration and modernization, or SRM, within the operations and maintenance title. Fiscal year 2003 funding for SRM totals \$6.2 billion, which is \$500 million increase over last year's request, and this total includes \$5.6 billion specifically for sustainment. Although we had to make difficult choices because of escalating demands for the war on terrorism, especially within the operations and maintenance title, we were able to fund 93 percent of the Services' maintenance requirements. That is an increase over the 89 percent provided in last year's budget, and a significantly higher level than what was budgeted in the previous several years, for example in 2000, when the Department met only 78 percent of the Services' facilities maintenance requirements.

Our budget includes \$225 million more than requested last year for military family housing construction and privatization. That keeps us on track to meet Secretary Rumsfeld's goal of ensuring adequate housing for all military personnel and their families by 2007, which is 3 years earlier than was originally planned.

We are also achieving greater benefit from our housing funds, because by joining forces with the private sector we will be leveraging our investments to provide quality housing. In fiscal year 2003, we are planning to obtain about 35,000 privatized housing units, nearly twice the number of privatized units obtained to date.

Based on the privatization projects awarded so far, we estimate that the DOD investment was leveraged at about 8 to 1. In other words, for every dollar we invest, we are getting \$8 of value, so that our 2003 funding request for privatization projects of \$195 million to provide about 24,000 units, that translates with that 8 to 1 leverage to over \$1.5 billion worth of quality privatized housing. This leveraged return must be factored into the overall value of our military construction budget.

Our funding of new infrastructure is sufficient to construct new facilities that are absolutely critical. Most notably, these are to support new weapons systems coming into the inventory. Our new construction funding and our emphasis on SRM reflects our multiyear management plan to revitalize DOD facilities.

A critical component of our plan is the congressionally approved 2005 base realignment and closure, otherwise known as BRAC round, which we hope will achieve the needed 20 to 25 percent reduction in DOD infrastructure. With a successful BRAC round, our planned funding through 2007 will be sufficient to achieve, by that time, Secretary Rumsfeld's commitment to and goals for facilities recapitalization.

Highlights of our request for military construction and family housing include, with respect to quality of life, \$1.2 billion for new or improved barracks for unaccompanied military personnel. This will fund 46 projects to construct or modernize barracks and to provide roughly 12,600 new or improved living spaces.

In addition, the budget will allow the Department to construct or modernize 13 schools for dependents, seven physical fitness cen-

ters, two child development centers, and three community support centers.

With respect to overseas construction, in keeping with congressional direction, new construction in overseas areas is being requested only where construction requirements are of high priority; when they are absolutely essential to our overseas basing needs; and after all burden-sharing opportunities have been explored and found to be unworkable. I might mention in this regard, Madam Chairwoman and Senator Hutchison, that we have just completed negotiations with the Republic of Korea that will effectively, by 2005, have them contributing 50 cents on every dollar that is spent.

That is a significant increase from the past, and it was our goal—and, frankly, we have received a lot of help from you and other people on the Hill. It is our goal to achieve a minimum 50-percent standard with every country in which we are based. The 2003 program of \$847 million for projects overseas therefore meets the criteria I have just laid out.

A word about chemical demilitarization. Sustaining our steady progress, the 2003 budget includes \$168 million for the construction of chemical demilitarization facilities, and reflects change as a result of our review of the program's funding and scheduling.

The NATO security investment program, NSIP: that request totals about \$168 million. It is the minimum essential U.S. contribution for NATO's efforts, and is needed to support both our strategic security and our economic interest in the European theater.

Let me return to Family housing, which I have already mentioned briefly. This year our request for budget authority for fiscal 2003 totals about \$4.2 billion, which is up from the \$4 billion requested a year ago. The Department's 2003 family housing inventory will include an estimated \$250,000 Government-owned units, and 29,500 leased units worldwide. Our operation and maintenance budget of \$2.9 billion will ensure that houses in our inventory in an adequate condition for occupancy by our military families. We are requesting \$1.3 billion to build, replace, or improve an additional 7,200 family housing units.

So in conclusion—I know you want me to keep this short—I want to thank you very much again for the opportunity to describe our plans both to sustain and revitalize DOD's facilities. This budget will enhance the quality of life for our service members and their families. It will strongly support current requirements and missions, and it will enable the long-term streamlining and recapitalization of DOD facilities.

#### PREPARED STATEMENT

Again, we stand by this request. If you were to grant it to us, as you said, Madam Chairwoman, we would be delighted. We indeed urge your approval of that request. The Department and I are ready to provide whatever further details you may need to make these important decisions.

Thank you very much.  
[The statement follows:]

## PREPARED STATEMENT OF DR. DOV S. ZAKHEIM

Madam Chairwoman, Senator Hutchison, members of the committee, I am honored to present the Military Construction component of President Bush's fiscal year 2003 Department of Defense (DOD) budget request.

The President's DOD request advances his commitment to win the war on terrorism; to take the best care of our military people and their families; and to transform America's defense posture—our forces, capabilities, and infrastructure—to enable us to counter 21st century threats decisively. The request supports the new defense strategy and recommendations from Secretary Rumsfeld's 2001 Quadrennial Defense Review (QDR) and his other strategic assessments. The budget includes strong funding both for current demands—most notably the war on terrorism—and for investments for the future. The budget supports the President's defense commitment not only through increased total funding, but also and most important, through the wise allocation of that funding.

The fiscal year 2003 Military Construction budget furthers the President's defense aims with a balanced program to improve the quality of life for our military through better working and living conditions. This budget will enhance our sustainment and modernization of existing facilities, fund critical new construction, replace facilities that are no longer economical to repair, address environmental compliance requirements, and continue caretaker efforts at closed bases.

## FUNDING OVERVIEW

The President's request for Military Construction and Family Housing totals \$9.0 billion and funds over 300 construction projects at more than 185 locations. Although this request is \$1 billion lower than last year's fiscal year 2002 request, in no way does it imply any easing of our commitment to revitalizing DOD infrastructure. The \$9 billion total is the second largest request in the past 6 years. Moreover, we added \$1.6 billion to the fiscal year 2003 funding that had been anticipated in the President's budget request for fiscal year 2002. This budget clearly supports our critical requirements and missions and actually increases funding for sustainment and other key functions.

I should add that complementing this \$9 billion request is increased funding for Sustainment, Restoration, and Modernization (SRM) within the Operation and Maintenance (O&M) title. Fiscal year 2003 funding for SRM totals \$6.2 billion—an \$500 million increase over last year's request. This total includes \$5.6 billion for sustainment. Although we had to make difficult choices because of the escalating demands from the war on terrorism, especially within the O&M title, we were able to fund 93 percent of the Military Services' maintenance requirements. That is an increase over the 89 percent provided for in last year's budget and represents a significantly higher level than what was budgeted in the previous several years, such as in fiscal year 2000 when the Department met only 78 percent of the Services' facilities maintenance requirements.

Our budget includes \$225 million more than requested last year for military family housing construction and privatization. This keeps us on track to meet Secretary Rumsfeld's goal of ensuring adequate housing for all military personnel and their families by 2007—3 years earlier than originally planned.

Moreover, we are achieving greater benefit from our housing funds because—by joining forces with the private sector, we will be leveraging our investments to provide quality housing. In fiscal year 2003, we are planning to obtain about 35,000 privatized housing units—nearly twice the number of privatized units obtained to date.

Our funding of new infrastructure is sufficient to construct new facilities that are absolutely critical, most notably to support new weapon systems coming into the inventory. Our new construction funding—and our emphasis on SRM—reflects our multiyear management plan to revitalize DOD facilities.

A critical component of our plan is the congressionally approved 2005 Base Realignment and Closure (BRAC) round, which we hope will achieve a needed 20–25 percent reduction in DOD infrastructure. With a successful BRAC round, our planned funding through fiscal year 2007 will be sufficient to achieve—by that date—Secretary Rumsfeld's strong goals for facilities recapitalization.

## MILITARY CONSTRUCTION

Following are the key elements of our \$4.8 billion fiscal year 2003 request for Military Construction:

*Active Forces and Defense-Wide.*—The \$4.0 billion budgeted for Active Forces and Defense-Wide programs is targeted towards improving readiness, quality-of-life, and

DOD work places; restoring the most seriously degraded facilities; and providing facilities to support new weapons systems. The request includes \$1.2 billion for barracks projects; \$1.0 billion for operational and training facilities; \$436 million for maintenance and production facilities; \$192 million for community facilities; \$147 million for medical facilities; \$134 million for utility facilities; \$112 million for administrative facilities; \$76 million for supply facilities; and \$33 million for research and development facilities.

*Guard and Reserve Facilities.*—The \$297 million requested for the Reserve Components is balanced both to provide the necessary facilities to support current and new missions and to replace aging facilities that are no longer economical to repair. It is true that the fiscal year 2003 request is \$646 million less than the fiscal year 2002 enacted level and \$318 million lower than the Department's fiscal year 2002 request. Nevertheless, the fiscal year 2003 request is higher than requests prior to fiscal year 2002.

The fiscal year 2003 program includes 37 major construction projects as well as planning and design work and minor construction. Most projects are training centers, maintenance facilities, and operational facilities in support of the Reserve Components' mission.

*Quality-of-Life.*—A significant portion of the military construction program—\$1.2 billion—will provide for new or improved barracks for unaccompanied military personnel. Our budget will fund 46 projects to construct or modernize barracks and to provide 12,643 new or improved living spaces. Specifically, the Army, Navy, and Air Force are continuing to build to the "1+1" design (one soldier to a room with a shared bathroom) for personnel permanently assigned to a base. The Marine Corps is building to the "2+0" design (2 E1–E3s to a room, each room with its own bathroom) in an effort to improve living conditions of Marines sooner than if they followed the 1+1 design standard. In addition, the fiscal year 2003 program will allow the Department to construct or modernize 13 schools for dependents, 7 physical fitness centers, 2 child development centers, and 3 community support centers.

*Overseas Construction.*—In keeping with congressional direction, new construction in overseas areas is being requested only where construction requirements are of high priority, when absolutely essential to U.S. overseas basing needs, and only after all burden-sharing opportunities have been explored and found to be unworkable. The fiscal year 2003 program of \$847 million for projects in overseas areas meets these criteria. Of the \$847 million, \$181 million is for the Republic of Korea, \$246 million for Germany, \$131 million for Italy, \$143 million for other European sites, and \$146 million for various locations overseas. I should note that we have negotiated a burden-sharing agreement with the Republic of Korea and, for the first time, expect the Korean share to reach 50 percent during its term.

*Medical Projects.*—Consistent with the Department's emphasis on quality-of-life improvements and readiness, the fiscal year 2003 budget reflects the high priority it places on health care. The budget requests \$147 million for 5 medical projects, including \$53 million for the fourth phase of a \$133 million replacement hospital at Ft. Wainwright, Alaska; \$3 million to replace a clinic at Hickam AFB, Hawaii; \$40 million for the replacement of a hospital at Spangdahlem, Germany; and \$41 million to replace a medical and dental facility at Naples, Italy. It also includes \$10 million to pay a contractor claim on the recently completed hospital at Elmendorf Air Force Base, Alaska.

*Chemical Demilitarization Construction.*—The Department continues to make steady progress in its chemical demilitarization efforts. To that end, the fiscal year 2003 budget includes \$168 million for the construction of chemical demilitarization facilities. It reflects the completion of an overall review of the program, and—consistent with the Department's emphasis on realistic costing—we made funding and schedule changes that mirror the Cost and Analysis Improvement Group's (CAIG) estimates and timelines. The CAIG estimate reflects the "end of operations" for all sites (except Pueblo and Blue Grass) to be slipped from fiscal year 2007 to fiscal year 2011; no projected end of operations has been made for the Pueblo and Blue Grass facilities. This revised schedule will require the United States to request a 5-year extension (to 2012) to the deadline in the Chemical Munitions Disposal Treaty.

Two chemical demilitarization facilities are now in operation. The prototype incineration facility on Johnston Atoll in the Pacific Ocean is fully operational and has destroyed 100 percent of the original chemical agent stockpile stored there. In addition, the Chemical Agent Disposal Facility in Tooele, Utah began operation in August 1996 and has destroyed over 39 percent of the original chemical agent stockpile stored at that site. We have completed construction of the Chemical Agent Disposal Facilities in Anniston, Alabama and Umatilla, Oregon. In January 1999, the Army issued a full Notice to Proceed to Raytheon Demilitarization Company to begin con-

struction for the Chemical Agent Disposal Facility in Pine Bluff, Arkansas. Construction of the Pine Bluff facility is 74 percent completed.

The Army has selected alternative technologies to be used in lieu of the baseline incineration process at the two bulk-only chemical agent storage sites at Aberdeen Proving Ground, Maryland and Newport, Indiana. Systems contractors were selected for the Aberdeen facility in October 1998, and for the Newport facility in February 1999. Construction of the Aberdeen facility is 47 percent completed, while the Newport facility is 24 percent completed. Additional technologies are being evaluated for the remaining two chemical demilitarization sites: Pueblo, Colorado and Blue Grass, Kentucky. Environment and permitting efforts are ongoing, and technology decisions are expected during fiscal year 2002 for both locations.

*Energy Programs.*—This Administration is committed to energy conservation. Reflecting that commitment, the budget includes approximately \$50 million in fiscal year 2003 for projects that will result in energy savings and support long-standing goals to reduce energy demand. Last year the Congress appropriated \$26.7 million.

*Minor Construction/Planning and Design.*—The request contains \$89 million in fiscal year 2003 for minor construction, alterations, and modifications to existing facilities. These funds are essential to meet unforeseen construction requirements that can impair the health, safety, and readiness of our forces. In addition, we are requesting \$334 million for planning and design. These funds are urgently needed to complete the design of fiscal year 2004 projects and to initiate design of fiscal year 2005 projects. We seek your support for this request so we can proceed with these construction requirements.

#### BASE REALIGNMENT AND CLOSURE (BRAC)

In the past, the BRAC process has been a major tool for reducing our domestic base structure. Between 1988 and 1995, four BRAC Commissions proposed the closure or realignment of 152 major installations and 235 smaller ones. Implementation of the last round of the four approved BRACs was completed on July 13, 2001. Once all funding is complete, the Department will have invested about \$22.2 billion and realized savings of about \$37.7 billion for total net savings of about \$15.5 billion over the implementation period from fiscal year 1990 to fiscal year 2001. Total annual savings after fiscal year 2002 are projected to be about \$6 billion. For fiscal year 2003, the BRAC request is \$545.1 million—for environmental restoration and caretaker costs for bases closed under these previous rounds. This funding will ensure that bases continue both to be cleaned efficiently and to meet environmental standards to speed the transfer of property to redevelopment authorities.

The fiscal year 2003 budget assumes that the additional round of base closures and realignment in 2005 will occur, as authorized in the fiscal year 2002 National Defense Authorization Act. The Department hopes that this round will achieve at least a 20–25 percent reduction in military infrastructure and savings of approximately \$6.5 billion per year. Funds to begin implementation of the 2005 BRAC recommendations are currently programmed in fiscal year 2006.

#### NATO SECURITY INVESTMENT PROGRAM

The NATO Security Investment Program (NSIP) request totals \$168.2 million in fiscal year 2003. This is the U.S. share (approximately 24.7 percent) of the acquisition of NATO common use systems and equipment; construction, upgrade, and restoration of operational facilities; and other related programs and projects required in support of agreed NATO strategic concepts and military strategy. We anticipate recoupments of \$11 million from previously financed U.S. projects, which will result in a total fiscal year 2003 program of \$179.2 million. This request is the minimum essential U.S. contribution for NATO's efforts. It will support both our strategic security and our economic interest in the European Theater.

#### FAMILY HOUSING

Budget authority for fiscal year 2003 Family Housing totals \$4.2 billion—up from \$4.0 billion requested in fiscal year 2002. This budget will construct, improve, privatize, operate, maintain, and lease family housing units. It will enable the Department to continue the aggressive effort begun last year to eliminate inadequate housing by 2007, 3 years sooner than the previous goal.

Housing quality also will benefit from our proposed increases in the Basic Allowance for Housing (BAH). Through BAH increases, the fiscal year 2003 budget will reduce out-of-pocket costs for personnel living off-base from 11.3 percent now to 7.5 percent in fiscal year 2003, and it projects funding to phase out these costs completely by 2005. Prior to fiscal year 2001, service members had to absorb 18.8 percent of these housing costs.

*Family Housing Operations.*—The Department's fiscal year 2003 family housing inventory will include an estimated 250,000 government-owned units and 29,500 leased units worldwide. The government-owned units average about 35 years in age. These DOD-owned and leased units house approximately one-third of our military families.

The family housing operation and maintenance budget funds a range of services and expenses necessary to support the DOD-owned and leased housing units. For example, the operation account funds items such as housing administration and management, basic support services, referral services, furnishings, and utilities, while the maintenance account funds routine maintenance and major repairs. In addition, the family housing leasing account provides housing at both domestic and foreign locations when the local economy cannot provide adequate support and additional assets are needed to satisfy a housing shortfall.

Our fiscal year 2003 operation and maintenance budget of \$2.9 billion will ensure that houses in our inventory are in adequate condition for occupancy by our military families. The fiscal year 2003 request is \$21 million higher than the amount Congress approved for fiscal year 2002 due primarily to the need to maintain an aging housing inventory.

*Family Housing Construction.*—The major emphasis of the Family Housing Construction Program is to replace units that are uneconomical to repair or renovate and to upgrade the remaining units. We are requesting \$1.3 billion in fiscal year 2003 to build, replace, or improve 7,200 family housing units. This fiscal year 2003 request is \$159 million higher than the amount enacted for fiscal year 2002, due to the President's initiative to improve housing for our troops and families.

*Family Housing Privatization.*—The fiscal year 1996 National Defense Authorization Act provided innovative authorities that enable the Department to partner with the private sector to revitalize our housing inventory. By means of loan and rental guarantees, direct loans and investments, differential lease payments, and the conveyance or leasing of land and facilities, the Department has been able to tap private sector expertise and capital to provide quality housing more quickly than would be possible through traditional construction methods.

Using the funds Congress appropriated directly into the Family Housing Improvement Fund (FHIF) or funds for construction projects that were later transferred into the FHIF, the Military Services have awarded fourteen privatization projects. Based on the projects awarded so far, we estimate that the DOD investment was leveraged at about eight to one. Our fiscal year 2003 funding request for privatization projects is \$195 million—to provide about 24,000 housing units. Applying that previous 8:1 leverage rate, with our \$195 million investment we should be able to obtain over \$1.5 billion worth of quality privatized housing. This leveraged return should be factored into the overall value of our military construction budget.

Highlights of our privatization initiatives:

—*Fort Carson, Colorado.*—At Fort Carson, the Army invested \$10 million to provide a limited loan guarantee and is obtaining 1,823 revitalized housing units and 840 new units. The return on the Army's investment in this \$229 million project is 22:1 when compared to traditional construction approach. The Army has also awarded a contract to privatize 5,912 housing units at Fort Hood, Texas, and is finalizing two deals to privatize 3,982 units at Fort Lewis, Washington, and 3,170 units at Fort Meade, Maryland. The fiscal year 2003 budget request includes \$153.5 million to privatize 17,483 housing units at six Army bases.

—*South Texas/Everett, Washington.*—The Navy entered into a 30-year limited partnership with a private developer to provide 404 off-base units in the Corpus Christi-Ingleside-Kingsville, Texas area. These are all new units that required an investment of \$9.5 million, less than a third of the \$32 million project cost. A similar partnership arrangement provided 185 new family housing units at Naval Station Everett. The Navy invested \$5.9 million in a \$20 million limited partnership project for a return on investment of slightly better than 3:1. Both the south Texas and Everett, Washington projects have been completed. The Navy has since awarded five more contracts to privatize a total of 5,994 units at Everett (288 units), Kingsville (150 units), San Diego (3,248 units), New Orleans (935 units), and a third project in south Texas (661 units). The Marine Corps' first privatization project at Camp Pendleton, California (712 units) is currently under construction. In fiscal year 2003, the Navy is requesting \$33.4 million to privatize 1,978 housing units at the Naval Complex in Pearl Harbor, Hawaii.

—*Lackland, Texas.*—The Air Force's first family housing privatization project, at Lackland AFB, will be completed in a few months. The Air Force employed a combination of limited loan guarantee and small direct loan to finance a 420-

unit housing project worth \$42 million. For its investment of \$6.2 million in this project, the Air Force realized a return of 8:1 when compared to traditional military construction approach. The Air Force has awarded three more projects—Robins AFB, Georgia (670 units); Dyess AFB, Texas (402 units); and Elmendorf AFB, Alaska (828 units). In the fiscal year 2003 budget, the Air Force has identified five projects to privatize 4,564 units, and is requesting \$7.8 million. The Air Force believes that four of the five projects will not require any up-front funding due to expected leverage from the assets to be conveyed.

#### CONCLUSION

Thank you again for this opportunity to describe our plans to sustain and revitalize DOD facilities. This budget will enhance the quality of life of our service members and their families, strongly support current requirements and missions, and enable the needed long-term streamlining and recapitalization of DOD facilities. I urge your approval of our request. The Department and I are ready to provide whatever details you may need to make these important decisions.

Senator FEINSTEIN. Thanks very much, Mr. Secretary.

Secretary DuBois, before we hear from you I would like to acknowledge that we have been joined by some of our colleagues, the Ranking Member of this committee, the Ranking Member of the overall Appropriations Committee, and the distinguished Senator from Idaho, and I would like to ask Senator Hutchison if she would like to make her remarks at this time.

#### STATEMENT OF SENATOR KAY BAILEY HUTCHISON

Senator HUTCHISON. I would, and I thank you, Madam Chairman. I will be brief, but first let me say I am very pleased about what you just reported regarding Korea, and that negotiation. I applaud you for that. I think it is the right thing to do, and I think in light of the other necessary expenditures that we have right now, that it is appropriate.

The only other thing that I would just note and ask that you address, and we can do it in questions, but that is in the area of European military construction. You have got over \$1 billion in military construction projects in Europe. Of those, 168 million is NATO infrastructure, including a new subregional base in Greece.

Your Spanish expenditures are in Rota, which I think is totally appropriate. It is necessary for what we are doing now, but down the line we are looking at yet another subregional headquarters of NATO in Madrid, and my question is, are we asking our European allies to do enough in light of our current needs for other places? I think—I have looked at many of your other overseas expenditures. They meet the test of current necessities, and infrastructure for refueling and those kinds of things, but I guess the big question is, are we maybe in line to look for a little bit of a realignment with Europe, in light of the burden we are carrying in the Middle East and in the war on terrorism?

And then secondly, I would just say the lowering of the amount being spent in our domestic bases, I understand that you are now looking at a BRAC farther out, but I would like for you to address the cost of having to beef up the bases that are going to be kept, versus not spending for 3 years. In anticipation of a BRAC, could we not continue to upgrade the housing and especially the medical facilities where you have, I think, four medical facilities in the U.S., and you have a huge upgrading of medical facilities in several places overseas. I just wonder if we are doing enough to keep up

the domestic part of health care and housing and quality of life issues with the really large cuts in the increases in spending for domestic military construction.

With that, then, I will certainly ask questions, but those are the points I would like to make.

Senator FEINSTEIN. Thank you very much, Senator Hutchison.

Senator Stevens, did you have a comment you would like to make at this time, or any comments?

Senator STEVENS. Well, Madam Chairman, I want to be able to ask some questions. I am not sure I am going to be able to stay, but I do not have any opening comments.

Senator FEINSTEIN. Thank you very much.

Secretary DuBois, would you like to proceed?

**STATEMENT OF HON. RAYMOND DuBOIS, DEPUTY UNDER SECRETARY OF DEFENSE FOR INSTALLATIONS AND ENVIRONMENT**

Mr. DuBOIS. Yes, ma'am. Thank you very much, again, to have this opportunity to appear before you and your distinguished subcommittee. September 11, as we all know, changed this country, perhaps changed it forever, but the imperative remains, that imperative to transform our military installations and to maintain our commitment to our people in uniform with respect to improving their quality of life.

Senator Hutchison, you are quite right, the quality of life initiatives must be focused on, and in addition to the basic allowance for housing increases in this year's budget, the medical treatment facilities, the MILCON increases, we have got to remember that there are a series of investments in resources that are put against the so-called facilities, housing sustainment, restoration, and modernization accounts, or program elements in this budget.

Now, the context of competing priorities, I think we always have to remember that no matter whether it is this fiscal year or last, where we had a greater request for MILCON, although, as Secretary Zakheim said, this year's request is the second largest in 6 years, we have got to remember that there are competing priorities, and those priorities shifted on September 11.

Now, we believe we have developed a feasible and fiscally responsible plan for getting our facilities on a continued path to recovery. As I indicated, the basic allowance for housing to eliminate out-of-pocket cost by our service members is on a glide path to get to zero by 2005. We are also increasing, as Secretary Zakheim said, our reliance upon the private sector both for access to existing quality housing, but also through our military family housing privatization efforts, and we want to thank the Congress for having extended our housing privatization authority to 2012, although Secretary Rumsfeld's goal is to achieve the reduction and elimination of all inadequate housing by 2007.

Having said that, we do have a goal of achieving privatization of over 60,000 family housing units by the end of fiscal 2003. There is a continuing commitment to our unaccompanied service men and women. You touched a little bit upon Korea, where we have nearly 95 percent of all military personnel are unaccompanied. I did speak with General Schwartz, our CINC there, just a couple of days ago about the situation there. We are both very thankful, as is the Sec-

retary of Defense, for your continued focus on the construction needs of our personnel in Korea.

On the overseas issue, Senator Hutchison, you mentioned Europe in particular. Secretary Zakheim has testified to the land partnership program in Korea, wherein we are going to reduce our footprint from 41 installations to 25 or 26, a very substantial reduction. It is true also in Europe, and I spoke to General Ralston about this just the other day. He is proposing a reduction in Europe. As you know, these kinds of programs require the State Department involvement, host country Nation involvement, but the European Command is submitting to the chairman, and ultimately to the Secretary, a footprints reduction and basing structure rationalization for Europe.

As you also know, I am sure, we have 25 percent of our military personnel stationed overseas, and yet only 23 percent of our MILCON budget goes to overseas, 77 percent in CONUS. It is also even more skewed or unbalanced, as it were, with respect to military family housing, 79 percent in the United States, 21 percent overseas.

Let me address briefly now the other critical question I think that is before us this afternoon, and that is the reduction year over year. As I indicated, and as Secretary Zakheim indicated, it is the second largest request in 6 years, and I think it is important that we look at total investments. As I indicated, you have got new footprint MILCON, you have got restoration and modernization military construction, but you also have restoration and modernization that come out of the O&M account, granted, not in the authority and purview of this subcommittee, but still focused on our infrastructure. You have got sustainment O&M dollars, not MILCON dollars but sustainment dollars focused on our infrastructure and, of course family housing construction and family housing maintenance.

If you take those program elements as a whole, and include all four services and the defense agencies, you have a total budget year over year with the reduction of about 3 percent. Now, granted, the pure MILCON part of this is presidential budget year over year 10 percent, but if you look at the total investment portfolio focused on quality of life, focused on infrastructure, it shows a 3 percent reduction.

Now, the sustainment part of that total investment portfolio is very important to focus on. It is in all accounts across the board and all Services, except for the Navy, it is in excess of 90 percent. In fact, the Air Force is nearly 100 percent, and the Marine Corps is at 100 percent of sustainment. That is to say, taking care of what we have now, a very important issue.

The recapitalization issue, which is probably somewhat arcane to those of us who live outside of the beltway, but a very important metric nonetheless to you and to us in the Pentagon. It is going up year over year, and it is inescapable, and I say this with some concern, because sometimes it gets misunderstood.

It is inescapable that we do have, because you all authorized the Secretary to do so, a BRAC in 2005. It is important to recognize that just because BRAC sits out there, it does not dictate that we invest in one installation today over another. It does, however,

mean that the Service Chiefs and the Service Secretaries making tough decisions, tough priorities, funding competing priorities, will invest, in MILCON terms, on mission-critical requirements.

Some mission-critical requirements are at certain installations and not others. That is an inescapable fact. The recap rates do go up, but it is important, as Secretary Zakheim reiterated, and as Secretary Rumsfeld said in his testimony before your committee, that the 67-year recap rates will be achieved by fiscal 2007.

I think the other issue that is important to understand is the majority, 60 percent of all MILCON projects are for restoration and modernization for mission-critical requirements. That is both MILCON and O&M.

Now, BRAC. Certainly, last time that I sat in front of you it was an issue that was highly charged. It remains highly charged. The Secretary of Defense testified, and not with tongue in cheek, I might add, but quite seriously, this is a painful process, but it is a process that, with your authority, and the fact that it is in 2005, we are going to take a comprehensive, and we are going to take a very thorough and methodic and deliberate look at our entire real estate asset portfolio, and I do want to say on his behalf, on behalf of the Secretary of Defense, we do thank the Senate for supporting him in his efforts to rationalize our infrastructure, our total infrastructure through this process, this needed process referred to as BRAC.

Now, just for purposes of reemphasis, we have not deferred—we have not deferred any projects in anticipation of BRAC. Our fiscal year 2003 budget request reflects, as I indicated, the highest priorities identified by the Service Secretaries and the Service Chiefs to support their missions as currently configured. We are just beginning to analyze the total DOD infrastructure from a BRAC point of view. Specific construction projects in this fiscal year's budget request are driven, as I said, by military necessity and mission-critical requirements.

One final point, if I might, and I address this because it has received a certain amount of press attention. Several committees of the House and the Senate have now called a hearing specifically to focus on the term and the issue called encroachment.

Twenty-six, 27 years ago, when Secretary Rumsfeld and I served in the Pentagon, the word encroachment was not even in our lexicon. Maybe it should have been, because today we are facing in a number of our test and training ranges and installations across the country urban density, environmental encroachment, spectrum competition, air space encroachment, issues which are now directly impacting upon our ability to provide realistic combat training for our troops.

This encroachment issue has emerged in the last couple of years, certainly since Secretary Rumsfeld was sworn in, as a very serious concern. We are addressing that concern. We do not have all the answers yet. We are in the process of discussing this with folks on the Hill, folks in the environmental community, folks in the Department of Interior, EPA, NOAA, those sister agencies in the executive branch which focus on the regulatory aspect of these statutes.

I am reminded that I believe this is the 30th anniversary of the Clean Water Act and other acts, other statutes passed by the Con-

gress. Deputy Secretary Wolfowitz back in December set out specifically a cross-discipline, cross-service group in the Department of Defense cochaired by myself and Paul Mayberry, the Deputy Under Secretary for Readiness, to focus on this and try to come up with some reasonable approaches, given the seriousness of the situation, and we look forward to working with you. We absolutely, positively must have your advice and counsel as to how to proceed in this regard.

In closing, I have spent the last 9 months having been in this job as Deputy Under Secretary, and I visited over 30 major installations here and abroad, also a number of our premier, our crown jewels of training and test ranges, several of which are in California and Texas and Alaska, as it turns out. We are committed in that regard, and I remain committed to advise the Secretary as best I can on how to improve and support healthy installations, facilities, and housing.

#### PREPARED STATEMENT

We have to remember that if we are going to transform the military, which remains, notwithstanding 9/11, reforming the way we think about defense and reshaping the way we manage the Defense Department is first and foremost still in Secretary Rumsfeld's mind, and he also, I think, appreciates the fact that part of that transformation, an integral part of that transformation has to be how we transform our platforms, our deployment platforms called our installations.

Thank you very much.  
[The statement follows:]

PREPARED STATEMENT OF RAYMOND F. DUBOIS, JR.

#### INTRODUCTION

Mr. Chairman and distinguished members of this Subcommittee, thank you for the opportunity to discuss the Department of Defense's fiscal year 2003 programs supporting military installations and facilities and the Department's environmental management. The Department's goal is to restore the readiness of our installations and facilities—which are the foundation for military operations and deployments. We are continuing to improve the management of our installations and housing to ensure that they can fully support the men and women who live and work there in the accomplishment of their mission.

To begin I would first like to recognize you and the Committee for the support you continue to provide to the Department. In particular, we appreciate this committee's strong support for the Secretary's effort to rationalize our infrastructure through a needed round of base realignment and closure. We are also grateful for the Congress' willingness to extend our housing privatization authority to 2012. These actions support the key elements of the Department's program to manage military installations and facilities more efficiently.

Today, I will address the current state of our facility assets and the Department's revitalization plans; our sustainment, restoration and modernization programs; our management initiatives; and our environmental progress.

#### REVITALIZING INSTALLATIONS

As Secretary Rumsfeld recently testified to Congress, "September 11 changed our nation forever." Our challenge today and in the future is to accomplish three difficult missions at once: to win the war on terrorism, to restore our military forces through investments in procurement, people and modernization, and to transform our forces to meet future demands.

Last year, the Secretary of Defense undertook a series of initiatives to transform our installations and facilities into those required for a 21st Century military. Our fiscal year 2003 budget, as well as our current future years defense program, sup-

ports that commitment. In the context of competing priorities resulting from the events of September 11, we have developed a feasible and fiscally responsible plan for getting our facilities on a path to recovery. Even after the events of September 11, we are continuing to transform our installations and maintain our commitment to our people by improving their quality of life.

#### *Installations' Vision*

Military installations and facilities are an integral component of readiness. Installations are the "platforms" from which our forces successfully deploy to execute their diverse missions. However, they are also places where our people live, work and train. The Department's sustainment and restoration and modernization programs must enhance military readiness while also providing in adequate quality of life an adequate working environment and provide for appropriate military training.

Quality of life and quality of workplace are directly linked to the quality of our infrastructure. Many surveys have shown that poor quality facilities and services are a major source of dissatisfaction for families and services members alike. Our aging and deteriorating infrastructure has a direct impact on retention.

To address these long standing infrastructure problems in an integrated fashion, the Department is aggressively pursuing a number of approaches to benefit service members and improve their quality of life. First, we will increase the basic allowance for housing to eliminate the out-of-pocket costs paid by service members for private sector housing in the United States. The fiscal year 2003 budget request includes necessary funding to continue lowering service members' out-of-pocket housing costs for those living off-base from 11.3 percent today to 7.5 percent in 2003. By 2005, the typical member living off-base will have no out-of-pocket housing expenses.

Second, we will increase our reliance upon the private sector—higher allowances will increase and enhance service member access to existing quality housing. Higher allowances will also increase the income available to private sector developers, facilitating increases in the quantity and quality of privatized housing.

Finally, we will continue to fund military construction for housing where necessary. Our fiscal year 2003 budget requests about \$227 million more for family housing construction than last year. We have also maintained our significant investment in barracks modernization. The combination of increased allowances and continued use of privatization will permit more efficient use of our military construction funding. Increased availability of quality private sector options will ease pressure for on-base housing, reduce the need to maintain our current inventory, and allow us to spend our sustainment funding more wisely.

The Defense Facilities Strategic Plan, published in August 2001, defines our facilities vision for the future—healthy, productive installations and facilities that are available when and where needed with capabilities to support current and future military requirements. At the same time, we must spend the taxpayer's investment wisely and transform the way we do business to reduce the total operational cost of ownership of our installations and facilities.

We must right size and locate our installations and facilities based on military requirements. The recently authorized base realignment and closure round in 2005 provides a key tool that will allow the Department to align operational forces with the installations best suited to their 21st Century missions. Providing the right quality installations and facilities also means we furnish quality living and working environments that support the warfighters' missions while enhancing quality of life for our service members and their families.

Through providing the right resources and leveraging that funding, we will achieve the right size and quality of our installations and facilities. We have developed analytical tools and metrics that allow us to more accurately forecast our requirements and measure our progress. Our tools, like the Facilities Sustainment Model, which identifies facility sustainment requirements, and the Facilities Recapitalization Metric, which assesses the rate of modernization relative to the service life of the facilities' inventory, have matured, and we have several new tools under development. For instance, we are integrating the Services' real property inventory databases to guide and monitor management decisions. Accomplishing these goals will ensure that the needs of the warfighters and military families are met.

#### *Current State of Facility Assets*

In fiscal year 2000, 42 Major Commands of the military services collectively rated 69 percent of their nine facilities categories C-3 (have serious deficiencies) or C-4 (do not support mission requirements) as reported in their Installations' Readiness Reports. At the end of fiscal year 2001, with 43 Major Commands now reporting, this percentage is 68 percent.

The first step to improve our readiness posture is to sustain what we own. It will take some time to reach an acceptable state of readiness. We are committed to sustaining our facilities appropriately to avoid incurring substantial costs in later years. In the fiscal year 2003 budget request, the Department funds 93 percent of the requirement. The fiscal year 2003 recapitalization rate for our facilities has increased to about 150 years (121 if one factors in the potential 20 to 25 percent reduction that could be achieved from base realignment and closure). However, the fiscal year 2003 military construction request is the second largest in the past 6 years. We plan to invest over \$20 billion from fiscal years 2003 through 2007 to achieve our goal of a 67-year recapitalization rate by the end of the Future Years Defense Program.

For fiscal year 2003, we are requesting a total of \$9 billion for military construction, family housing and environmental remediation on properties from the 1988 to 1995 base realignment and closure rounds. Consistent investment levels over time will help us restore and maintain readiness, stabilize and reduce the average age of our physical plant, reduce overhead costs, and maximize our return on investment. Last year, the Department modernized its treatment of our real property requirement. Our approach to sustainment (operations and maintenance-like<sup>1</sup> funds) and restoration and modernization (both military construction and operations and maintenance funds), underscore our focus on improving infrastructure management.

#### SUMMARY OF REQUEST

[President's budget in billions of dollars]

Funding category	Fiscal year	
	2002 request	2003 request
New Footprint (MilCon) .....	1.4	1.5
Restoration and Modernization (MilCon) .....	3.8	2.5
Restoration and Modernization (O&M-like) .....	.8	.8
Sustainment (O&M-like) .....	5.1	5.6
Family Housing Construction/Improvements .....	1.1	1.3
Family Housing Maintenance .....	1.3	1.3
<b>Total SRM, New Footprint, FH Const. &amp; Maint. ....</b>	<b>13.5</b>	<b>13.0</b>

Fully sustained, restored and modernized facilities are more cost effective in the long term and result in more prudent use of scarce resources. It is more expensive to allow facilities to deteriorate, which reduces service life and causes premature recapitalization requirements. Further, deteriorated facilities contribute to mission interruptions.

#### SUSTAINMENT

The first principle of sound installation management is taking care of what you own, and our fiscal year 2003 budget request supports that principle. Our fiscal year 2003 budget request of \$5.6 billion increases sustainment funding to 93 percent of the requirement, from 89 percent in last year's budget. Full funding of sustainment throughout the program is an appropriate investment that will avoid significant costs in the future by stabilizing facility conditions and preventing further erosion.

The fiscal year 2003 budget request also includes \$6.1 billion for Real Property Services (RPS) which are must pay "open-the-door" costs generally performed by contract. The RPS account includes purchase of utilities, lease payments, custodial services, trash collection, snow removal, and grounds maintenance.

#### RECAPITALIZATION

The Department is requesting \$3.3 billion for recapitalization in fiscal year 2003 (including both operations and maintenance and military construction funds) to restore and modernize our facilities. Recapitalization is important not only to restore the readiness of poor facilities, but also to maintain the relevance of all facilities to future missions of the Department. A consistent modernization program tied to expected service life best accomplishes this. The Department stands by its goal of achieving a recapitalization rate of 67 years. We currently plan to achieve this goal by fiscal year 2007.

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

There may be concerns with the increased fiscal year 2003 recapitalization rate. However, our fiscal year 2003 budget request represents a restructuring of our priorities to achieve a more fiscally responsible program with lower costs over the long term. Sustaining facilities up front will reduce the need for costly restoration of facilities in the future, and we are requesting significant increases to our sustainment budget to accomplish this. In addition, the majority of the military construction budget projects (over 60 percent) are for restoration and modernization of mission critical requirements.

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

[President's budget in millions of dollars]

	Fiscal year	
	2002 request	2003 request
Military Construction .....	5,210	4,054
NATO Security Investment Program .....	163	168
Base Realignment and Closure IV .....	532	545
Family Housing Construction .....	1,114	1,341
Family Housing Operations & Maint .....	2,940	2,877
Homeowners Assistance .....	10	0
Family Housing Improvement Fund .....	2	2
<b>Total .....</b>	<b>9,971</b>	<b>8,987</b>

#### HOUSING

Military housing is a priority for the President and the Secretary, is an integral part of the Administration's Management Plan and is crucial to providing a decent quality of life for our service members. We are investing \$1.2 billion in the budget request to construct or revitalize almost 14,000 barracks spaces for our unaccompanied service men and women to continue improvements in their quality of life. The Services are making great progress toward meeting, or have already met, the Department's goal for eliminating gang latrine conditions for permanent party unaccompanied service members.

Our request of \$4.2 billion for military family housing in fiscal year 2003 will operate and maintain the Department's family housing and enable us to eliminate most substandard housing by 2007—3 years earlier than previously planned. Our family housing construction budget request of \$1.3 billion, up from the \$1.1 billion requested in fiscal year 2002, supports traditional approaches to military family housing as well as the Department's plan to renovate, replace, or privatize over 35,000 housing units. We plan to have privatized a cumulative total of over 60,000 units by the end of fiscal year 2003. The Department is also requesting \$2.9 billion for operating and maintaining almost 280,000 family housing units world-wide, (251,000 government-owned and another 29,000 leased), approximately 60 percent of the government-owned units are considered inadequate.

The Department's use of housing privatization, aided by Congress' extension of our authorities to 2012, continues to leverage our funding and has allowed us, to date, to privatize over 17,500 housing units. Our most recent projects have been at Fort Hood, Texas, where Army personnel have been deployed to support Operation Enduring Freedom and Naval Complex South Texas, which includes Naval Air Station Corpus Christi and Naval Station Ingleside in Texas.

Privatizing military housing is a Presidential and Secretary of Defense management priority and is recognized as a key item on the Administration's agenda to improve the quality of life for our service men and women. Because decent, safe and affordable housing is such an important component of our service members' lives, we are taking steps to ensure that the privatization projects we have already undertaken remain fiscally and physically in good shape. To that end, we are overseeing the legal and financial documents of these projects through our internal oversight document called the Program Evaluation Plan, which provides the Secretary of Defense with key information on the Services' portfolio management of these projects. We are using this report to oversee the Services' progress in project management, meeting schedules for housing renovation and construction, customer satisfaction, and overall financial management.

Privatization is intended to enable the military services to revitalize their inventories of inadequate housing by leveraging appropriations with private capital. Under privatization policy, the Services leverage appropriations to get at least three

times the housing they would get under traditional military construction programs. In practice, the current 10 projects in our most recent report have leveraged appropriations at a rate of six to one. In addition, our data show that our initial ten projects allowed us to build and renovate houses on our installations that would have cost \$600 million more had we used the traditional military construction approach. By leveraging available resources, we can revitalize housing on other military installations.

In terms of future steps, the Department plans to build on our earlier privatization successes by simplifying the process, accelerating project execution, and institutionalizing best practices in the Services' deals with the private sector. We plan to sharpen our post-award management to ensure fiscal integrity and sound project management.

#### IMPROVING BUSINESS PRACTICES

Our installations' management approach extends to improving our business practices. The Secretary of Defense is committed to improving the way the Department operates and reducing total ownership costs, and one of the methods is through improved information technology (IT) systems. The Installations' community is a frontrunner in the development and use of IT systems to improve the way we manage facilities.

For example, in the fiscal year 2000 CFO Financial Statement, we estimated the funding requirements for sustainment, since we had no system to capture or forecast sustainment requirements. Now, using the Facilities Sustainment Model which applies industry benchmarks for sustainment costs, we are able to precisely identify the requirements. Thus, sustainment costs in financial statements for fiscal years 2003 and beyond will be based on accurate, verifiable information.

Many of our decision-making tools and financial systems are linked to the Department's real property inventory databases. Currently, the Department maintains many divergent systems that should be modernized using the latest state of the art technology and improved business processes. We recently began an effort to improve the availability and accuracy of information on our physical plant. Our vision is to improve our processes by developing a standardized real property inventory information system called the Base Information System. The goal is to develop new processes and systems for inventorying real property that will allow users of real property information to easily share and gain access to the information. During this fiscal year, we will develop an enterprise architecture that will help us clearly identify our current state and processes, develop a "to-be" process and, finally, develop the road map for change.

In addition to our information systems, we are emphasizing several management initiatives to improve the efficiency of our installations and reduce total ownership costs. For example, the facilities demolition program has eliminated almost 62 million square feet of excess and obsolete facilities since its inception in 1998, and we expect to exceed our goal to eliminate 80.1 million square feet by the end of fiscal year 2003. The costs avoided by demolition will also free up funding to sustain, restore and modernize other infrastructure in our inventory. The demolition program was expanded to include several Defense Agencies and will continue past its originally intended completion in 2003.

We have actively solicited ideas to improve the operation and management of our installations and are currently developing evaluation criteria in order to determine if there are successful candidates for the Efficient Facilities Initiatives pilot program authorized in the National Defense Authorization Act for fiscal year 2002. The Department continues to consider opportunities for enhanced-use leasing, and we have established a working group to identify candidates and share lessons learned. We anticipate these leasing projects will enable better utilization of our infrastructure, reduce ownership costs, foster cooperation between the Department and private industry, and stimulate the local job market.

Joint use has been another effective way to better utilize our facilities. For example, the Joint Mobility Center at Elmendorf Air Force Base, Alaska, saved the Air Force and Army up to 20 percent of the cost to build separate mobility facilities. In another recent case, the joint Armed Forces Reserve Center at Gray, Tennessee, combined three construction projects for the Army Reserve, Army National Guard and Marine Corps Reserve into a single facility project, saving millions of dollars.

#### FUTURE BASE CLOSURES

Continuing to operate and maintain facilities we no longer need diverts scarce resources that could be better applied to higher priority programs, such as improving readiness, modernization and quality of life for our service members. We need to

seek every efficiency in the application of available resources to ensure we maintain just what we need to accomplish our missions. In the wake of the attacks of September 11, the imperative to convert excess base capacity into warfighting ability is enhanced, not diminished. With approximately 20 to 25 percent of our base infrastructure estimated to be excess to our needs, a significant financial benefit can be realized through Base Realignment and Closure (BRAC) 2005 infrastructure reductions.

Prior BRAC actions have resulted in net savings to the Department of approximately \$16 billion, with annual recurring savings of approximately \$6 billion. We estimate that the next round of BRAC could save an additional \$4 billion in annual recurring savings if the infrastructure reductions approximate the 12 percent reduction experienced in the last two rounds in 1993 and 1995. Greater reductions in excess capacity could produce greater annual recurring savings.

BRAC 2005 is our most important facilities rationalization initiative. It will help the Department ultimately save several billion dollars annually. But a financial return is not the only benefit—in fact, it is not even the primary benefit. The authority to realign and close bases we no longer need will be a critical element of ensuring the right mix of bases and forces within our warfighting strategy as we transform the Department to meet the security challenges of the 21st Century. Transformation requires rationalizing our base structure to better match the force structure for the new ways of doing business, and the Department will conduct this rationalization with an eye toward ensuring we look at base capacity across the military services for the best joint use possible.

The Department is currently engaged in the upfront process of organizing and planning to accomplish the analysis and reporting requirements. We are building on the experiences gained in previous BRACs and using the additional time Congress has given us to finalize our approach. However, we have not officially “kicked off” the process.

#### UTILITIES PRIVATIZATION AND ENERGY MANAGEMENT

The Department seeks to reduce its energy consumption and the associated costs, while improving utility system reliability and safety. To accomplish this, DOD has developed an integrated program that optimizes utility system management by conserving energy and water, taking advantage of restructured energy commodity markets, and privatizing our utilities infrastructure.

Conserving energy saves the Department money that can be invested in readiness, facilities sustainment, and quality of life. Energy conservation projects make business sense, historically obtaining about \$4 in life-cycle savings for every dollar invested. This dynamic becomes even more important when you consider that military installations spent nearly \$2.8 billion in fiscal year 2001 to buy energy commodities (almost \$400 million more than the previous year—a 16 percent increase), despite reducing their energy use by about 3 trillion BTUs (a one percent reduction). We continue to make progress in achieving the 2010 energy reduction goal for buildings of 35 percent per square foot and have reduced consumption by over 23 percent since 1985.

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. The fiscal year 2003 budget contains \$50 million for the Energy Conservation Investment Program (ECIP) to implement energy savings measures in our existing facilities.

The Department places a high priority on privatizing utilities. However, we have found implementation to be more difficult than originally envisioned. We have made progress and will continue to move forward on the privatization of our utility infrastructure in areas where it makes economic sense. Privatization allows the Military Departments to focus on core defense missions by relieving them of those installation management functions that can be done more efficiently and effectively by non-Federal entities. Historically, military installations have been unable to upgrade and maintain utility systems fully due to inadequate funding and competing installation management priorities. Utilities privatization will allow military installations to benefit from private-sector financing and efficiencies to obtain improved utility systems and services.

#### ENVIRONMENTAL PROGRESS

The Department’s environmental program is focused on four overarching principles. First, environment is a fundamental component of our national power. We must be ever vigilant in ensuring lack of attention to environment does not under-

mine or degrade our national power. Second, environmental stewardship is a component of good business management. The Department is fully committed to implementing environmental management systems to improve efficiency and integrate environment into day-to-day operations. Third, environmental stewardship reflects the high ethical standards of our soldiers, sailors, marines, and airmen. Fourth, completing environmental remediation quickly, effectively, and safely, to protect human health and the environment from the results of past contamination, is important, both at our active and BRAC installations, as well as formerly used defense sites and surrounding communities. We are committed to continuing to be a leader in the Federal government in environmental management, and our fiscal year 2003 budget request, highlighted in the table below, reflects this commitment to ensuring environment fully supports our defense mission.

#### ENVIRONMENTAL PROGRAM—SUMMARY OF REQUEST

[President's budget in million of dollars]

	Fiscal year	
	2002 request	2003 request
Cleanup .....	1,278	1,278
BRAC .....	491	520
Compliance .....	1,623	1,706
Pollution Prevention .....	245	247
Conservation .....	138	152
Technology .....	211	205
<b>Total .....</b>	<b>3,955</b>	<b>4,108</b>

To maintain our ability to defend our country against terrorism and other security threats, our forces have conducted—and must continue to conduct—training and operations on land, at sea, and in the air. Environmental degradation can deny access to lands, undermine the realism and effectiveness of training, limit operational flexibility or productivity, and pose safety risks. Hence, cleaning up past contamination is important to sustain the land we hold in the public trust. Through the Defense Environmental Restoration Program, we are working to cleanup past contamination in all 50 States, the District of Columbia, and eight U.S. territories. This program covers environmental restoration activities at active installations, installations that are closing or have had their missions realigned, and formerly used defense sites (FUDS).

Our environmental restoration request is \$1.3 billion for fiscal year 2003, slightly higher than in our fiscal year 2002 request. We are proud of our cleanup successes but acknowledge that we still have some complex issues to address. The Department has built a strong environmental cleanup program over the last two decades and is charting a course for completing our environmental restoration requirements.

The environmental cleanup at current BRAC installations continues to serve as a model for collaboration among Department cleanup and real estate professionals, Federal and State regulators, and communities in integrating reuse with cleanup. We have completed environmental cleanup requirements under CERCLA at 84 percent of land slated for transfer from the Department. To continue the remaining environmental cleanup required at previous BRAC installations, we are requesting \$520 million, \$29 million more than was requested last year.

We are also building on the requirements of Executive Order 13148, Greening the Government Through Leadership in Environmental Management, to improve our business practices. We have recently undertaken an initiative to implement environmental management systems across all missions, activities and functions. Industry leaders have shown us that effective environmental management systems will enable the Department to leverage its environmental investment to reduce mission-driven risks and associated compliance costs. We believe successful implementation of environmental management systems in the Department is essential to maintain and improve readiness, mission efficiency, and environmental stewardship in light of the increasingly demanding national security and environmental requirements of the 21st Century.

The fiscal year 2003 environmental quality request for \$2.1 billion includes \$1.7 billion for compliance, \$250 million for pollution prevention and \$152 million for conservation. This will allow us to continue to comply with environmental laws and regulations and to effectively reduce the amount of pollutants we generate in performing the defense mission. These funds are a good defense investment. As of the

end of fiscal year 2001, the Department reduced the number of new environmental violations received by 75 percent since 1992, reduced the amount of hazardous waste generated by over 60 percent, and completed Integrated Natural Resource Management Plans at the vast majority of bases.

For several years, the Department has worked to integrate environmental, safety, and occupational health considerations into defense acquisition weapon system programs. We believe that smart consideration of environmental concerns during the acquisition process is the key to efficient, cost effective, and environmentally sound weapon system performance.

We have revised the Directives that impact the major weapon system acquisition programs for the Department. These changes clarify and strengthen the management of life-cycle environmental issues by integrating them into the overall acquisition program management process. The new language also drives reduction in the procurement and use of hazardous materials to ensure waste minimization and pollution prevention are institutionalized in the acquisition process. In addition, the program manager is required to assess the life-cycle environmental impacts of the weapon system to identify opportunities for source reduction and recycling to minimize these impacts. These changes help reduce the cost and impact of these weapons systems on the people who make them, use them, maintain them and live around installations where they are stationed. Such improvements in today's weapon system acquisitions will have far-reaching positive impacts on "green" initiatives at all of our installations for many years to come.

Since sound environmental policy is the foundation of future improvement in environmental performance, we provided greater emphasis on promoting teamwork between environmental and procurement personnel to realize the benefit of affirmative procurement policy goals. All of these changes have improved our performance of purchasing environmentally preferable products, which has reduced our potential environmental impact on both the communities around our installations as well as our own personnel.

The Department is fully committed to military explosives safety—protecting military members and the public from the adverse effects of munitions. Last year, after an in-depth review, we divided our challenge into two areas of responsibility: Operational Ranges and Munitions Response Areas.

Our operational ranges are needed today and tomorrow. We fully appreciate the need for good stewardship and, as a part of our Range Sustainment Initiative, we are reviewing how we look at and manage our operational ranges. Most immediately, the Department is clarifying our operational range clearance policy. We are also developing the protocols for determining and responding to any groundwater contamination under our operational ranges. For our Munitions Response Areas, which include all property which may have unexploded ordnance, abandoned munitions, or munitions constituents, and we are building on the authority provided to us with the Defense Environmental Restoration Program. In so doing, the Department intends to fully comply with Sections 311, 312, and 313 of the National Defense Authorization Act for fiscal year 2002, Public Law 107-107, which call for several significant items, including a site inventories, cost projections and a technology roadmaps.

#### ENCROACHMENT

Civilian encroachment at active military bases and test and training ranges can interfere with the ability of our military to carry out their missions and can degrade the training and readiness of our military personnel at a time we need them most. Encroachment involves buildings and structures protruding into navigable air space; residential development locating in noisy, high performance aircraft approach and departure corridors or too close to gunnery ranges; or it can be off-base electrical transmissions interfering with air and ground communications. The presence of endangered species or their critical habitats in or near gunnery and bombing ranges also contributes to encroachment problems.

Urban growth and development is the most visible form of encroachment and has the greatest impact on military operations, training, and readiness. Encroachment of incompatible civilian activities in whatever form—if allowed to go unmanaged and unregulated—will continue to compromise the effectiveness of our military forces. Since maintaining the readiness of our forces is one of the highest priorities of the Department, we strive to maintain a reasonable balance between test and training requirements, the concerns of our neighbors near our test and training ranges, and the importance of sound environmental stewardship. All of our military services are prepared to work with appropriate State and local authorities to control and hopefully curtail encroachment on both sides of the fence line.

We are addressing encroachment by developing a comprehensive strategy that will consider test and training mission needs, regulatory requirements, community support, urban encroachment, and the current and projected capability of our ranges to support the mission. The Deputy Secretary of Defense established a full time Integrated Product Team in the Office of the Under Secretary of Defense for Personnel and Readiness to act as the Department's coordinating body for overall range encroachment issues. This IPT, which reports to the Senior Readiness Oversight Council, has been tasked with developing a comprehensive set of proposals to address the encroachment issue.

#### ENABLING LEGISLATION

Consistent with our work to improve installations and environmental business practices, we are developing specific military construction legislation that will enable us to conduct our work more efficiently at lower cost. The legislation Congress enacted during fiscal year 2002 greatly improved the Department's freedom to manage, and the legislation currently under consideration by the Department will continue that trend without diminishing our accountability.

#### CONCLUSION

Our fiscal year 2003 budget request for military construction and for the Department's environmental programs supports the Department's obligation to acquire and maintain facilities vital to our changing missions and readiness. America's security, today and in the future, depends on installations and facilities that support operational readiness and changing force structures and missions. We have slowed the deterioration of our facilities, and will, over time, fully restore their readiness. With the Defense Facilities Strategic Plan as our guide, we are committed to providing and supporting healthy installations, facilities and housing that will enhance readiness, morale and quality of life for our service members and civilians. This installations' transformation will continue until all of our facilities meet the requirements of a 21st Century military.

We will also continue to identify opportunities to operate more efficiently and leverage our resources through partnerships with the private sector on housing and utilities privatization and competitive sourcing initiatives. We are committed to divesting ourselves of unneeded, underutilized facilities through the Efficient Facilities Initiative, facilities demolition, outleasing, and other facility reduction initiatives.

As a leader in environmental management, we will complete environmental remediation quickly and effectively at both our current and former installations and will protect our service members and others from the results of past contamination. In addition, we are developing a strategy to address encroachment that considers the needs of everyone involved.

In closing, Mr. Chairman, I sincerely thank you for providing me this opportunity to describe the Department's plan for revitalizing our installations and facilities and for your very strong support for a robust military construction program. I look forward to working with you as we transform our plans into actions.

Senator FEINSTEIN. Thank you very much, Mr. DuBois. I might, if I could—and we will do 5-minute rounds—ask about the cuts in the guard and reserve. As I understand it, the Army National Guard is down 75 percent, the Army Reserve 65 percent, the Air Guard 79 percent, the Air Force Reserve 57.4 percent, and the Navy Reserve 1.4 percent. How can these entities function with these kinds of cuts?

Mr. ZAKHEIM. Well, let me take a stab at that, Senator, and then I will turn it over to my colleague.

Senator FEINSTEIN. Can you speak up, Mr. Zakheim?

Mr. ZAKHEIM. Can you hear me better now? I will take a stab at that, then turn it over to my colleague.

The percentages, of course, are true. The real issue, as far as we are concerned, is very much the same issue as that which Ray DuBois just mentioned and I briefly alluded to, and that is one of priorities. The Services' priority, of course, is to fund the first-to-fight units, and the guard and reserve units tend not always to be

first to fight. For this and other reasons, they simply did not get priority.

By way of context, however, if you take the \$297.3 million that was allocated to the 37 guard and reserve projects in this budget, it compares favorably both with the original 2002 budget, which was at about \$224 million, and the 2001 budget, which was roughly the same, at \$222 million. Again, you had a spike in the amended 2002 budget.

But recalling the context, and again I draw you back to what my colleague, Ray DuBois just said earlier, until 9/11 the Secretary had as one of his highest priorities bringing down the recapitalization rate, and that was reflected in our amended 2002 budget.

#### REDUCED REQUESTS FOR RESERVE COMPONENTS

Senator FEINSTEIN. But my question is a little different. If you are going to take the Army National Guard from \$405 million to \$100 million, how is that guard going to function as the primary position from which you draw troops for the actives, as well as may role it might have in homeland defense?

Mr. ZAKHEIM. Well, my number reflects our request, which actually is \$267, but I think that does not really answer your question.

Again, it is not that there are no facilities. It is a question of modernizing those facilities, and once again it was a question of priorities. To place just the Army National guard in context, in 2001 we spent just under \$60 million for the Army National Guard.

Senator FEINSTEIN. Let me clear this up. The number I am using of \$405 million is the amount that Congress finally appropriated. Are you saying that was not used, because you are taking it down to \$111 million. You are saying that the \$405 million was not used?

Mr. ZAKHEIM. I understand it was the amount that you appropriated, but I still go back to my point that relative—there was a spike there last year, and relative to the historic levels, I believe I am correct that the \$101 million is actually somewhat higher, even if one accounts for inflation.

Senator FEINSTEIN. Are you saying the 400—and I do not mean to beleaguer you, but that the \$405 million was not used?

Mr. ZAKHEIM. It was used. It is being used. It was appropriated. The number I used—and I am sorry for the confusion—was the number that we requested in the amended budget. I withdraw that. I do not mean to confuse you. The basic answer is, as I said, it is just a question of priorities, for example, the “first-to-fight” concern. Historically the \$101 million is actually very much in line with previous, other than last year’s level, but I am sorry if I confused you.

Senator FEINSTEIN. The same thing is true of the Army Reserve, from \$167 million to \$58 million. I have a hard time understanding how you are going to keep a strength and absorb this kind of cut.

Mr. ZAKHEIM. Again, I would have to refer you particularly to the Services. They made these allocations, and these were the priorities as they saw they best could fund them.

Senator FEINSTEIN. Are you saying those were the Services’ requests?

Mr. ZAKHEIM. Yes, ma’am.

Senator FEINSTEIN. They have actually requested this kind of cut?

Mr. ZAKHEIM. Yes, ma'am. This is what they agreed to. When we went to them and we set our priorities out, they had the flexibility to reallocate, readjust, protest, whatever you want to say. This is how it came back. This was not forced down their throats.

Mr. DUBOIS. Madam Chairwoman, if I could possibly suggest that we all recognize the dramatic increase last year, both in terms of the President's request and in terms of the ultimate appropriation. I think it is probably fair to say that as the Services allocated their top line and were grateful and happy for the plus-up last year, they probably looked at the requirements for this year and saw where they could come down but historically still stay within the same basic glide path that they had been on before with respect to the military reserve components.

I am just suggesting—and that is something, as Secretary Zakheim said, is more particularized to the individual Service, but last year, both active and reserve components had a substantial dramatic increase in terms of appropriation, in terms of presidential budget request amended, and in terms of the appropriation.

Senator FEINSTEIN. Well, my time is up, and I did have some other questions, but I would be very surprised if they can absorb these kinds of cuts without any substantial reduction, because they are the largest cuts I have seen since I have been in the Senate.

Senator Hutchison.

Senator HUTCHISON. I am going to defer to Senator Stevens.

Senator STEVENS. Thank you very much.

I am interested in the comments that you have made and the comments that Under Secretary Wolfowitz made before our committee when he said, earmarks directing infrastructure spending on facilities the taxpayers do not need and eventually could be closed would be compounding the waste that the delay in BRAC is already causing. I think that the implication to us has been that there is to be a delay in significant investment until the Department knows which are going to be closed, and you are saying that is not going on, Mr. DuBois?

Mr. DUBOIS. I am suggesting, Senator, that while it is inescapable that BRAC is in our future, and it is inescapable that because the BRAC is in our future I suspect that the services focused their previous MILCON dollars on current mission requirements, they do not—MILCON allocations this year and next are not and will not be allocated on a facilities-centric basis. It is on a mission-centric basis.

Senator STEVENS. I am confused about that, because Dr. Zakheim, you have told us that you have deferred \$400 million to low priority MILCON projects because of the uncertainty over base closure, and you are saying it is mission-oriented. You are telling me that none of these bases that have been delayed have any missions that are so important that they should be considered now?

Mr. ZAKHEIM. Well, Senator Stevens, since you quoted me, let me explain something about that \$400 million, sir. That had absolutely no relationship to the BRAC closures and, in fact, if you like I can even now give you detail as to how that \$400 million was achieved.

Senator STEVENS. I would like to have a list of the projects that have been delayed. Mr. DuBois says that they are all mission-oriented, and yet there is a whole series of them that have been delayed. Many of the Services, of course, are coming in directly to us saying, we had a project that has been delayed, and we are going to be looking to adding these back in and getting into a fight again with you all.

Mr. ZAKHEIM. Well, I cannot speak for what the Services tell you privately. I can tell you that, for instance, there were \$22 million worth of projects that were simply accelerated by the Congress so that there was no need to put the same money in in 2003, and I can give you details of those, the Schofield Barracks land project, the basic supply at Incirlik in Turkey, the Army National Guard Readiness Center in California. Those were all accelerated by the Congress in 2002.

Senator STEVENS. I am not asking about what was accelerated. I want to find out those that were delayed, Dr. Zakheim. You have testified, and your program shows low priority military construction projects delayed. Mr. DuBois says we have not delayed any mission-oriented projects directed by the service. Am I misquoting you?

#### BASE CLOSURE

Mr. DUBOIS. No, sir.

Senator STEVENS. There seems to be a conflict there to me, and we are hearing about them, and I would like to know what are the delays. I do not have much time. Dr. Zakheim, in terms of this statement, it indicates that 152 major installations in the last four BRAC rounds, and 235 were proposed, and that implementation of the last round of the four approved BRAC's was completed on July 13, 2001. Is your testimony that all of the BRAC's are closed now, the prior BRAC's? We had four rounds. Are they all closed now?

Mr. DUBOIS. May I answer that question in the following way? They are closed, but not disposed. There is a difference between the military making the decision to close an installation and whether or not the military department has had the opportunity to dispose or convey that property to a local redevelopment authority.

Senator STEVENS. Respectfully, to us the question is whether they are having the savings you and your predecessors have told us they would have. Now, I think there are still costs out there that are associated with bases that were supposed to be closed that are not really closed, and will not be closed because of environmental or public pressures, a lot of other things. That is why many of us voted not to go into another round of BRAC until we found out what happened to the last four and whether they really saved the money we were told they would save.

Now, the implication of your statement today is that they are closed and they are saving more than \$6 billion a year, is that right?

Mr. DUBOIS. Yes, sir. According to the statistics that have been provided to us by OMB. GAO last summer wrote another report on this in this regard, specifically addressing the savings that the Department of Defense estimates on a recurring basis exists from closed and BRAC'd properties.

It is true that some of those BRAC'd properties have not been conveyed to the local redevelopment authority or put out for bid, but that does not mean the savings have not already been created.

Senator STEVENS. I have great difficulty with this subject, because in my judgment, as I said, there are many of them that have not been closed. Are you crediting against those savings the continued cost of the bases that are no longer used?

Mr. DUBOIS. This is a net savings per annum, sir.

Senator STEVENS. I would like to see the study. I think it ought to be broken down. I also again request a list of the projects that were deferred for this year for the record.

Thank you very much, Madam Chairman.

Senator FEINSTEIN. Thank you, Senator.

Senator HUTCHISON.

Senator HUTCHISON. Thank you, Madam Chairman. I have to say that I would like to see how anybody could say we are saving today \$6 billion in closed bases when we are still doing environmental cleanup and have not even gotten the full bill yet for environmental cleanup for many of these bases.

Mr. DUBOIS. You are quite right, Senator Hutchison. In fact there is probably—we estimate a \$4 billion cost to complete environmental cleanup of all prior BRAC'd properties, but the \$6 billion that has been attested to by agencies outside of the Department of Defense is a \$6 billion current cost avoidance cost savings, does not include the cost to complete the \$4 billion that—I do not know how many years it will take us to complete this, because as you know, there are a number of installations that probably will take some time to clean up and some of them may, because of their ranges, unexploded ordnance, a very serious issue, it may be the decision to fence those areas, as has been the case in the past, and create wildlife refuges out of them.

Senator HUTCHISON. Well, I would just say that one of the reasons that many of us were concerned about another BRAC is because we have not yet gotten all the bills for the closures, and what we want to assure ourselves of is that if we close a base, that it is really going to save money.

Mr. DUBOIS. I want to assure you that Secretary Rumsfeld, one of the first things he did after I got this job was to ask me to review all BRAC'd properties which have been closed, which have been conveyed, which have been disposed, and those that have not been disposed or conveyed, why not.

Working, as Senator Feinstein knows, with H. T. Johnson, the Assistant Secretary of the Navy, and Mayor Brown in San Francisco, we have made several major steps forward. Hunter's Point is now conveyed. We have got several other in the pipeline, but I will give you a great example, El Toro. Today they are voting in El Toro in Orange County on whether or not that is going to be a future airport or not. We have had to sit there to wait until the local political jurisdictions, plural, decided what their future use would be. Depending on the referendum today as we sit here we, the Department of the Navy, will issue a record of decision and hopefully dispose that property forthwith.

Senator HUTCHISON. Well, I will just ask you on the issue of the BRAC that we now know is going to be in 2005, that you come to

us in good time with the force structure that we are going to need in the next 25 to 30 years in this country, and then make sure that we have the training facilities. You talk about encroachment in America. What about encroachment overseas and our ability to train overseas?

So let us make sure we know what our troop strength is going to be in what services, and probably before September 11 you would have said we did not need a cavalry any more, and now you need to make sure that we have training space for cavalry, so we have got—and obviously I am being a little disingenuous here, but I am trying to say that we need to really know what our training requirements are and our force structure before we go into that BRAC.

Mr. DUBOIS. You are absolutely right, and as you know, in the legislation it requires the Secretary of Defense to report to Congress no later than February of 2004 with a force structure for the next 20 years.

Now, I hope everyone in this room understands, because certainly the Secretary of Defense does, that that kind of report has got a little crystal ball aspect to it. It is tough enough to sit there and look over the next several years, but he has an obligation to report to you in February of 2004 with not just the force structure for the next 20 years, but also, as the legislation requires, an inventory capacity analysis, a base structure inventory. These are important reports that you have correctly required, before we go into that 2004, 12 months of very intense debate and analysis as to how that force structure superimposes itself on the appropriate infrastructure.

Senator HUTCHISON. I have another question, but I do not know what my time is.

#### NATO MILITARY CONSTRUCTION

Senator FEINSTEIN. Go ahead.

Senator HUTCHISON. I want to go to my European component, and with the added burden that we are taking in the war on terrorism, which is going to be necessarily proliferating among many countries where we are going to have military construction projects, I would just ask if the increase in the investment in Europe, and the 25-percent NATO requirement which we have, is a fair allocation, or is it time for us to look at burden-sharing with our European allies and our percentage of NATO? Is any of this in the cards, or are we just going to continue to have the same responsibilities in Europe and also have to take the lion's share of the burden in the war on terrorism?

Mr. ZAKHEIM. Well, it is in the cards. It is a very, very appropriate question at this time. We are in fact looking at doing in Europe what we have been able to accomplish in Korea. There will be a new burden-sharing report coming out soon, and you can take a look at the chart there. You will see that most of our European allies contribute less than 40 cents on the dollar for what is spent out there.

There are many, many ways we can get them to increase their percentage, for example, as part of the Efficient Basing East project that General Ralston has put together. Both Ray DuBois

and I were in Europe to view progress in this area. About \$50 million is being contributed by the German Government for what is called payment in kind. They are doing all kinds of things such as landfill for the training facility and so on.

That is a good model, and we need to ensure that we repeat it. I talked extensively with the Secretary about this, and with Ray. We have his wholehearted support to go out and get our friends to contribute more because we are bearing such a massive load. Even the direction the current military construction, the thrust of the construction you mentioned yourself Greece, Spain—is a southward orientation. This makes a lot of sense relative to what we are doing right now and are likely to do in the future.

So there is a reorientation going on. There is efficiency going on. General Ralston is committed to that, and at the same time we are formulating a strategy, frankly, to approach our European friends and say, we need some help here.

Senator HUTCHISON. Thank you.

Senator FEINSTEIN. Thank you, Senator. Just a couple of wrap-up things. Before we move this bill, I would like to ask you to provide us with a net-net accounting of savings from BRAC closures to date. That includes environmental cleanup. I mean, do not exclude that, because environmental cleanup has always been short-funded, and I want to see what the actual numbers are, if I may.

[The information follows:]

The net BRAC Savings over the implementation period from fiscal year 1990 to fiscal year 2001 is about \$15.5 billion. The annual recurring savings after fiscal year 2001 are projected to be about \$6 billion.

The detailed cost and savings data is available in the DoD Base Realignment and Closure Executive Summary and Budget Justification for the Fiscal Year 2003 Budget Estimates.

Senator FEINSTEIN. A second point is, I do not believe, Mr. DuBois, Hunter's Point has been conveyed yet. That is probably another, I am told by my staff, another year or so away, and last year our committee included a direction to submit a joint FYDP, or even to submit a plan to develop a joint FYDP by February 15 of 2002. Well, we have not received it, and my question is, are you really serious about your support of joint construction?

Mr. ZAKHEIM. Let me take that last one first. We are putting the report together. We have five joint use projects in the current budget, as I think you know, NAS-Atlanta, which is about \$7 million, the joint reserve base, which is about \$3 million, and New Orleans, about \$14½ million, Norfolk, nearly \$5 million, Forbes Field, in Topeka, Kansas, about 14½ million, so we have those. We are putting that report together.

And by the way, I have also created, and this I guess is real green eyeshade stuff, Senator, but what is called a program element. Within the FYDP you measure activity. If you really want to be specific about it and direct it, you create what is called a program element, and a report asks for that. You ask for that, and I have done that, so we have moved along on those grounds.

And I also, I guess, again being a numbers guy, I cannot resist at least in part not responding to your previous point about the net-net savings. Sure, it is true environmental remediation is not really a BRAC cost, but I know what you are driving at. But never-

theless, the point is that we have \$4 billion, or frankly even \$6 billion in remaining cleanup costs, the estimates of annual savings is \$6 billion, so if you are stretching the cleanup cost over a number of years, it is clearly a small percentage of annual savings of \$6 billion. Those savings are real. As you well know, we do not always see eye to eye with GAO, and on this one we do.

Senator FEINSTEIN. Thank you very much.

#### INFRASTRUCTURE IN KOREA

Senator HUTCHISON. I just have one follow-up, and that is on Korea. Now, last year when we were here talking about Korea, I made the observation that it did not seem as if we had reassessed our troop strength in Korea for a long time, and we were spending a lot of money in Korea. This year, I think it is more relevant to spend money in Korea, but I still have to ask the question, have we looked at what our long-term requirements are going to be in Korea, and are we sizing our commitment there correctly?

Now, obviously there is a tension that would require a certain vigilance, but in the long term, is our troop strength being looked at for long term needs, and is our military construction following what we would think would be a long term, because you are cutting off domestic MILCON pretty much. Are you doing the same thing in Korea?

Mr. ZAKHEIM. Well, those are very, very important questions, Senator, and as you rightly noted, this is probably not a time when we should be thinking very much about reducing anything in that part of the world.

As you know, General Schwartz has worked very hard to create a program that would essentially make our footprint in Korea far more efficient. The Koreans want that as well, but in terms of the force structure, obviously any kind of significant change in force structure presupposes a political change on the peninsula, and right now we just do not see that.

Indeed, thinking back to how things went totally out of hand in 1950 because we sent the wrong signals to Kim Il Sung, the last thing we want to do is send the wrong signals to his son by speculating about possible withdrawals, or anything like that. They are, given that for the foreseeable future our posture in Korea is going to be what it is, and given that the state of facilities in Korea is just really horrible, and our troops go out there primarily on unaccompanied tours and live a very hard life, it seems appropriate to do what we are doing there. This is especially because General Schwartz has been so attentive to not only modernizing the facilities, but doing it in the most efficient way possible.

Senator HUTCHISON. But looking at the long term, and I understand and agree with everything you have said, you do not want to send a signal now that we would be lessening our commitment, but given that in the long term there is the possibility of a lessening of hostilities, are we looking at our military construction for the more permanent kinds of needs that we would have there?

Mr. ZAKHEIM. My understanding is that by doing it more efficiently we in effect hedge against that possibility, if it ever were to emerge in the foreseeable future, so that we provide the right sorts of facilities for our people now. Of course we all hope there

would be, changes. But the only changes as far as we are concerned are some kind of change in the north. In that case those facilities would, at least as we can see from here on out, and no one is a prophet, would be relevant to whatever we would be doing.

There is no question that our commitment to peace on the peninsula and our commitment to the Republic of Korea is extremely strong. It has to be, and indeed, our Japanese friends want to be sure it is as well, so it is not just Korea only. It is our posture in a very potentially dangerous part of the world for a long time to come.

Senator FEINSTEIN. Thank you, Senator. Thank you, gentlemen. Thank you so much, and thank you for the Korean agreement. I hope it does result in 50 cents on the dollar.

Mr. ZAKHEIM. Well, they have signed up to it, Senator.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator FEINSTEIN. That is great, and I, for one, have heard many, many stories about how bad the housing and sanitary facilities are for our people there, so I am glad it will be getting additional attention.

Thank you very much.

Mr. ZAKHEIM. Thank you.

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

#### QUESTIONS SUBMITTED TO DR. DOV S. ZAKHEIM

##### QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

###### REDUCTION DUE TO PLANNED BRAC

*Question.* Do you have any concern the this deferral of military construction projects, while you await the next BRAC proposal, may create an unmanageable backlog of construction projects in the outyears?

*Answer.* The Department has not deferred military construction projects pending BRAC, hence we do not anticipate a backlog of projects in the outyears. This year's military construction request, the second largest request in 6 years, supports the most mission critical requirements. With programmed investments, we plan on reaching the Secretary's goal of a 67-year recapitalization rate by the end of the current future years defense program. Military construction investments, coupled with increased operations and maintenance funding for sustainment, restoration, and modernization, will continue improving our facilities and their support for military readiness even as we rationalize our base structure.

###### SUPPLEMENTAL

*Question.* Do you intend to ask for any additional military construction funding in the fiscal year 2002 Defense supplemental?

*Answer.* No, there are no military construction projects requested in the fiscal year 2002 Supplemental request; however, we are requesting authority to execute a construction project not otherwise authorized by law if an unforeseen requirement arises.

*Question.* What projects are you considering? When do you intend to submit your supplemental request to Congress?

*Answer.* We do not anticipate funding any military construction projects at this time; however, we are requesting authority to execute a construction project not otherwise authorized by law if an unforeseen requirement arises.

## OUTYEARS MILITARY CONSTRUCTION REQUESTS

*Question.* Each of the Services are projecting huge spikes in MilCon funding in fiscal year 2006 and fiscal year 2007, but outyear funding typically tends to shrink when the time comes to pay the bill.

Are the MilCon budget projections for fiscal year 2006 and 2007 realistic today, and will they continue to be realistic down the road?

*Answer.* The budget projections for fiscal year 2006 and fiscal year 2007 reflect our current plan to achieve the 67-year recapitalization rate within existing priorities. Secretary Rumsfeld is committed to achieving the 67-year recapitalization rate, so I believe you will continue to see funding for military construction to meet that goal.

## ARREST DISMAL CONDITIONS/LARGE RESERVE COMPONENT CUT

*Question.* Dr. Zakheim, last year you testified, and I quote, "Regrettably, in the past we did not plow enough back into our facilities. We have increased the level of funding we traditionally spend on military construction and family housing and hope to spend even more in the future to arrest the dismal conditions of many of our facilities." Well, this is what you said last year. . . . Today is the future, but this budget doesn't appear to reflect your previous intentions.

Your previous testimony stated that the Department has, and again, I quote, "taken special care to ensure that the National Guard and reserve facilities requirement were fully and fairly incorporated in this portion of the process."

This year's budget request reflects steep cuts in the Guard and Reserve budgets—even if you take away Congressional inserts, the reserve component budgets are down 40 percent to 60 percent from last year's budget request. Would you please address the reasoning behind the sharp cuts in the Guard and Reserve? (He is likely to respond that those are Army decisions, and you will have to ask the Army for the rationale.)

*Answer.* Although the Guard and Reserve request is lower than last year's fiscal year 2002 request, in no way does it imply any easing in our commitment to revitalizing the Guard and Reserve infrastructure. For instance, the \$297.3 million request for fiscal year 2003 is higher than requests prior to fiscal year 2002. Further, funding for Sustainment, Restoration, and Modernization of our facilities within the Operation and Maintenance accounts has been increased. While last year's funding level is not sustained due to higher priorities for transformation, mission requirements, and readiness, our multiyear management plan to revitalize DOD facilities through construction, increased SRM, demolition, and BRAC is on target to achieve the 67-year recapitalization rate goal by fiscal year 2007.

*Question.* Do you believe the Guard and Reserve budget requests are adequate?

*Answer.* Yes. Again, I would like to point out that the fiscal year 2003 request is higher than the requests prior to fiscal year 2002 and that the fiscal year 2003 request is just one piece of our multiyear management plan to achieve a 67-year recapitalization rate. The fiscal year 2003 Guard and Reserve military construction requests support this plan.

## QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

## LOW PRIORITY MILCON PROJECTS

*Question.* Dr. Zakheim, there has been a lot of discussion about the deferral of \$400 million of low priority milcon projects because of the uncertainty/delay over base closure. Why were they projects deferred? Will you provide us that list of projects?

*Answer.* The projects were not really of a lower priority. Instead, they were either deleted since they were funded elsewhere, i.e. out of the Defense Emergency Response Fund (DERF), accelerated by Congress, not executable, Funded with prior year savings, or repriced based on foreign currency rates or extension of congressional actions.

I will provide a list of the projects that were deferred depending on the ruling of the General Counsel and the Office of Management and Budget.

## MILCON BUDGET

*Question.* Dr. Zakheim, has the decision to delay brac until 2005 impacted the military construction budget in 2003 and how will it impact it over the next 2 years? Will we see a smaller milcon budget?

Answer. The decision to delay BRAC by 2 years has not impacted the size of the fiscal year 2003 military construction budget request. The fiscal year 2003 military construction budget request was the second highest in the last 6 years. The highest request ever was the fiscal year 2002 request. I do not believe you will see smaller budget requests in the next 2 years since we are not allowed to, nor would we, prejudice the BRAC process. The Department will continue to fund the most critical requirements in fiscal year 2004 and fiscal year 2005 regardless of the fact that BRAC has been delayed until fiscal year 2005.

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QUESTIONS SUBMITTED TO RAYMOND F. DUBOIS, JR.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

EUROPEAN ALLIES HELP

*Question.* Secretary DuBois, I note that this budget contains over a billion dollars of major military construction projects for Europe alone. This does include funding for the NATO security investment account. However, this does not include any funding to operate and maintain family housing or bachelor housing in Europe which would be additive to the billion dollars.

Secretary DuBois, I also note that we have projects in the budget associated with the expansion of NATO headquarters in Larissa, Greece and two projects in Belgium associated with the U.S. component of NATO, shape headquarters.

Secretary DuBois, with the U.S. fighting a worldwide campaign against terrorism, is it unreasonable to ask our European allies to do more in defense of the alliance and especially help with our infrastructure bill to help maintain U.S. military presence in their countries, such as in Germany, Italy and Spain? How often do we renegotiate burden sharing agreements in Europe?

Answer. While we encourage our NATO Allies to assume a greater share of the burden of providing for the common defense, the Department believes that their burdensharing, or responsibility sharing, efforts are generally positive. NATO countries have long provided substantial indirect support for U.S. forces stationed on their territory. Our Allies provide bases and facilities rent-free, various tax exemptions, and reduced-cost services. They also provide direct support through common-funded budgets such as the NATO Security Investment Program (NSIP).

Since September 11, NATO Allies have shown an unprecedented level of support for the United States. The decision to invoke Article 5 of the Washington Treaty, the core clause of NATO's founding charter which states that an armed attack against one Ally shall be considered an attack against them all, is the most profound expression of Alliance solidarity. This was the first invocation of Article 5 in the Alliance's history.

Subsequent to invocation of Article 5, the Allies agreed (at the request of the United States) to take eight measures to implement it and to expand the options available in the campaign against terrorism. These measures range from enhancing intelligence sharing to providing blanket overflight clearances for U.S. and other Allied aircraft for flights related to operations against terrorism.

Our active participation in NSIP assures the U.S. of a major leadership and front-line role in shaping and influencing the collective defense posture of the Alliance. We have carefully crafted our foreign policy decision to be a leader in the NATO Alliance. And while most of the Allies' contributions are less than .5 percent of their defense budgets, our contribution represents even less than that.

The agreed cost sharing formulae determining each member nations' cost shares are based primarily on their contributive capacity ("ability to pay"), Gross Domestic Product (GDP), and the economic and user benefits derived from the program. However, the U.S. cost share is only about half what it would be if the GDP measurement strictly governed, in recognition of U.S. contributions to non-NATO global responsibilities. Our cost share has been reduced from a high of 44 percent in 1960 to approximately 24.7 percent today. Further reductions are foreseen should additional nations be offered membership in NATO, a decision expected to be made in the fall of 2002.

Cost shares are reviewed every second year, but percentages could be raised at the ministerial level at any time. The U.S. cost share of 24.7 percent brings us a high value return—in 2000, 60 percent of the total NSIP budget was spent to meet U.S. needs.

Practical examples abound of the support our European Allies provide for regional and collective security affairs. The U.S. received NATO infrastructure Allied-nation support for many humanitarian and peacekeeping initiatives and operations—for ex-

ample, DESERT STORM, PROVIDE RELIEF, PROVIDE HOPE, PROVIDE COMFORT, SOUTHERN WATCH, ABLE SENTRY, DENY FLIGHT, ENDURING FREEDOM, and U.S. operations in the former Yugoslavia, Bosnia, and Kosovo. Additionally, peacekeeping operations in Somalia and Iraq were executed and sustained through the direct use of NATO infrastructure.

Furthermore, NATO has approved and funded 83 infrastructure projects, totaling over \$330 million, for the bed down of two fighter squadrons at Aviano Air Base, Italy and for quality of life projects not historically funded by NSIP. Allied agreement to fund these U.S. requirements is particularly significant since NATO facility funding for the European Allies has been all but eliminated, while full support has continued for U.S. requirements at our European bases. Despite this, the cost share percentage for European nations has not been reduced (other than a pro-rata reduction for all members when three new nations entered into the Alliance). Thus, our European Allies must now shoulder the bulk of the costs of NATO-required construction and facility restoration within their own budgets while NATO funding support for U.S. facility requirements in Europe remains unchanged.

Regarding your opening comments, NATO is fully funding all headquarters, administration, communications, and limited morale and welfare facilities for its new command structure. NATO requires "sender" nations to provide baseline support of their own personnel, and to pay for support infrastructure such as medical, dental, dormitories, housing and other "quality of life" facilities. In addition, participating nations must provide for housing of personnel stationed at NATO headquarters sites.

The proposed MilCon projects are to provide support facilities for U.S. personnel assigned to NATO headquarters, in accordance with U.S. national requirements. The fiscal year 2003 budget submission contains \$33.9 million for U.S. user facilities in support of NATO headquarters sites.

Specific projects are as follows:

- BEQ/Support Facilities—\$14.8M—Larissa, Greece;
- Two Family Housing Flag Units—\$1.2M—Larissa, Greece;
- Navy Exchange/MWR—\$2.9M Madrid, Spain (Joint Subregional HQ West);
- Barracks Complex-Chievres—\$13.6M—Chievres Airbase, Belgium; and
- SHAPE Elem School Classroom Add—\$1.4M—SHAPE, Belgium.

In addition, the fiscal year 2003 budget includes \$2.9 billion to operate and maintain DOD family housing world wide. The fiscal year 2003 budget also includes operation and maintenance funding for bachelor housing in Europe as part of DOD's overall operations and maintenance request.

#### MASTER BASING STUDY

*Question.* Mr. Dubois, as I mentioned earlier, we are expecting the overseas master basing study within the next month. How was this review used to determine overseas priorities and which military construction and family housing projects were recommended in the 2003 budget?

*Answer.* The construction projects contained in the 2003 budget address the most critical requirements of the Department. The overseas master basing study is on going, and it could not be used to determine which military construction and family housing projects would be in the 2003 budget. When the study is finalized, we will work with appropriate host nations to expedite implementation of the study recommendations, as appropriate, and factor the results into future budgets.

*Question.* Mr. Dubois, did the office of the secretary of defense have any meaningful input into the study, such as criteria and projected force levels?

*Answer.* The Secretary of Defense tasked the geographic combatant commanders, through the Chairman of the Joint Chiefs of Staff, to conduct this study. Force levels used were based upon the recent Quadrennial Defense Review. We are now entering in a dialog with the Joint Staff on the methodology and preliminary data that have been collected, particularly in regard to joint use requirements and capabilities.

#### DOMESTIC DEFENSE INFRASTRUCTURE

*Question.* Mr. Dubois, the budget gives the appearance that we shorted domestic defense infrastructure because of the pending round of base closure and instead invested in overseas areas because they are not subject to brac. Is this true?

*Answer.* No. Our fiscal year 2003 military construction request focuses investments on critical military requirements, readiness shortfalls, and quality of life, as determined by the Services, without regard to specific installations or location. 77 percent of the budget request is for U.S. military construction projects while 23 percent is for projects overseas. This percentage, although not predetermined, seems

reasonable since about 25 percent of our forces are stationed overseas, and our overseas facilities have been badly neglected.

FACILITIES

*Question.* Secretary DuBois, I note the rate at which we replace our facilities has gone from 83 years in the 2002 budget to 121 years in the 2003 budget. There were a lot of promises made last year in the budget regarding facilities. Are we back to business as usual and just forget about revitalizing our infrastructure?

*Answer.* Looking only at the facilities recapitalization portion of the fiscal year 2003 budget, it is true that our investment in recapitalization is not as robust as the previous year. However, if we look more broadly at fiscal year 2003 in the context of our longer range plans, and if we look at the overall facilities investment and not just the recapitalization portion, then we are definitely not back to business as usual. The fiscal year 2003 budget goes a long way toward correcting facilities sustainment funding—a necessary first step to revitalizing the infrastructure. The budget improves sustainment funding every year, from fiscal year 2003 to fiscal year 2007. Our fiscal year 2003 budget request of \$5.6 billion increased sustainment funding to 93 percent, up from 89 percent in last year's budget. For housing, our fiscal year 2003 budget requests \$227 million more for family housing construction than last year. These funds will allow the Department to renovate, replace, or privatize over 35,000 housing units. We are also investing \$1.2 billion to construct and revitalize almost 14,000 barracks spaces for our unaccompanied service men and women to continue improvements in their quality of life. In addition, the budget improves facilities recapitalization funding beginning in fiscal year 2004, and then continues this improvement each year thereafter until we reach our minimum recapitalization rate goal of a 67-year cycle in fiscal year 2007.

*Question.* Mr. Dubois, what kind of message are we sending to the young service members and their families about the condition of facilities, in which they work, train and live? Are we telling them just wait 5 to 7 years, and we will get around to fixing it?

*Answer.* We have developed an achievable plan for getting our facilities back on track, a process which began in fiscal year 2002. However, the deterioration did not happen overnight, and it will take time to fully eliminate. The fiscal year 2003 budget request concentrated funding on fixing the most degraded facilities while increasing sustainment funding to prevent future deterioration in our facilities overall.

Specifically, the fiscal year 2003 military construction request focused funding on critical military requirements, readiness shortfalls, and quality of life enhancements. We are making significant investments in housing through renovating existing housing and providing additional quality housing to reduce deficits. We increased sustainment funding to 93 percent of the requirement which will help to preserve our facilities and reduce the need for future, more costly revitalizations. In addition, over 60 percent of the military construction budget projects will restore and modernize mission critical requirements, decreasing the number of facilities rated C-3 or C-4. Even with a slightly lower budget request, we are taking care of our people.

DEFENSE AGENCIES

SPECIAL OPERATIONS COMMAND

**STATEMENT OF LIEUTENANT GENERAL WILLIAM TANGNEY, DEPUTY  
COMMANDER IN CHIEF**

TRICARE MANAGEMENT ACTIVITY

**STATEMENT OF MAJOR GENERAL LEONARD RANDOLPH, JR., DEPUTY  
EXECUTIVE DIRECTOR**

MILITARY COMMUNITY AND FAMILY POLICY

**STATEMENT OF JOHN MOLINO, DEPUTY ASSISTANT SECRETARY OF  
DEFENSE**

DEFENSE LOGISTICS OPERATIONS

**STATEMENT OF FREDERICK N. BAILLIE, EXECUTIVE DIRECTOR, BUSI-  
NESS MANAGEMENT LOGISTICS OPERATIONS**

Senator FEINSTEIN. We will have the next panel come forward. I will just begin the introduction. I am very pleased to welcome Lieutenant General William Tangney, Special Operations Command, Major General Leonard Randolph from the Tricare Management Activity, Mr. John Molino, representing Department of Defense Education Activity, and Mr. Frederick Baillie, Defense Logistics Agency.

This is a very diverse panel. It represents several defense-wide agencies. We would like to hear from each of you gentlemen, and I would ask you to put your statements in the record, the record is open, and just summarize your statements.

General Tangney, before you begin, I think both the Ranking Member and I would like to recognize the exceptional contributions that the United States Special Forces have made and are making even as we speak, and we owe a big debt of gratitude to you and to your people, so welcome, and please proceed.

STATEMENT OF LIEUTENANT GENERAL WILLIAM TANGNEY

General TANGNEY. Madam Chairwoman, members of the committee, I am Lieutenant General Bill Tangney, Deputy Commander in Chief of the U.S. Special Operations Command, MacDill Air Force Base, Florida. I am pleased to be here today to discuss the USSOCOM military construction budget request for fiscal year 2003. With the chairwoman's concurrence, I will submit my formal statement for the record and present a brief summary at this time.

Senator FEINSTEIN. Please. Thank you.

## TWENTY-FIRST CENTURY FORCE

General TANGNEY. United States Special Operations Command (USSOCOM) continues its transition to a 21st Century full spectrum multimission special operations force (SOF). In our Nation's current war against terrorism, SOF has proved to be uniquely capable.

In order to maintain our status as the force of choice in this area of asymmetric warfare, we placed emphasis on funding critical readiness programs, eliminating legacy systems, and investing in leap-ahead technologies. However, fiscal constraints have prevented us from funding modernization and military construction at the desired level. Our active and reserve special operations forces possess highly technical skills used to successfully execute a broad range of joint special operations missions.

The command's MILCON program provides essential facilities that contribute to our unique capabilities and current military construction projects support our unique training needs, enhance our source capabilities, and increase the readiness of our personnel and weapons systems to perform their specialized missions.

The MILCON budget request for fiscal year 2003 totals \$63.1 million, consisting of \$56.2 million for six major construction projects at three installations, \$2 million for unspecified minor construction, and \$4.9 million for military construction planning and design. Your support of this program is vital to the continued effectiveness of special operations forces and their ability to advance our national security.

## PREPARED STATEMENT

This committee's support in prior years has greatly improved our joint special operations capability. We look forward to your committee's continuing support again this year and in the future to acquire the facilities which we need to perform our mission.

Thank you very much.

[The statement follows:]

## PREPARED STATEMENT OF LIEUTENANT GENERAL WILLIAM P. TANGNEY

## INTRODUCTION

Madam Chairwoman and members of the committee, I am pleased to present the United States Special Operations Command (USSOCOM) Military Construction (MILCON) budget request for fiscal year 2003. USSOCOM continues our transition to a 21st century full spectrum, multi-mission special operations force (SOF). SOF have proved to be uniquely capable in our nation's war against terrorism. To maintain our status as the force of choice in this era of asymmetric warfare, we have placed emphasis on funding critical readiness programs, eliminating legacy systems, and investing in leap-ahead technologies. As a result USSOCOM has maintained a level of effort for mission-related MILCON and supporting Operations and Maintenance (O&M) at approximately 1.6 percent of our total funding. This level of funding is below the minimum required to meet long-term needs—replacing and renovating aging facilities, satisfying space deficits, and constructing facilities for new missions—because the resources were allocated to more pressing needs such as procurement and O&M. Ideally, we would fund MILCON and supporting O&M at the level necessary to ensure recapitalization of SOF facilities over a 30-year life cycle, and to eliminate 75 percent of remaining space deficits within the command. Our MILCON program has a direct, positive impact on the training, readiness and operational capabilities of our nation's joint SOF. The highly specialized skills and equipment required to successfully execute the full spectrum of special operations

missions require a modern array of operations, training, and maintenance and support facilities.

#### PURPOSE

The long term goal of the USSOCOM facilities program, of which annual MILCON investment is a major factor, is to have all units and personnel working and living in adequate facilities to enhance SOF training and operations capabilities. Facility requirements are generated by the need to support new weapons systems, force structure and missions, and to modernize and replace old inadequate facilities. USSOCOM budgets for our own operations, training, equipment maintenance, and storage facility requirements. We rely a great deal on, and receive support from, the military departments for barracks and dormitory, family housing, community facilities, and installation infrastructure. The USSOCOM MILCON program, therefore, is planned to provide facilities to increase readiness of SOF weapons systems, support diverse training needs, and to enhance SOF capabilities. Current construction needs consistent with these criteria include: replacing weapons training facilities and renovating deteriorated command facilities at Fort Bragg, North Carolina; constructing a Close Quarters Battle (CQB) training complex and operational facilities at Naval Amphibious Base Little Creek, Virginia; and building additional command secure space and making hangar modifications at Eglin Auxiliary Field#9, Florida. Each construction requirement is part of a USSOCOM integrated plan to ensure the most critical projects are constructed and that they contribute the greatest value to our mission.

Your committee's support, whether directly provided to USSOCOM or to the military departments on behalf of SOF has aided immeasurably in improving our operational capability and the quality of life of our personnel. We look forward to working with your committee to acquire needed facilities so USSOCOM can continue to perform its missions and ensure we have a fully trained and capable force in the 21st Century.

#### MILCON PROGRAM

USSOCOM's fiscal year 2003 MILCON budget request totals \$63.1 million consisting of: \$56.2 million for major construction, \$2 million for unspecified minor construction, and \$4.9 million for Military Construction project planning and design. The six military construction projects in this program for our joint command include two projects each for the Army Special Operations Command, Air Force Special Operations Command, and Naval Special Warfare Command. Following is a brief description of each project:

*SOF Add/Alter Command & Operations Facility Eglin Auxiliary Field #9, Florida—\$9.0M*

Constructs a command and operations facility addition to consolidate classified mission planning functions to facilitate effective emergency operations and mission accomplishment.

*SOF Alter Facilities for CV-22 Eglin Auxiliary Field #9, Florida—\$2.1M*

Alters an existing aircraft maintenance hangar to install a second hangar door and extends aircraft access pavement to enable the hangar to accommodate two CV-22 aircraft and facilitate aircraft movement in and out of the hangar.

*SOF Renovate Bryant Hall Fort Bragg, North Carolina—\$11.6M*

Renovates a 30-year old command headquarters facility to rehabilitate the heating, ventilation and air conditioning, electrical, communications, fire protection and plumbing systems, and to provide backup electrical power and force protection measures.

*SOF Weapons Training Facility Fort Bragg, North Carolina—\$19.2M*

Constructs a facility for storage and maintenance of foreign and nonstandard military small arms and builds a weapons training center to provide related training for special operations forces.

*SOF Seal Team Operations Facility Naval Amphibious Base Little Creek, Virginia—\$9.9M*

Constructs a Sea Air and Land (SEAL) Team facility to provide platoon areas and unit operations staging space for an existing and newly established SEAL Team.

*SOF Naval Special Warfare Operations Trainer Naval Amphibious Base Little Creek, Virginia—\$4.4M*

Constructs a Close Quarters Battle (CQB) trainer building for Naval Special Warfare training of units in unconventional warfare, small arms close quarters battle and specialized weapons tactics.

SUMMARY

The proposed military construction investment in fiscal year 2003 will significantly improve the operational readiness and training capability of the U.S. Special Operations Command. Your support of this program is essential to ensure the continued quality and effectiveness of our nation's special operations forces.

Senator FEINSTEIN. Thanks very much, General.  
General Randolph.

STATEMENT OF MAJOR GENERAL LEONARD RANDOLPH, JR.

General RANDOLPH. Yes, ma'am. Good afternoon, Madam Chair, members of the subcommittee. I am Major General Randy Randolph, the Deputy Executive Director of the Tricare Management Activity of the Office of the Assistant Secretary of Defense for Health Affairs. On behalf of Dr. William Winkenwerder, the Assistant Secretary, and Mr. Thomas Carrato, my boss, the Executive Director, it is both a privilege and an honor to again present an overview of TMA's medical military construction program for fiscal year 2003.

I, too, would like to proceed with a short—in fact, I have abbreviated my abbreviated statement, and would like to submit the longer statement.

The Tricare Management Activity is committed to having all eligible beneficiaries and their providers conduct their health care encounters in modern, safe, efficient facilities. The Appropriations Committee has been supportive in this ever-evolving process, and I would like to take this opportunity to thank you and to request your continued support in our efforts. Our fiscal year 2003 program requests appropriations of \$147,178,000 for five major line items. We are also seeking \$3,363,000 for unspecified minor construction, and \$14,200,000 for planning and design efforts to complete designs on fiscal year 2004 projects, further design projects identified for fiscal year 2005, and commence design on projects for fiscal year 2006.

The total appropriation request for the medical construction budget in fiscal year 2003 is \$164,741,000. Three of the major construction line items are U.S.-based, and two are overseas. The first project is a replacement hospital at Fort Wainwright in Alaska. This request seeks the fourth of six funding phases. We are seeking \$53 million in fiscal year 2003 for this project.

The second item is a bit unique in that it seeks \$10,400,000 to reimburse the Treasury Department's Judgment Fund, which has paid a settled claim following construction of a replacement hospital at Elmendorf Air Force Base, also in Alaska. The Department of Treasury fund was paid this claim to avoid the accrual of interest. Currently, sufficient military construction funds are not available to reimburse the judgment fund without cancellation of prior appropriated projects.

The third project is a replacement life skills project at Hickam Air Force Base in Hawaii, at a cost of \$2,700,000. The current facil-

ity is more than a half-century old, as am I, and has outlived its useful life.

The last two projects are overseas. The first consolidates medical services between Bitburg Air Force Base and Spangdahlem Air Force Base with a 10-bed hospital replacement facility at Spangdahlem Air Force Base in Germany at a cost of \$39,629,000. We are also requesting \$41,449,000 for the purchase of a medical-dental facility replacement and long-term interest in approximately 10 acres of land that is located in Naples, Italy. This is part of the Naples Improvement Initiative. All of these facilities will include antiterrorism/force protection features.

In conclusion, the medical construction program continues to be an integral component of the quality of life for our uniformed personnel and eligible beneficiaries. As we go forward with these projects, we show our earnest support and commitment to providing the highest quality health care to those who are committed to standing for the cause of freedom.

The events of September 11, 2001, put this country on alert, and have brought forth the best of American character and resolve. The provision of world-class health care seems to me one small but very important benefit that we can provide for those warriors and their families who stand in harm's way in the defense of our great Nation.

#### PREPARED STATEMENT

Again, thank you for the opportunity to present our budget to you today, and this concludes my opening statement.

[The statement follows:]

#### PREPARED STATEMENT OF MAJOR GENERAL LEONARD RANDOLPH, JR.

Good morning Madam Chair and Members of the Subcommittee. I am Major General Randy Randolph, Deputy Executive Director of the TRICARE Management Activity, Office of the Assistant Secretary of Defense for Health Affairs.

On behalf of Dr. William Winkenwerder, Assistant Secretary of Defense for Health Affairs and Mr. Thomas Carrato, the Executive Director, TRICARE Management Activity (TMA), it is both a privilege and an honor to again present an overview of TMA's Medical Military Construction Program for fiscal year 2003.

The TRICARE Management Activity is committed to having all eligible beneficiaries and providers conduct their healthcare encounters in modern, efficient facilities. The Appropriations Committee has been supportive in this ever-evolving process. I'd like to take this opportunity to thank you and request your continued support in our efforts.

Our fiscal year 2003 program requests appropriations of \$147,178,000 for 5 major line items. We are also seeking \$3,363,000 for unspecified minor construction and \$14,200,000 for planning and design efforts to complete designs on fiscal year 2004 projects, further design projects identified for fiscal year 2005 and commence design on projects for fiscal year 2006. The total appropriation request for the medical construction budget in fiscal year 2003 is \$164,741,000.

Three of the major construction line items are US-based and two are overseas. The first project is a Replacement Hospital at Fort Wainwright in Alaska. This request is seeking the fourth of six funding phases to construct a 32-bed facility to support the military, their dependents and the surrounding retiree population. This budget seeks \$53,000,000 to continue the proposed construction of the main structure of this facility.

The second item requests \$10,400,000 to reimburse the Judgement Fund for payment of settled contractor claims surrounding the construction of the Replacement Hospital at Elmendorf Air Force Base in Alaska. This project was jointly funded by the Department of Defense and the Department of Veterans Affairs. Construction was completed in December 1998. However, the contractor submitted numerous claims that have gone through litigation. The Department of Treasury Judgement

Fund has paid the \$10,400,000 claim to avoid the accrual of interest. In compliance with the Department of Defense Financial Management Regulation, the Judgement Fund should be reimbursed with available Military Construction funds. However, the Financial Management Regulation also states that if sufficient funds do not exist within the applicable Appropriation, additional funds must be sought. Currently, sufficient military construction funds are not available to reimburse the Judgement Fund. This is why an appropriation in fiscal year 2003 specifically to reimburse the Judgement Fund is needed.

The third project is a replacement Life Skills Clinic at Hickam Air Force Base in Hawaii. We are seeking \$2,700,000 for this project. The current facility is more than a half-century old. It is not feasible to renovate the facility due to several structural impediments. The utility systems have exceeded their useful life span and have become maintenance and energy intensive. Constructing this facility will co-locate several support activities that will result in improved efficiencies and provide a significantly improved facility for conducting the sensitive business of mental health, family advocacy and substance abuse support services performed by these activities.

The last two projects are overseas. We are seeking \$39,629,000 to consolidate medical services currently split between Bitburg Air Base and Spangdahlem Air Base with a 10-bed Hospital Replacement at Spangdahlem Air Base in Germany. This project results in greater efficiencies by eliminating duplicate services and consolidating staff in addition to eliminating excessive maintenance cost due to much needed upgrades of the electrical, communications, medical gases and HVAC systems. There are also concerns about the current facilities being located too close to the explosive quantity-distance (Q-D) zone for the flight line munitions loading area. This creates greater risk to personnel should an explosion occur at the munitions loading area.

For our last overseas project we are seeking \$41,449,000 to purchase a Medical/Dental Facility Replacement and a long-term Right of Superficie in approximately ten acres of related land in Naples Italy. This facility is located at the support complex at Gricignano, Italy and is part of the Naples Improvement Initiative. This will give the Department the use of the medical building and the associated land without having to re-negotiate pricing for 99 years. All of these facilities will include Antiterrorism/Force Protection features.

#### CONCLUSION

The Medical Construction Program continues to be an integral component of the quality of life for our uniformed personnel and eligible beneficiaries. As we go forward with these projects we show our earnest support and commitment to providing the highest quality healthcare to those who are committed to standing for the cause of freedom.

The events of September 11, 2001 put this country on alert and have brought forth the best of American character and resolve. The provision of world-class healthcare seems to me to be one small, but important, benefit we can provide for those warriors and their families who stand in harm's way in the defense of our great Nation.

Again, thank you for the opportunity to present our budget to you. This concludes my overview request of the Medical Military Construction budget for fiscal year 2003.

Senator FEINSTEIN. I just want to say one thing before the other two presentations. All of these budgets are down, yet all of you are presenting new projects. Special Ops is down 38 percent, and I trust you are happy with that. Tricare is down 20 percent, the education 22 percent, and defense logistics 17 percent, and I must say, I am just a little puzzled by the presentations, because you are so eagerly presenting new projects, and yet overall your budgets are down dramatically, but if that is the way you want it, that is the way you want it.

Mr. Molino.

#### STATEMENT OF JOHN M. MOLINO

Mr. MOLINO. Thank you, Madam Chair. Madam Chair, Senator Hutchison, I will limit my oral comments and respectfully thank

you for making my complete statement part of the record. Thank you for the opportunity to testify this afternoon on the military construction program for the DOD education activity, a very important element of the Department's quality of life program.

The Department's leadership considers itself a part of a compact with the members of the military and their families. In response to the continued outstanding performance of our highly qualified troops and the unwavering support of their families, DOD is obliged to underwrite that portion of the military child's education delivered by DOD in this, the twelfth largest American school district, and certainly the most widely dispersed.

And how have these young students responded? In recent national testing, the DOD Education Activity was ranked among the top five in the Nation, scoring above the national average at every grade tested and in every subject area tested. Indeed, we were at the top of the rankings among African American and Hispanic students. The results prompted one national newspaper to call the DOD system the best-kept secret in Washington, and Secretary of Education Rodney Paige told an audience to look to the Defense Department to find America's best education success story.

This success is the product of hard work by the students, active involvement by the parents and the teachers, concerned oversight by the Department, and unwavering, strong support by the Congress, particularly this subcommittee. Thank you for the leadership you provide in this regard.

When I last appeared before this subcommittee, I had been in this position only a matter of weeks. Since then, I have had the privilege of traveling to the Pacific and to Europe to see first-hand the dedicated men and women who teach in our schools, the enthusiastic students who thrive in diverse environments, and the parents who serve on active duty or as members of the military family.

You know better than I that visits of this nature are informative at least and, more often than not, inspirational, whether we consider school construction, child development centers, fitness facilities, or any of the other areas within my purview. It is a privilege to serve in this position, to serve the men and women in uniform, and to serve the interest of their families.

PREPARED STATEMENT

Thank you again for the opportunity to testify, and I am happy to entertain any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF JOHN M. MOLINO

Madam Chairwoman and members of the Committee, it is an honor to appear before you today to discuss the status of a key component of our quality of life program, the Department of Defense Education Activity's (DODEA) military construction program. Military members and their families make sacrifices in the service of our country and face special challenges. We must forge a new social compact with them and recognize the reciprocal ties that bind Service members, families and the military mission. The Department has made a renewed commitment to underwrite family support programs, to provide quality education, to support affordable, available child care and to encourage quality fitness programs. Quality schools, along with other facilities such as first-rate child development and fitness centers are critical to our commitment to uphold the quality of life of Service members and families in order to attract and retain the best.

I will begin my testimony by referring to the DODEA program. This Committee has a long-standing tradition of advocacy for DODEA's programs. You recognize, as do we, the critical necessity and value of providing a first-rate educational program for the children of our Service men and women. Quality education remains a central quality of life issue for our military and supports the President's initiative to ensure that no child is left behind.

The quality of DOD schools is measured in many ways, but most importantly, as in other school systems, by student performance. DOD students regularly score significantly above the national average in every subject area at every grade level on nationally standardized tests.

In addition, students participate in the National Assessment of Educational Process (NAEP) tests. NAEP is known as "the Nation's Report Card" because it is the only instrument that permits a direct comparison of student performance between student groups across the country. DODEA students, and in particular its African-American and Hispanic students, score exceptionally well on this test, often achieving a first or second place national rank. This outstanding performance led the National Education Goals Panel to commission Vanderbilt University to study the instructional program, teaching, and other aspects of DODEA schooling to identify the variables that contribute to the students' success. The findings, which were published in October 2001, received extensive national coverage. Secretary of Education Paige has noted that DOD schools can take a diverse, highly mobile group of students and do so well on national tests because we set high standards, demand accountability and encourage parental involvement.

Providing modern, well-equipped educational facilities is vital to the educational process itself. Research shows that students in well-maintained environments outperform those who attend neglected, poorly maintained schools. DODEA serves 106,187 students in 223 schools in 14 countries, 7 states, one Commonwealth and one Territory, with a total facility inventory of over \$3.2 billion. Sixty-three percent of our schools are over 30 years old, and many are housed in former barracks or administrative buildings, not built to be educational facilities. The changing educational curriculum, increasing use of technology in the classroom, and rising expectations of the military community make the state of the facilities more and more important to the education process.

DODEA is aggressively addressing outdated infrastructure through the replacement or upgrade of the schools in the worst condition. In the past 3 years, we have programmed construction totaling over \$189 million, including \$75.9 million in additions and renovations to existing facilities, \$62.6 million for the replacement of older schools, \$45.6 million for construction of new schools, and \$5.2 million in minor construction. This includes funding to support a worldwide implementation of new educational programs: full-day kindergarten and reduced pupil-teacher ratios in the first three grades. Both of these initiatives enjoy the strong support of our military stakeholders. For the future, we have focused our efforts to identify those schools that are in the most urgent need of repair or replacement and have programmed Military Construction projects where necessary to address those needs.

The fiscal year 2003 military construction budget before you now includes \$54.7 million in major construction for DODEA and \$6.3 million to pay for the new requirements associated with force protection and antiterrorism initiatives. This additional funding will enable DODEA to comply with the new DOD antiterrorism construction standards and increase the safety and security of our children and staff.

Last year, with your support, there was \$70.3 million in DODEA's construction program. I'd like to thank the committee for its consistent support for the educational program. The fiscal year 2003 program includes two of our most sorely needed projects, the replacement of Berkeley Manor Elementary School, at Camp Lejeune, North Carolina, and Seoul Middle School, in South Korea. Berkeley Manor consists of a series of pod style buildings constructed in the 1960s, as well as single-wide trailers. Seoul Middle School is currently housed in facilities built in 1955. It began operation in school year 2000-2001 in the existing Seoul Elementary and High School without dedicated specialist classrooms, a gymnasium, and computer and science labs.

These two projects aside, the fiscal year 2003 budget consists solely of projects to support full-day kindergarten and reduced pupil-teacher ratios in the first three grades. These projects are located at Quantico, Virginia; Fort Bragg, North Carolina (2); Fort Jackson, South Carolina (2); West Point, New York; and five projects in Europe. This educational program allows DODEA to reduce the pupil-teacher ratios in the first through third grades from 23:1 to 18:1. The fiscal year 2003 projects will allow completion of this educational program, one that is very popular with our Service members and important to the quality of our children's early education.

In addition to improving facilities, we have been working with public school districts and state education authorities to lessen the displacement and trauma experienced by children of military personnel who are forced to change schools frequently due to the reassignment of military members. Within the last 2 years we have brought together over 300 students, parents, military leaders, school personnel, and state policy makers to help address and give visibility to these issues which affect about 600,000 children of active duty military personnel.

In addition to school initiatives, I'd like to report on a second program—child development. We have made progress in child development during the last 10 years—progress that would have been impossible without strong congressional support. The fiscal year 2002 budget was \$26 million for four centers. I gladly thank the Congress for an additional \$19 million construction funding in fiscal year 2002. The Department received \$43 million under the fiscal year 2001 construction program for construction or expansion of ten child development centers. This was a funding investment of an additional \$23 million above the fiscal year 2000 level of \$20 million.

The fiscal year 2003 presidential budget request for operations and maintenance funding increases the child care funding by \$27 million, or 7 percent. The fiscal year 2003 military construction program contains \$11 million for two centers.

The child development program consists of a variety of delivery systems to include center-based care, in-home care (on and off the installation), school-age care, and resource and referral programs. Although we have child development programs at over 300 locations with 800 facilities and over 9,000 Family Child Care homes, we still project a need for an additional 45,000 spaces. We continue to pursue an expansion program for quality, affordable child care through a balanced delivery system that combines center construction, an increased number of family child care homes, and partnerships with local communities. We are providing family child care both on and off the installation, encouraged by subsidies.

The DOD child development program is the largest American employer-sponsored child care program. Since 99.7 percent of DOD centers have been accredited, compared with less than 10 percent in the civilian sector, the military child development remains a model for the nation.

In support of the war effort, we expanded operating hours. Locations offer around-the-clock care, as necessary. Many have reacted to the needs of geographically single parents by offering special operating hours and instituting projects for children to communicate with absent parents.

The third program I am reporting on is our fitness centers. Fitness centers consistently rank as the top Morale, Welfare and Recreation program. According to the 1999 DOD Survey of Active Duty Personnel, 80 percent of the respondents said they use the installation fitness center at least once per month, with 40 percent using the facility 11 times or more per month. This equates to an average usage of approximately 12 million visits to fitness centers per month.

Over the past 4 years, the Department has received an average of \$136 million annually for fitness and physical training facility construction. This provided the funding for the construction and major upgrade of 57 facilities. Thirty-four percent of these were funded as congressional inserts. For fiscal year 2003, the Department has requested \$60.1 million for construction and major upgrades of 7 facilities. We appreciate the continued recognition by Congress of fitness as an essential part of military life and an important contributor to force readiness.

The Department has crafted a strategic plan recognizing the contribution provided by each of these elements. A critical step in achieving the objectives of this strategic plan is to bring fitness centers, staffs and programs up to a consistent standard of quality.

The Services have conducted assessments of their programs based on Department-wide program standards that were developed using industry guidelines. The results show that 37 percent of installation fitness facilities meet the standards. Clearly, the Department still has a long way to go to achieve full compliance with these program standards. The support provided to renovate and replace fitness centers enhances both opportunities to improve individual fitness and also the quality of life of Service members and their families.

Physical fitness contributes to force readiness in numerous ways. It is critical to providing forces that are more resistant to illness, less prone to injury and the influence of stress, and better able to recover quickly should illness or injury occur. Fitness centers provide a key element, along with unit commanders, physical trainers, and health promotion specialists, in maintaining the physical performance of Service members.

Thank you for the opportunity to appear before this subcommittee and for your strong and consistent support of our programs in the past. I look forward to working with you closely during the coming year.

Senator FEINSTEIN. Thank you very much.  
Mr. Baillie.

STATEMENT OF FREDERICK N. BAILLIE

Mr. BAILLIE. Thank you, Madam Chairman. With your permission, I will submit my prepared statement for the record and proceed with a very short oral summary.

Madam Chairman, Senator Hutchison, the Defense Logistics Agency's (DLA) fiscal year 2003 Military Construction request is \$142 million for 10 projects. As in previous years, we continue our emphasis on sustaining and enhancing the Department's fuel storage and distribution infrastructure. Through your support, our program to rebuild America's strategic airlift and refueling capability is on schedule. We expect to program the last project in fiscal year 2005. In fact, more than 58 percent of these projects are already operational or under construction.

This year's request includes four projects at \$81 million to support strategic mobility at several critical military installations. At three other critical military installations that provide vital links for the flow of deploying forces and logistics, we request \$41 million to improve fuel storage and distribution systems. Equally important to us is our need to safeguard the environment and eliminate current environmental hazards associated with fuel storage.

At the Naval Air Station Joint Reserve Base in New Orleans, Louisiana, we propose to replace seven 45-year-old underground fuel tanks with three above-ground tanks for \$9.5 million.

At DLA's Supply Center in Richmond, Virginia, we propose to modernize a 60-year-old command headquarters building for \$5.5 million to make it accessible to our disabled employees and visitors, and to replace substandard electrical and fire protection systems.

Finally, at our Supply Center in Columbus, Ohio, we have an opportunity to relocate a physical fitness facility that is in a mostly vacant World War II warehouse scheduled for demolition. This fitness center is in an isolated part of the installation, more than 1 mile from the vast majority of users. Our \$5 million project locates a new facility in the hub of the center's activities. This fitness facility will vastly improve the quality of life for more than 2,300 active duty military, reserve, and National Guard service members.

In summary, our military construction program supports the DLA vision to be America's Premier Logistics Combat Support Agency by providing vital facilities that enhance our military services' war fighting capabilities.

PREPARED STATEMENT

Madam Chairman, this concludes my oral statement. Thank you for asking me to appear today, and I will be pleased to answer questions at your convenience.

[The statement follows:]

PREPARED STATEMENT OF FEDERICK N. BAILLIE

Madam Chairman, and Members of the Subcommittee: I am Frederick N. Baillie, Executive Director of Business Management, Logistics Operations, at the Defense Logistics Agency (DLA). I am pleased to have the opportunity to provide information about DLA's fiscal year 2003 Military Construction (MILCON) request.

## MILITARY CONSTRUCTION REQUEST

The Defense Logistics Agency requests \$142.0 million for its fiscal year 2003 MILCON program. This program consists of 10 projects that will enhance strategic airlift en route fueling capability, increase mission responsiveness, reduce environmental hazards, and improve facility readiness at our activities in support of the Agency's missions. This request includes:

- \$122.0 million to replace deteriorated, obsolete hydrant fuel systems and fuel storage tanks, or provide new systems, at seven critical Air Force and Navy installations.
- \$9.5 million to provide aboveground fuel storage tanks to eliminate potential environmental hazards associated with deteriorated underground tanks at a naval air station joint reserve base.
- \$5.5 million to modernize an installation headquarters building at DLA's Defense Supply Center Richmond, Virginia, to provide accessibility for disabled employees and visitors and to meet current life-safety and fire protection codes.
- \$5.0 million to replace a physical fitness facility currently in a converted World War II warehouse at the Defense Supply Center Columbus, Ohio, so this mostly vacant building may be demolished.

## FUEL FACILITIES INFRASTRUCTURE

In fiscal year 1996, DLA assumed new responsibilities for programming fuel-related MILCON projects for bulk and intermediate fuel storage and hydrant fuel systems at the Services' installations. The Agency places a high priority on sustaining and enhancing the Department's fuel distribution, storage, and handling infrastructure. This year, our requested funding of critical fuel facilities improvements amounts to 93 percent of our total military construction program. This level of funding reflects the priorities of the Joint Chiefs of Staff to provide critical fuels infrastructure to support strategic airlift en route mobility and correct environmental deficiencies at defense fuel support points.

## STRATEGIC AIRLIFT EN ROUTE FUEL INFRASTRUCTURE

Our proposed investment to replace old and deteriorated hydrant fuel systems, or provide new bulk fuel storage tanks at critical overseas bases, is \$81.0 million. These projects all support strategic en route mobility requirements. Because of past congressional support, our program to rebuild America's strategic en route fuel infrastructure is on schedule to complete programming in fiscal year 2005. More than 58 percent of these projects are already operational or under construction.

At Andersen Air Force Base (AFB), Guam, we will replace an existing hydrant fuel system for wide-bodied aircraft supporting strategic airlift en route mobility requirements in the Pacific with a modern, pressurized fuel hydrant system of 11 outlets for \$17.6 million. This project DRAFT provides the last of four hydrant systems needed to meet a total requirement of 67 hydrant outlets. Currently, the base operates a 45-year-old hydrant system that is failing and cannot support peacetime missions or strategic airlift en route mobility requirements in contingency or wartime operations. As with other obsolete hydrant systems elsewhere, repair parts are no longer commercially available and must be salvaged from other similar systems or individually fabricated. In addition, the underground piping system lacks cathodic (corrosion) protection. The new hydrant system will include features to protect it from the corrosive marine environment and will employ a leak detection system. The existing hydrant system will be demolished.

At RAF Fairford, United Kingdom, we propose to replace four 45-year-old hydrant systems with a new 15-outlet system for wide-bodied aircraft and provide fuel truck fillstands and support facilities. This project will cost \$17.0 million. A precautionary prefinancing statement for the future recoupment of funds from the NATO Security Investment Program is being submitted to NATO.

A bulk fuel storage project for \$23.0 million at Yokota Air Base, Japan, will provide two 100,000-barrel (15,900 kL) fuel tanks and supporting facilities for additional fuel storage capacity for strategic airlift en route refueling and force projection in the Pacific. At this location, there is insufficient on-site storage capacity to satisfy the projected fuel demand during a contingency. This project is ineligible for funding consideration by the Japanese Facilities Improvement Program. This is the second of two projects to provide a total of 300,000 barrels DRAFT (47,700 kl) of additional storage capacity at this site. The first project for one 100,000-barrel tank, approved in the fiscal year 2002 DLA MILCON program, will be constructed this year.

At the Naval Station, Rota, Spain, we will construct a 16-outlet hydrant fuel system for \$23.4 million to support the strategic airlift en route mobility of peacetime and contingency operations in Europe, Southwest Asia, and Africa. This project is part of a larger Air Force initiative to expand airfield aprons and aircraft support facilities for wide-bodied aircraft passing through Rota. Congress approved the aircraft-support-facilities project in fiscal year 2001. The apron work will be programmed in the Air Force's MILCON programs in fiscal years 2003 and 2004.

#### OTHER CRITICAL FUEL INFRASTRUCTURE

Though not designated as strategic airlift en route bases, per se, several critical military installations support the strategic airlift mobility mission by providing vital links for the flow of deploying forces and logistics. At three of these locations, we propose to invest \$41.0 million to improve fuel infrastructure to meet current operational requirements.

At Travis Air Force Base (AFB), California, aging fuel storage tanks and supporting facilities will be replaced for \$16.0 million. Two 100,000-barrel (15,900 kL) fuel storage tanks will be constructed to meet the base's required fuel storage demand. These tanks will replace two aging tanks of only 55,000-barrels total capacity.

In the Azores at Lajes Field, we will provide a nine-outlet hydrant fuel system for \$19.0 million to replace an old hydrant system that had been taken out of service due to DRAFT environmental concerns and interference with airfield communications and operations. This base provides essential support for Expeditionary Air Force deployments as well as ground and in-flight refueling of aircraft transiting the Atlantic Ocean. The base has had a pivotal role in supporting Operation Enduring Freedom.

The two naval fuel piers in Guam under the Commander, Naval Forces Marianas, are an essential element of the strategic infrastructure in the Pacific since these fuel systems receive and transfer bulk fuels to Andersen Air Force Base and naval vessels in this region. The current method of unloading fuel from ships by using hoses, cranes, and several workers is time and manpower intensive. We propose to install six marine fuel loading arms on these piers for \$6.0 million to improve efficiency and reduce the potential for environmental accidents in handling fuel hoses. These mechanical loading arms will be the same as commercial systems that are now a standard fuel-handling feature on fuel piers in the United States.

#### ENVIRONMENTAL STEWARDSHIP

At the Naval Air Station Joint Reserve Base New Orleans, Louisiana, we need to replace seven 45-year-old underground fuel storage tanks that no longer comply with Federal and State underground storage tank regulations. One of these tanks has already been taken out of service because of a fuel leak. To meet current fuel storage requirements at this base, we plan to construct three 12,000-barrel (1,908 kL) aboveground tanks and fuel support facilities for \$9.5 million.

#### SUPPLY CENTER INVESTMENTS

At DLA's Defense Supply Center Richmond, Virginia, we need to modernize the interior of a command headquarters building to comply with requirements of the Americans with Disabilities Act (ADA) and life-safety and fire protection standards. Currently, disabled employees and visitors do not have direct access to the commander's office or the Center's primary conference facilities. In addition, restrooms are not ADA compliant. This \$5.5 million project will provide this essential accessibility and replace substandard electrical, mechanical, and fire protection systems with ones that conform to current building codes and standards.

At the Defense Supply Center Columbus (DSCC), Ohio, we propose to replace an old, existing physical fitness facility for \$5.0 million. The existing facility occupies approximately 34,000 square feet (SF) of a mostly vacant 288,000 SF World War II warehouse. This warehouse and several other unused warehouses in the western part of the installation are planned for demolition as part of a program to reduce infrastructure sustainment costs. Construction of new administrative buildings in the 1990s in the eastern section of the base and the reduction of depot-operations personnel have resulted in the existing fitness facility now being in an isolated section of the installation, more than one mile from the vast majority of the employee population. Relocating this fitness facility within the campus of administrative buildings at DSCC will make it more accessible to employees and enhance DLA's workplace quality of life objectives. This facility will support more than 2,300 active-duty military, Reserve, and National Guard personnel.

## SUMMARY

DLA's fiscal year 2003 MILCON request reflects our efforts to support military readiness, protect the environment, and provide safe and adequate working conditions for our military and civilian work force. Eight of the ten proposed projects provide vital fuel facilities to support the Services' warfighting requirements. The remaining two projects are needed to provide an accessible, quality working environment to attract and retain DLA's most valuable resource—its employees.

Thank you, Madam Chairman, for this opportunity to present our fiscal year 2003 Military Construction program.

Senator FEINSTEIN. Thanks very much, Mr. Baillie.

Let me begin with you, General Tangney. Was your projected request approved as submitted to OSD, or was it reduced by the Pentagon?

General TANGNEY. Our budget request in fact was plussed-up by OSD for 2003 in the operational and readiness accounts. Military construction was what we requested.

## DEPARTMENT OF DEFENSE EDUCATION ACTIVITY

Senator FEINSTEIN. All right. Mr. Molino, as I understand it, as part of the efficient basing initiative in Italy the DOD Education Activity is expected to receive approximately 340 additional students. Is it true that the construction project is not in the program at this time, but you will need additional classrooms, a gymnasium, storage, administrative facilities, and additions to administrative facilities?

Mr. MOLINO. Madam Chair, that is true in the case you cite. It is also true in several other cases that services are considering as part of their restationing moving units around and centralizing their locations. Some of these programs are, in fact, in the long-term program but will not be ready by any means should the services decide to go forward with these plans.

Guam is a good example, for instance. We have two schools, an elementary/middle school and a high school. Only one school, the high school is in the program for fiscal year 2006. But if the Navy does restation the submarines to Guam as they plan, it will make worse a need that currently exists, and not only that, but it will make it immediate.

Senator FEINSTEIN. Well, let me ask this question, then. How are you going to take care of the cost of these projects, and when will they be requested?

Mr. MOLINO. We are working, in fact, have been working last week and this week with the Comptroller to do everything possible to take those programs that are in the FYDP and move them to the left, if you will, get to them sooner, get to them in 2003, if possible, 2004 by all means, in order to meet the needs.

Senator FEINSTEIN. But you will not get to them within the confines of this budget.

Mr. MOLINO. That is absolutely correct. What will happen then is, it will increase class sizes, it will require us to take facilities, for instance a lunch room, and turn it into something else. We will move temporary classrooms in by way of single wide trailers. In other cases we will actually be adding single wide trailers to locations where we already have single wide trailers, in order to accommodate the burgeoning population.

Senator FEINSTEIN. Thank you. I am puzzled, General Tangney, because in your prepared testimony you note that the level of MILCON funding is below the minimum needed to meet your long-term requirements for replacing and renovating aging facilities, satisfying space deficits, constructing facilities for new missions, and yet you say that your budget was actually plussed-up. How could that be?

General TANGNEY. Not on the military construction side. The budgetary guidance given to the services by the Department was to use fiscal year 2002 as a baseline of departure adjusted for inflation when we put together our mini-POM or POM 2003 to 2007. When we did that, we had a very, very constrained amount of dollars, readiness, O&M, MILCON not the least.

Given the budgetary situation that we are looking at, we asked for the program which is presented, which is \$63.1 million, recognizing that there were other projects that we would like to have funded, but we could not fund, given the impact on readiness and the POM. When we put our POM together, we actually had to unfund our flying hour program by approximately 15 percent. We were facing a service life extension on our Air Force rotary wing helicopters, which we could not afford. That was not in the program due to the slip on V-22, and we had a number of other shortfalls, so when we went into the POM build process the Department plussed us up to rectify those shortfalls.

They gave us back the money for the flying hour program we were forced to reduce, they gave us the money to extend our Air Force helicopters, so in that sense, yes, we received a plus-up, but in the MILCON side of the house we still remain constrained, because of the overall number of dollars available and other competing priorities to the program which is under discussion today.

Senator FEINSTEIN. I see. Thank you.

Senator HUTCHISON.

Senator HUTCHISON. Thank you, Madam Chairman.

#### TRICARE MANGEMENT ACTIVITY

General Randolph, you now have the over-65 included in Tricare for Life, and the military has always said that it is more efficient to treat veterans and retirees at military facilities rather than in a Tricare situation, and the active duty as well, I suppose. My question is, you do have, I think, a modest number of new hospitals to be constructed, or clinics. Are you doing enough to meet this huge added demand that you have?

General RANDOLPH. Senator, thanks for the question. In fact, it is very similar to the one you asked me last year. I would like to answer that and then make a comment from the chairperson's comments also, if that is all right. I do believe that we are adequately managing Tricare for Life at this time, and this is why. There are two parts to your question. Tricare for Life, the way it was designed, it was not designed primarily to have care given in our facilities.

It has taken a while for those of us who work in those facilities to really realize that, quite frankly, but in fact Tricare for Life was designed to take the patients who were age 65 or over and were already in stable situations with providers. Why? Because they

could not get care in our facilities, and they paid Medicare, a Medicare premium, and in fact when they went to see their provider the Medicare bill was paid after the forms went forward, and then they received a bill for a copay of some sort, and out of that came the medigap policies that I know you are very familiar with.

Tricare for Life was done in such a way that once Medicare has paid, there is an immediate and automatic cross-over to Tricare for the remaining bill, and that is now being paid by Tricare. So the out-of-pocket costs for that age 65 and over beneficiary is normally zero, so most are very happy where they are at this particular time.

The second part of your question, though, is, would it not be great to have our folks in our facilities? It is cheaper.

Senator HUTCHISON. They like it better.

General RANDOLPH. I am glad you said that. Tricare Plus is our vehicle to begin winning some of the people who have been very settled in their previous age 65 and over situation with our situation. That is a local facility program. So each facility will have a different way of looking at that and it is based on their individual capacity. So far it has been my experience in looking at our data that most facilities have that capability.

This allows patients age 65 and over who were already—this is primarily already being seen in our facility because of graduate medical education, because they were being seen by the local cardiologists in the facilities. If for some reason they were already in our facility, it allowed them an opportunity to remain within our facility. That has been a very popular program also. So we are balancing the two as we are trying to make sure that we fill our capacity with those who would like to come back from the Tricare for Life into our facilities where they are happy to do that.

But obviously, once someone is pretty happy in a stable medical condition, they kind of like staying where they are. So that is going to be a hard sell.

Senator HUTCHISON. Well, let me ask you this, because most military retirees that I talk to would prefer to be treated in a military facility, but many of them have to travel so far that they just cannot do it.

In my home State, many people in South Texas would like to have a hospital, but they have to go to San Antonio, but if you upgraded the clinic there, that would help them a lot, so I am asking if you have enough capacity to serve the people that want to be in a military facility, and is your expansion program too modest, because I know a number of areas of the country, not just Texas but in other areas of the country, I hear the same thing, so should you be looking at more clinics and hospitals, and not relying on the Tricare out-sourcing if it is more efficient to do it in military facilities?

General RANDOLPH. Yes, ma'am, that is a great question, and it is a little different from the way I interpreted the question.

First, the capacity does exist within a great majority of our facilities now, but as you mention, there are some folks who cannot get there from here. Should we, in fact, be looking at facilities in other places, smaller ones that can do the primary care? The answer is that we are doing that. We are looking at that.

We have for the first time an overarching committee now that is Tri Service and oversees the steering committee. We now also have a strategic plan, something last year I could not have told you, and that is one of the key things we are looking at now, is basing. Where should they be? Where should Wilford Hall be, for instance. That kind of thing, so we are looking at it from the major medical center down to the clinic. Are they in the right places? If they are not, what can we do to move them to the right places?

Senator HUTCHISON. You are certainly not thinking of moving Wilford Hall?

General RANDOLPH. No, ma'am. That is the Air Force Flagship, if you will. So the short answer to your question is, yes indeed we are looking at that in the long range plan of the committee. Each of the services is also looking at that individually. By the way, and if I may, I would like to give you a little bit of a spin on the budget for medical MILCON. It is, in fact, less as you pointed out. I believe our budget last year was around \$225 million, something like that, certainly more than now.

As you may know, each one of the five line items I mentioned today are mid-1950's or earlier facilities. Last year, the great majority of those projects were mid-1950's or earlier. Now, we are getting to a point where we are actually getting into the sixties with some of our facilities, and those still are amenable to a fair amount of restoration and sustainment, and perhaps modernization. So what we have done, instead of spending as much or requesting as much as we had last year for construction, we have increased the amount that we are using for sustainment, restoration, and modernization, approaching perhaps 3 percent now, as opposed to the 2½ or so percent 2 years ago.

Senator HUTCHISON. Thank you.

Senator FEINSTEIN. Well, thank you very much, gentlemen. We appreciate it. We are delighted you are all happy with the cuts in your budget.

Senator HUTCHISON. There was one other question I had of Mr. Molino, and that was, I appreciate the job that you are doing in education, but my question to you is more global, I guess. Is it more efficient for the Department to continue to operate school districts, or should we be looking at turning over the DOD schools to contiguous school districts?

Mr. MOLINO. Senator, I assume you are talking domestically and not overseas.

Senator HUTCHISON. Yes, I am.

Mr. MOLINO. In fact, that is a question that I asked when I first came to the job. It is a question the Secretary has asked us to consider as part of the litany of asking hard questions even though we may be uncomfortable with the process that yields to an eventual answer. I have been asked that question by a colleague of yours in the other body about the West Point Elementary and Middle School, for example.

What we have at West Point, and I think that is a good example to explain where we are going, what we have at West Point is an excellent elementary school and middle school run by the Department of Defense on the property. When the students graduate and move to high school, they go to the local high school in the High-

land Falls Fort Montgomery School District, which is just outside the gate. I visited those schools. In fact, I visited them last Friday.

What I found outside the gate were very good elementary, middle, and high schools run by very qualified people with very good programs, and so the question then is, for educational reasons, can I justify maintaining a DOD school at West Point, and the answer is, in the considered opinion of the experts, the educators who were traveling with me, that for educational reasons we cannot, because there is not a dichotomy between the quality of education. The kids outside the gate are getting a very good education.

The next question is, can you justify it fiscally, and that is what we are looking at right now. New York may be a peculiar situation, but I understand we have other arrangements around the country. Eight percent of the land that is encompassed by the school district outside the gate of West Point is taxable property. They run their school district on 8 percent of the land being taxed. Ninety-two percent of the land is untaxable, because it is either Federal or State land, so currently, we pay tuition for the high school students that go out, nearly \$2 million a year for tuition and transportation.

There are roughly seven times as many middle and elementary school students as there are high schoolers. I do not know if we can afford to pay tuition for them, and that is what I am looking at right now to see if fiscally it makes sense.

A third aspect is, any time you do a change like this, it is vitally important that the community is well-educated about what we are going to do, or what we are considering, and they become supportive. At this point I can tell you that just from my asking questions to various people while at West Point, I do not sense a great deal of support in the West Point community to make that kind of a transfer.

There is a perception once you leave the DOD school you are going into a bad school system. That is not the case outside the gate at West Point. It is an excellent school system, performing well above the national average, but there is still that perception, and we will have to do that if we decide that fiscally it is the responsible thing to do.

Senator HUTCHISON. Well, I think that is the right assessment criteria. You have to assure that the quality of education would be the same if you moved out, but there is a situation in San Antonio where the infrastructure in the DOD school system has been way behind, and it is leaking roofs, it is asbestos, it is a lot of infrastructure problems, so you just have to ask the question, with very good schools contiguous to the base, are you better off staying with the investment in infrastructure on the base, or are you better off fiscally going outside, and I guess in some cases the quality of education would not be comparable. In this case, I am sure it would be.

Mr. MOLINO. There are some examples within the United States, Senator, where the quality of education would not be comparable. We also have situations, and West Point would actually be in this situation, where the capacity does not exist outside the gate to house these students, so what would likely happen if we went to the next step, just hypothetically what would likely happen is, the school district would want to teach those children in the current

buildings, but they would certainly require that they be brought up to whatever State standards might exist.

We have a reprogramming that your subcommittee approved that we are hopeful that the HAC will approve as well to try to build a gymnasium at the West Point Elementary School if that school stays DOD. If that school goes to the West Point School District, or the school district outside the gate, there is a dire need for that gymnasium at the elementary school regardless of the situation, and what happens sometimes if you transfer, you then move some of these costs you have spread out over the years. They become immediately bills that are due because the school district will not accept a building unless you do them immediately, and so again the fiscal concern.

Senator HUTCHISON. Are you doing major work at all of the DOD school districts to determine if it is a fiscally responsible thing to not offer the DOD school district and go into the community and reimburse the community, obviously, versus just leaving it the way it is.

Mr. MOLINO. I do not know how you would describe the major study. After my visit to West Point I have concluded that we do need to look at the situation. We have been directed by Congress—

Senator HUTCHISON. This is throughout the system?

Mr. MOLINO. Yes, ma'am. We have been directed in the past by Congress to do such a study, and have done a number over time. What I have found in just reviewing the results of those studies is, they come up with a gross conclusions and I do not see individual schools being looked at and decided on an individual basis. Whatever we do in the future, we need to do that.

Senator HUTCHISON. Do you need to be directed by Congress to do such a study, even if you, say, look at each individual school, and the first criteria would be, would you get a comparable education outside, then the second criteria would be, is it fiscally more efficient? Would you need language from Congress to direct you to do such a study, or would you be willing to commit to doing it on your own?

Mr. MOLINO. I think the answer is yes to both. I am determined to do the study and to direct that we put our resources to do that, but I would certainly not object if the Congress asked or directed that we do such a study.

Senator HUTCHISON. Thank you.

Senator FEINSTEIN. Just to add, I think it is extraordinarily important that it be done school by school. I do not think you can generalize. Some school districts are good, some are not good. I mean, that is just an unsavory fact of life in our country. I would kind of hope you would do this without legislation, because I think it is very hard to get a study that covers the entire United States that is really going to give you the kind of results that you can depend on.

Mr. MOLINO. Yes, Madam Chair, I agree with you, and that is one of the shortcomings I found. We look at the system, and we reach a gross conclusion, but we do not get into the eaches, and I think it is necessary in this instance to get into the eaches.

## ADDITIONAL COMMITTEE QUESTIONS

Senator FEINSTEIN. Thank you very much, gentlemen. We appreciate your testimony, and the fact that you are all very happy with cuts in your budgets. It is a first for me. In my budget years when I was mayor of San Francisco it never happened that way. Thank you very much.

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

## QUESTIONS SUBMITTED TO GENERAL WILLIAM TANGNEY

## QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

## ENCROACHMENT ISSUES/CORONADO

*Question.* General Tangney, How has encroachment at the training beaches at Coronado, California affected the training capabilities of the Navy SEAL Teams at Coronado, and what are you doing to ensure that these key military personnel are able to achieve the training they need?

*Answer.* Environmental encroachment at Coronado, California beaches may present increased obstacles to Navy SEAL training at that location in the future. The exact impact of encroachment and environmental issues are currently under review by the U.S. SOCOM Range Tiger Team, which is conducting an in-depth strategic study into all range issues impacting the training and readiness of special forces worldwide. The outcomes and findings of this extensive effort will be forwarded when finalized. The Tiger Team has implemented an effective methodology and quality control to ensure depth and scope of information, minimize bias, and involve personnel at each level for an “all angles” perspective.

The Naval Special Warfare Command continues to maintain the highest standards of training and readiness under the current constraints. Our professional Naval officers and non-commissioned officers using innovative training and leadership skills have managed to perform work-arounds at all levels and ensure the highest level of SEAL training in spite of encroachment impediments. Most importantly, the findings and analysis of the Tiger Team will provide a tool to better identify and anticipate the future impact of encroachment on readiness and national security.

*Question.* Do you have any requests for land acquisition in the Future Years Defense Plan for training sites in the Coronado area?

*Answer.* No.

## QUESTIONS SUBMITTED TO MAJOR GENERAL LEONARD RANDOLPH, JR.

## QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

## DECREASE IN CONSTRUCTION APPROPRIATIONS REQUESTS

*Question.* General Randolph, your budget this year is about 20 percent less (\$204 million in fiscal year 2002—\$164 million in fiscal year 2003) than last year’s request.

Realizing that many of your projects are high dollar, phased projects, how does a 20 percent decrease in construction appropriations requests affect your long-term program?

*Answer.* The fiscal year 2003 President’s Budget is actually more in line with our budget requests for fiscal year 2000 and fiscal year 2001. The anomaly is fiscal year 2002 when the President’s Amended Budget increased the entire Defense budget, medical construction program included. The medical program through the Department’s Future Years Defense Program (FYDP) is closer to the fiscal year 2001 budget with inflation.

## PLANNING &amp; DESIGN FUNDS

*Question.* General Randolph, You have requested \$14 million in planning and design funds this year, but, if I am correct, you also have a planning and design backlog.

What is the amount of that backlog and should that requirement be addressed this fiscal year?

Answer. We do not have a planning and design backlog. The \$14 million we have requested in fiscal year 2003 will adequately support the planned expenditures required to ensure that the medical program stays on track and that requested projects meet the Congressionally imposed milestone of 35 percent design by January 1 of the preceding budget year.

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QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

HOSPITAL PROJECTS OVERSEAS

*Question.* General Randolph, almost half of your 2003 budget request is for two hospital projects overseas—in Italy and Germany—about \$81 million. Last year we provided funding for hospital/clinic replacement projects in Greenland, Germany and Portugal.

I know from my travels around the country the sad state of some of our domestic military clinics and hospitals. How are priorities established and why the continuing focus on overseas?

Answer. The prioritization depends upon the mission of the hospital, its physical condition, functionality of existing spaces, compliance with the national fire and life safety codes, Joint Commission Accreditation on Healthcare Organizations standards and the facility requirements to deliver healthcare efficiently and cost-effectively. Our goal is not to balance our request on a CONUS/OCONUS basis but to request the replacement or modernization of our most needed medical facilities each year.

DOMESTIC MEDICAL PROJECTS

*Question.* General Randolph, are you deferring domestic medical projects because of the 2005 round of brac?

Answer. No medical construction projects have been deferred because of a pending round of BRAC in fiscal year 2005. Our mission is to ensure medical readiness and to provide for the healthcare needs of our eligible beneficiary population. The projects in this budget request support that mission.

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QUESTIONS SUBMITTED TO JOHN M. MOLINO

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

GYM PROJECT

*Question.* Mr. Molino, I understand that the request to add a gym to the west point elementary schools is “on hold.” I also understand the department is studying whether the two DOD schools at West Point should be turned over to the local school district. Can you provide the subcommittee an update on the gym situation, why is this project so important, and what is the current situation?

Answer. The project is important because the current facilities at West Point are woefully inadequate. The middle school presently offers physical education classes in a gymnasium that was constructed in 1934. The gym is not handicap-accessible and is unsuited for this or any school’s physical education (PE) program due to obstructions, low ceilings, poor lighting, and no seating. The elementary school presently offers physical education classes in a multipurpose room that also serves as the school cafeteria. As a result, PE programs are curtailed due to the time required to set up and take down tables for breakfast and lunch. Because of limited storage space at the elementary school, food service and other school equipment are stored in the multipurpose room around the play court creating a dangerous environment for the small children running and playing there. Additionally, the Elementary School Occupational/Physical Therapy Program is offered in a makeshift classroom at the back of the multipurpose room stage. The stage is cluttered with desks, chairs, and teaching equipment, and doesn’t leave enough space for the mobility instruction requirements of this program. The area used is also not accessible to the physically challenged. Heating for this area is not available except with space heaters, and the stage curtain is the only thing that separates this area and the multipurpose room that houses the PE and food services programs.

In June 2001 a reprogramming request was sent by the Department of Defense Education Activity (DODEA) to the Office of the Under Secretary of Defense (Comptroller) Directorate of Construction, requesting the use of fiscal year 1999 MILCON

funds from another DODEA MILCON project to fund the balance required for the West Point gym project and other critical needs. Following a revision requested by the Comptroller's Directorate of Construction, it was submitted and in September 2001 the Senate Appropriations Committee approved the reprogramming request. The House Appropriations Committee (HAC) deferred its decision on the DODEA reprogramming request until a later date. On January 24, 2002, the Chairman of the House Subcommittee on Military Construction approved most of the reprogramming request, but not the part of the request for the West Point gym project.

On February 14, 2002, New York District Corps of Engineers extended the current bids for another 60 days. On March 20, 2002, Deputy Assistant Secretary of Defense (Military Community and Family Policy) met with the Chairman of the HAC Military Construction Subcommittee. On March 21, 2002, DOD received the HAC approval for the reprogramming action.

#### OVERSEAS DOD SCHOOLS

*Question.* Mr. Molino, over the past several years, the department has expanded its overseas bases to several new locations, such as Larrisa, Greece, and Vicenza, Italy. How do we ensure that we have Department of Defense schools in these places when our service members and their families arrive?

*Answer.* The Department of Defense Education Activity (DODEA) has been routinely informed of restationing decisions only after a restationing plan has been approved. The Department is working with the Services to ensure that the Under Secretary of Defense for Personnel and Readiness is involved sooner and during the planning process. In this way, we will be better able to plan for a restationing's impact on the entire spectrum of quality of life services, including schools, commissaries, exchanges, child development centers, and fitness facilities. Early involvement will also ease funding concerns that always accompany late notifications.

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#### QUESTIONS SUBMITTED TO FREDERICK N. BAILLIE

##### QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

##### STRATEGIC EN-ROUTE FUEL INFRASTRUCTURE PROJECTS

*Question.* Mr. Baillie, I understand that a significant portion of your 2003 budget request is for strategic en-route fuel infrastructure projects. How are those requirements developed and prioritized?

*Answer.* The Commander-in-Chief (CINC), U.S. Transportation Command, specifies the requirements for fuel infrastructure to support the strategic en route airlift mission in coordination with the other geographic combatant CINCs. Fuel infrastructure projects are developed from strategic mobility requirements studies to support worldwide operations plans, contingencies, and readiness.

Each year a Defense Logistics Agency (DLA) Fuel Installation Planning and Review Board meets to set priorities for all DLA fuel MILCON projects. This board consists of representatives of the combatant CINCs' Joint Petroleum Offices, Joint Staff J-4, Military Services' Energy Offices, and DLA's Defense Energy Support Center,

##### EXCESS INFRASTRUCTURE

*Question.* Mr. Baillie, senior Defense officials have recently testified that the Department has between 20-25 percent excess infrastructure. Does the Defense Logistics Agency have 25 percent more facilities than you currently need?

*Answer.* With the DOD force structure review not completed yet, it would be premature to speculate whether the Defense Logistics Agency (DLA) has excess infrastructure at this point. While DLA's infrastructure is a very small percentage of the Department's overall inventory, it will be aligned with the pending force structure review in the next BRAC round to meet mission requirements.

##### MILCON PROJECTS

*Question.* Mr. Baillie, are you deferring military construction projects because of a pending BRAC round in 2005?

*Answer.* No, the Defense Logistics Agency has not deferred any projects because of BRAC 2005 considerations. For the most part, our fiscal year 2003 MILCON program will provide or replace essential fuel storage and distribution facilities requested by the combatant commands and Military Services.



DEPARTMENT OF THE ARMY

STATEMENT OF HON. MARIO P. FIORI, ASSISTANT SECRETARY OF THE  
ARMY (INSTALLATION ENVIRONMENT)

ACCOMPANIED BY:

**MAJOR GENERAL ROBERT L. VAN ANTWERP, JR., ASSISTANT  
CHIEF OF STAFF FOR INSTALLATION MANAGEMENT  
MAJOR GENERAL JAMES R. HELMLY, COMMANDER, 78TH DIVISION  
(TRAINING SUPPORT), U.S. ARMY RESERVE  
BRIGADIER GENERAL MICHAEL J. SQUIER, DEPUTY DIRECTOR,  
ARMY NATIONAL GUARD**

Senator FEINSTEIN. Now, the next panel.

Welcome, gentlemen. I am very pleased to welcome the panel, Hon. Mario Fiori, the Assistant Secretary of the Army for Installations and Environment, Major General Robert Van Antwerp, Assistant Chief of Staff for Installation Management, Major General James Helmly, United States Army Reserve, and Brigadier General Michael Squier, Deputy Director, Army National Guard.

Gentlemen, I think you heard my puzzlement over the cuts that you each have achieved and how you are going to be able to sustain those cuts and still provide the kind of services and personnel that you are going to be requested and required to provide, so why don't we begin with Dr. Fiori, and perhaps as you put your remarks into the record you might deal with these very large cuts.

STATEMENT OF HON. MARIO P. FIORI

Dr. FIORI. Thank you, Madam Chairman, Senator Hutchison. I am pleased to appear before you with Major General Van Antwerp, Generals Helmly and Squier, to discuss our fiscal year 2003 Military Construction budget. We have provided a detailed written statement for the record, but I want to comment briefly on the highlights of our program.

The Army has many challenges in front of it. Our goal is to ensure that all our garrisons throughout the world have an equal and outstanding level of service for our soldiers and their families. As I visited selected Army installations, I have observed the progress that has already been made, and I attribute much of the success directly to the longstanding support of this committee and your staff.

The Army's overall budget request for fiscal year 2003 supports the Army vision—people, readiness, and transformation—and the strategic guidance to transform to a full spectrum force while ensuring the war fighting readiness. It reflects a balanced base program that will allow the Army to remain trained and ready throughout fiscal year 2003 while ensuring we fulfill our critical role in the global war on terrorism.

Our military construction budget request is \$3.2 billion, and will fund our highest priority facilities and family housing require-

ments. In fiscal year 2002 we presented a budget that was a down payment on our goal to better support our infrastructure. When we developed this year's budget, in light of the events that took place last year, we had some very difficult decisions to make. The need to fund our military pay raises, Army transformation, OPTEMPO, the war on terrorism, increases in health care, and other key programs were all included in the decisions leading to our request. Thus, the Army budget provides the best balance between all of our programs, including military construction.

A few critical areas in the military construction request include the Army Transformation at Fort Lewis, Fort Wainwright, and Fort Polk. We have eight projects for \$195 million included in the program to ensure that the transformation continues to progress as envisioned by our leadership.

Our Army family housing is a success this year. We are now on target to eliminate inadequate family housing through construction or privatization by 2007. Our budget includes \$180 million for the Residential Communities Initiative to continue acquisition and transition of the 11 installations currently underway, and 7 new installations for a total of 50,000 housing units. RCI is a great success story. I visited Fort Carson on February 25th and am delighted to report that the RCI program there is 3 months ahead of schedule. There are 338 new units that are occupied, 500 units renovated, and we are getting new units on line at 20 per month, and 40 renovated units per month, for a total of 2,600 units. So in fact at Fort Carson we will be completed by year 2004.

The combination of privatization and construction will meet our goal of fixing family housing 3 years earlier than was reported last year. A portion of our military construction, Army, and our family housing construction program this year is dedicated to overseas construction. Seventy-five percent of the overseas military construction request will be used to provide better barracks for almost 3,000 soldiers, mainly in Europe and Korea. We are also constructing new facilities to support the Efficient Basing, East initiative in Germany, which will consolidate 13 smaller installations into a single installation at Grafenwoehr.

Two projects in our request will finalize the Army's construction requirements for Efficient Basing, South initiative in Italy, which will station a second airborne infantry battalion at Vincenza. Each project is vital to maintaining a suitable working and living environment for our soldiers and families overseas.

At the end of fiscal year 2003, we will have 106,000 of our permanent party single soldiers, 77 percent of our goal for barracks modernization will be funded. Our strategic mobility program will be 100-percent funded. We will have completed all base closures and realignments, and will concentrate this year on the final phases of disposal of these properties.

The Army National Guard anticipates that 30 of 32 weapons of mass destruction/civil support team facilities will be initiated. Our sustainment, restoration and modernization request is \$2.4 billion, which provides 92 percent of our requirements.

I want to conclude by telling you about one of the most important initiatives in the facilities area, the way in which The Army manages installations. Last year, the Secretary of the Army approved

the concept of centralized installation management through a regional alignment. We will implement this new management structure, called TIM, or transformation of installation management, on 1 October, 2002. A top-down regional alignment creates a corporate structure with the sole focus on efficient and effective management of all our installations. It frees up our mission commanders to concentrate on readiness. They will still have an influence on the important installation decisions, but not the day-to-day headaches. We believe centralized management will also enhance our ability to integrate the Active and Reserve components, and to develop multifunctional installations to support the evolving transformation force structure.

In closing, Madam Chairman, I look forward to continuing our work in taking care of our soldiers and their families. Thank you. [The statement follows:]

PREPARED STATEMENT OF DR. MARIO P. FIORI

Madam Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss the Active Army and Reserve Components' military construction request for fiscal year 2003. This request includes initiatives of considerable importance to America's Army, as well as this committee, and we appreciate the opportunity to report on them to you.

This budget provides resources in our construction and family housing programs essential to support The Army's role in our National Military Strategy. It supports The Army's Vision and Transformation strategy.

The program presented herein requests fiscal year 2003 appropriations and authorizations of appropriations of \$1,476,521,000 for Military Construction, Army (MCA); \$1,405,620,000 for Army Family Housing (AFH); \$101,595,000 for Military Construction, Army National Guard (MCNG); \$58,779,000 for Military Construction, Army Reserve (MCAR). There is no request this year for the Homeowners Assistance Fund, Defense.

At the turn of the century, The Army published its Vision—People, Readiness, and Transformation—that defined how we meet the Nation's military requirements today and into the future. We started the arduous task of self-transformation that will allow us to continue to dominate conventional battlefields but also provide the ability to deter and defeat adversaries who rely on surprise, deception and asymmetric warfare to achieve their objectives.

Army Transformation was already well under way when the attacks on September 11, 2001, provided a new urgency to our efforts. By accelerating Transformation, we will provide additional capabilities to the warfighting CINCs, enabling them to assure allies and friends; dissuade future military competition; deter any threats; and, if necessary, defeat any adversary.

To meet the challenges of accelerating transformation and carrying out today's missions at home and abroad, The Army must sustain a force of high quality, well-trained people; acquire and maintain the right mix of weapons and equipment; and maintain effective infrastructure and power projection platforms to generate the capabilities necessary to meet our missions. Taking care of soldiers and families is a readiness issue and will ensure that a trained and qualified soldier and civilian force will be in place to support the Objective Force and the transformed Army.

As The Army transforms, we must ensure that Army installations are transformed to meet the needs of the force. Army installations, both Active and Reserve Component, must fully support our war fighting needs, while providing soldiers and their families with a quality of life that equals that of their peers in civilian communities.

To support the transformation of our installations, the Secretary of the Army has approved the concept of centralized installation management through a regional alignment. The implementation date of the new management structure is October 1, 2002.

The regional alignment creates a corporate structure with a sole focus on efficient and effective management of installations. Mission commanders can concentrate on readiness but still influence critical issues through the rating chain for Garrison Commanders and membership on the Installation Board of Directors.

This approach will ensure standard and equitable delivery of services from installation to installation. It will also ensure that all tenants, including the Reserve Components, are treated equally. It enables the Army to resource to standards.

The future will increasingly trend toward multi-functional installations. Supporting transformation, geographic-based regions provide the maximum flexibility for the future. In the end, it will allow improved facilities provided to soldiers and their families and better permit us to implement our facilities strategy.

#### FACILITIES STRATEGY

The Army's Facilities Strategy (AFS) is the centerpiece of our efforts to fix the current state of Army facilities over 20 years. It addresses our long-term need to sustain and modernize Army-funded facilities in both Active and Reserve Components by framing our requirements for both sustainment, restoration and modernization (SRM) and military construction (MILCON) funding. The AFS addresses sustainment, recapitalization, quality and quantity improvements, and new mission requirements so that The Army will have adequate facilities to support our 21st Century missions. SRM includes funds for annual maintenance and scheduled repair—sustainment; and military construction funding to repair or replace facilities damaged due to failures attributable to inadequate sustainment or emergencies or to implement new or higher standards—restoration and modernization.

The first pillar of the strategy requires us to halt further deterioration of our facilities. Our sustainment funding, which comes from the Operation and Maintenance (O&M) SRM accounts, has greatly improved thanks to the support from Congress. We are funded at over 90 percent of our requirements in fiscal year 2003. This level of funding may be sufficient to prevent further deterioration of Army facilities. Our current C-3 conditions are a result of years of underfunding. We must have sufficient O&M SRM resources to sustain our facilities and prevent facilities from deteriorating further, or we put our MILCON investments at risk.

The second pillar of the strategy is to tackle the enormous backlog that has grown over numerous years of underfunding. Since we can't afford a quick fix to buy down the SRM backlog, we will centrally manage resources towards focused investments. This capital investment requirement will primarily require MILCON funding, supplemented by O&M SRM project funding. Our goal is to raise Army facilities from current C-3 ratings to C-2 by the end of 2010 by bringing a focused set of facilities to C-1 during that timeframe. Also, we plan to eliminate facility shortfalls where they exist over the entire 20-year strategy. These shortfalls are a result of facilities modernization not keeping pace with our weapons modernization and supporting force structure.

We are basing the initial focused set of facilities on Commanders' ratings in our Installation Status Report. The facilities we chose to modernize under this centrally managed program are critical to The Army's mission and to our soldiers. It is essential that both the sustainment (O&M SRM) and the capital investment (MILCON and O&M SRM) pieces be funded as a single, integrated program.

The third (recapitalization) and fourth (new mission) pillars of our strategy address improving recapitalization of our facilities to a 67-year cycle and ensuring adequate facilities keep pace with future force structure changes and weapons modernization programs (such as transformation). These four pillars will enable us to improve the health of Army real property and its ability to successfully support our worldwide missions and our soldiers.

In addition to implementing our facilities strategy, we continue our policy of eliminating excess facilities throughout the entire Army to allow us to use our limited resources where they have the most impact. During fiscal years 1988-2003, our footprint reduction program, along with the base realignment and closure process, will result in disposal of over 200 million square feet in the United States. We continue our policy of demolishing at least one square foot for every square foot constructed. By 2003, with our overseas reductions included, The Army will have disposed of over 400 million square feet from its fiscal year 1990 peak of 1,157,700,000 square feet.

Additionally, we are pursuing innovative ways to modernize our infrastructure and reduce the cost of our facilities. One example is installation utilities systems. Our goal is to privatize all utility systems in CONUS by 2003, where it is economically feasible, except those needed for unique security reasons. We are also expanding the privatization of military family housing in an effort to provide quality residential communities for soldiers and their families.

## MILITARY CONSTRUCTION, ARMY (MCA)

This year's MCA program focuses on six major categories of projects: mission facilities, transformation, well-being, efficient basing, installation support, and chemical demilitarization. I will explain each area in turn.

## MISSION FACILITIES

In fiscal year 2003, there are 10 mission facility projects to ensure The Army is deployable, trained, and ready to respond to meet its national security mission. Projects in this program conclude the successful Army Strategic Mobility Program (ASMP) to ensure deployment within specified timelines; provide enhanced training via live fire ranges and simulators; and maintain equipment readiness by ensuring Army vehicles are repaired and operational.

*Army Strategic Mobility Program.*—The six mobility projects in our fiscal year 2003 budget request facilitate movement of personnel and equipment from CONUS bases for both the Active and Reserve Components to meet Army and Defense timelines for mobilization operations. They are part of an important program started in the early 1990's to upgrade our strategic mobility infrastructure, enabling The Army to maintain the best possible power projection platforms. We are requesting \$53.6 million. The fiscal year 2003 projects will complete the Strategic Mobility program. A follow-on program, Army Power Projection Program (AP3) is being implemented as a result of changes in force structure and stationing.

The six projects in our request include improving our deployment capability by upgrading a deployment facility at Fort Stewart, Georgia; constructing a truck loading/unloading facility at Fort Carson, Colorado; and providing ammunition storage/outloading facility improvements at Anniston Army Depot, Alabama, Blue Grass Army Depot, Kentucky, and Letterkenny Army Depot, Pennsylvania. In addition, to improving fuel storage, we plan to consolidate multiple fuel points at Fort Bragg, North Carolina, into one modern facility.

*Training and Readiness.*—To improve soldier training, we are requesting \$23.8 million to construct four training and readiness projects. Our request includes a Modified Record Fire Range at Darmstadt, Germany, and a live fire Shoot House at Fort Drum, New York. These ranges will provide our soldiers with realistic, state-of-the-art marksmanship training. We are also requesting a Military Operations in Urban Terrain (MOUT) Urban Assault Course at Fort Benning, Georgia, that will provide realistic urban combat training necessary for many scenarios in today's environment. A Tactical Vehicle Simulator facility at Fort Leonard Wood, Missouri, is requested to train new motor transport operators with our new vehicle simulators.

## TRANSFORMATION

Our budget contains \$194.9 million for eight projects at three installations, Fort Lewis, Washington; Fort Wainwright, Alaska; and Fort Polk, Louisiana, that support the deployment, training, unit operations, and equipment maintenance and motor pool facilities of the Interim Brigade Combat Team (IBCT) new transformed force. These projects include one maintenance facility for new vehicles, three ranges, a Military Operations in Urban Terrain (MOUT) facility, a Battle Simulator Center and a Mission Support Training Facility to ensure our forces are properly trained, and a Battalion Headquarters/Company Operations Facility to provide a command and control facility for the increased unit size. We will continue to identify and validate additional requirements associated with transformation and will include these projects in future budgets.

## EFFICIENT BASING, EAST

The Army is requesting the first year of a five-year plan to support the Efficient Basing, East, initiative in Germany. The initiative will move a Brigade Combat Team to Grafenwoehr from 13 smaller installations over a five-year time frame. This year's budget requests three projects at Grafenwoehr totaling \$69.9 million. Army construction for the entire initiative is expected to cost \$596 million. The three projects in this year's budget will complete the site preparation for the brigade, construct infrastructure to and around the brigade complex, and renovate existing barracks to the current Army standard. These projects will support the Brigade headquarters element.

## WELL BEING PROJECTS

Fifty-four percent of our MCA budget is dedicated to providing for the well being of our soldiers, their families, and civilians. Although our first priority is to move permanent party soldiers out of gang-latrine type barracks, we are also requesting

Phase II of the Basic Combat Trainee barracks project at Fort Jackson, South Carolina, that was authorized in fiscal year 2002. We are also requesting two child development centers, one physical fitness center, and the expansion of a community support center. These projects will improve not only the well being of our soldiers and families, but also the readiness of The Army. We are requesting \$796.8 million for well being projects this year.

*Whole Barracks Renewal Program.*—Modernization of barracks for enlisted permanent party soldiers continues to be the Army's number one facilities' priority for military construction. It provides single soldiers with a quality living environment. The new complexes provide increased personal privacy, larger rooms, closets, new furnishings, adequate parking, and landscaping. In addition, administrative offices are separated from the barracks. With the approval of our budget, as requested, 77 percent of our barracks requirement will be funded at the new standard for our permanent party soldiers. Between fiscal years 2004 and 2009, we plan to invest an additional \$4.0 billion in MCA and host nation funds, supplemented by \$400 million in SRM funding to achieve our goal of providing improved living conditions for all of our single soldiers by fiscal year 2009. While we are making considerable progress at installations in the United States, we will request increased funding for Germany and Korea in future budgets to compensate for these areas having been historically funded at lower levels than installations in the United States. A large portion of the remaining modernization effort, 41 percent, is in these overseas areas.

In fiscal year 2003, we are planning 21 barracks projects. This includes 4 projects in Europe and 5 projects in Korea. The installations with the largest investment are Fort Bragg, North Carolina, with \$100 million (2 projects), and Schofield Barracks, Hawaii, with \$91 million (2 projects). Large soldier populations and poor barracks conditions require sustained high investment through fiscal year 2008 at both of these installations to provide quality housing. We are completing a complex at Fort Carson, Colorado, which was authorized in fiscal year 2002; and we are continuing second phases at Fort Lewis, Washington, and Fort Richardson, Alaska, which were also fully authorized in fiscal year 2002. At Fort Campbell, Kentucky, we are requesting authorization for all phases of a multi-phase barracks complex; however, we are only requesting the appropriation needed for the fiscal year 2003 phase. Our plan is to award each complex, subject to subsequent appropriations, as a single contract to gain cost efficiencies, expedite construction, and provide uniformity in building systems. Barracks projects are also requested for Fort Hood, Texas; Fort Riley, Kansas; Fort Benning, Georgia; and Fort Detrick, Maryland.

*Basic Combat Training Complexes.*—We are requesting Phase 2 to complete the Basic Combat Training complex at Fort Jackson, South Carolina, that was authorized in fiscal year 2002. This project will provide a modern, initial entry basic training complex that includes separate and secure housing to support gender-integrated training, and provides for the administrative and training functions that are organic to the mission of the basic training battalion.

*Community facilities.*—Our budget request includes two new child development centers to replace failing or inadequate facilities in Bamberg, Germany, and Vicenza, Italy. To improve soldier physical fitness and community wellness, our budget includes a physical fitness training center at Camp Castle, Korea. The expansion of a Community Support Center at Fort Detrick, Maryland, is also included in our request.

#### INSTALLATION SUPPORT PROGRAMS

This category of construction projects provides vital support to installations and helps improve their readiness capabilities. We are requesting one project for a Centralized Wash Facility at Schweinfurt, Germany, \$2 million. A classified project is also requested at \$4 million.

#### AMMUNITION DEMILITARIZATION

The Ammunition Demilitarization (Chemical Demilitarization) Program is designed to destroy the U.S. inventory of lethal chemical agents, munitions, and related (non-stockpile) materiel. It also provides for emergency response capabilities, while avoiding future risks and costs associated with the continued storage of chemical warfare materiel.

The Office of the Secretary of Defense devolved the Chemical Demilitarization program to the Department of the Army in fiscal year 1999. Although Congress has consistently authorized and appropriated funding for the Chemical Demilitarization construction program to the Department of Defense, the overall responsibility for the program remains with The Army and we have included it in this year's Army budget.

We are requesting \$167.6 million in The Army's fiscal year 2003 budget to continue the Chemical Demilitarization projects previously authorized, and a Non-Stockpile Chemical Munitions Facility at Pine Bluff, Arkansas. Table 1 summarizes our request:

TABLE 1.—FISCAL YEAR 2003  
[In dollars]

Installation	Type	Amount
Aberdeen PG, MD .....	Ammun Demil Facility, Phase V .....	\$30,600,000
Blue Grass AD, KY .....	Ammun Demil Facility, Phase III .....	10,300,000
Blue Grass AD, KY .....	Support Facility, Phase III .....	8,300,000
Newport AD, IN .....	Ammun Demil Facility, Phase V .....	61,494,000
Pine Bluff AD, AR .....	Non-Stockpile Munitions Facility .....	18,937,000
Pueblo AD, CO .....	Ammun Demil Facility, Phase IV .....	38,000,000
Total .....	.....	167,631,000

The destruction of the U.S. stockpile of chemical weapons is a major priority of The Army, DOD and the Administration. These chemical weapons must be destroyed to reduce the risk to the stockpile storage communities and eliminate these weapons as potential terrorist targets. The MILCON funding for the chemical weapons facilities is essential to achieving this goal.

#### PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

The fiscal year 2003 MCA budget includes \$119.8 million for planning and design. The fiscal year 2003 request is a function of the construction programs for three fiscal years: 2003, 2004, and 2005. The requested amount will be used to design-build a portion of the fiscal year 2003 program, complete design in fiscal year 2004, and initiate design of fiscal year 2005 projects.

Host Nation Support (HNS) Planning and Design (P&D): The Army, as Executive Agent, provides HNS P&D for oversight of Host Nation funded design and construction projects. The U.S. Army Corps of Engineers oversees the design and construction to ensure the facilities meet our requirements and standards. Lack of oversight may result in an increase in design errors and construction deficiencies that will require United States dollars to rectify. Maintaining the funding level for this mission results in a payback where \$1 of United States funding gains \$36 worth of Host Nation Construction. The fiscal year 2003 budget request for \$23.7 million will provide oversight for approximately \$850 million of construction in Japan, Korea, and Europe.

The fiscal year 2003 budget also contains \$20.5 million for unspecified minor construction.

#### ARMY FAMILY HOUSING

The family housing program provides a major incentive that is necessary for recruiting and retaining dedicated individuals to serve in the Army. Adequate and affordable housing continues to be a major concern to soldiers when asked about their quality of life. We have waiting lists at nearly all of our major posts and as of January 2, 2002, the out-of-pocket expenses for soldiers living off post were approximately 11.3 percent of the total cost of their housing. The Army supports the initiative to increase the Basic Allowance for Housing (BAH) to eliminate the out-of-pocket costs being paid by Service members for off-post housing in the United States by 2005. Maintaining and sustaining safe, attractive, and convenient housing for our soldiers and families is one of our continuing challenges. This budget represents an increase in the family housing program for family housing improvements and expanded privatization. This increase will assist us in providing improved housing quicker and to more of our military families. Our current plan ensures we meet the Secretary of Defense's goal of 2007 to provide adequate housing to all military families.

Privatization is an essential element in solving our acute family housing problem. The Army's privatization program, Residential Communities Initiative (RCI), utilizes the authorities granted by the Congress in 1996 and extended to December 31, 2012 to implement an aggressive program to create modern residential communities in the United States. The Army is leveraging appropriated funds and government assets by entering into long-term partnerships with private sector real estate devel-

opment and management firms to obtain financing and management expertise to construct, repair, maintain, and operate Army family housing communities.

The RCI program includes projects at Fort Carson, Colorado; Fort Hood, Texas; Fort Lewis, Washington; and Fort Meade, Maryland. Fort Carson transitioned to privatized operations in November 1999, and Fort Hood transitioned in October 2001. Forts Lewis and Meade are expected to transition by mid-2002. The projects include over 15,000 housing units. Army families have already moved into new and renovated housing at Fort Carson and our experience to date has been very positive.

The program is expanding to 20 additional privatization projects between fiscal years 2002 and 2004. These projects will privatize more than 48,000 additional housing units. Using funds appropriated in fiscal year 2002, The Army kicked-off nine projects. The 2003 budget request will continue to expand the program, adding five projects covering seven installations (Fort Polk, Louisiana; Fort Belvoir, Virginia; Forts Eustis and Story, Virginia; Fort Leonard Wood, Missouri; and Fort Shafter and Schofield Barracks, Hawaii).

The Army is using the development partners' experience and resources, and market-based incentives, to bring about dramatic improvements in the Army family housing and the quality of life for soldiers and their families.

Our fiscal year 2003 request for Army Family Housing is \$1,405,620,000. Table 2 summarizes each of the categories of the Army Family Housing program.

TABLE 2.—ARMY FAMILY HOUSING—FISCAL YEAR 2003

Facility category	Dollars	Percent
New Construction .....	27,942	2
Post Acquisition Const .....	239,751	17
Planning and Design .....	15,653	1
Operations .....	183,408	13
Utilities .....	212,432	15
Maintenance .....	485,257	35
Leasing .....	215,251	15
Privatization .....	25,926	2
<b>Total .....</b>	<b>1,405,620</b>	<b>100</b>

#### FAMILY HOUSING CONSTRUCTION

The total fiscal year 2003 request for construction is \$283,346,000. It continues the Whole Neighborhood Revitalization (WNR) initiative approved by Congress in fiscal year 1992 and supported consistently since that time. This successful approach addresses the entire living environment of the military family. The projects are based on life-cycle economic analyses and support the Department of Defense's 2007 goal by providing units that meet current construction and adequacy standards.

*New Construction.*—The fiscal year 2003 new construction program provides WNR projects at four locations. Replacement construction provides adequate facilities where there is a continuing requirement for the housing and it is not economical to renovate. All of these projects are supported by housing surveys, which show that adequate and affordable units are not available in the local community.

*Post Acquisition Construction (Renovation).*—The Post Acquisition Construction Program is an integral part of our housing revitalization program. In fiscal year 2003, we are requesting funds for improvements to 18,314 existing units at 9 locations in the United States, including privatization at 7 installations; 7 locations in Europe; and 1 site in Korea. Included within the scope of these projects are efforts to improve supporting infrastructure and energy conservation.

#### FAMILY HOUSING OPERATIONS AND MAINTENANCE

The operations, utilities, maintenance, and leasing programs comprise the majority of the fiscal year 2002 2003 request. The requested amount of \$1,122,274,000 for fiscal year 2003 is approximately 80 percent of the total family housing budget. This budget provides for The Army's annual expenditures for operations, municipal-type services, furnishings, maintenance and repair, utilities, leased family housing, and funds supporting the Military Housing Privatization Initiative.

## FAMILY HOUSING LEASING

The leasing program provides another way of adequately housing our military families. We are requesting \$215,251,000 in fiscal year 2003 to fund existing Section 2835 project requirements, temporary domestic leases in the United States, and approximately 8,600 units overseas.

## MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

The Army National Guard's (ARNG) focus is on two categories of projects: transformation and mission.

*Transformation*

This year we continue converting twelve brigades and two division slices to support the Army Division Redesign Study (ADRS). The ADRS is a high priority for this budget. Eight facilities will be constructed or converted to house the ARNG's Combat Support/Combat Service Support structure. We are requesting \$26.8 million for this transformation for facilities in Alabama and North Carolina and two projects each in California, Kansas, and Nebraska.

*Mission*

In fiscal year 2003, the ARNG has requested \$55.2 million for five mission projects. Two projects are in Wisconsin and will replace part of the existing United States Property and Fiscal Office complex made up of 23 buildings, ranging in year built from 1895 to 1980. These new facilities will permit all personnel to perform the necessary tasks that will improve their own readiness as well as provide fiscal and logistical support for the entire Wisconsin Army and Air National Guard.

The first phase of a project for administrative buildings at Barbers Point, Hawaii is also included. These units are currently stationed in the Diamond Head State Monument area, in older, pre-World War II facilities. The renovation of an existing building at Barbers Point will help with the Diamond Head State Monument Plan, allowing the Monument area to revert back to a semi-wilderness condition.

As part of The Army's Facility Strategy, we are requesting a Readiness Center at Summersville, West Virginia, and phase one of a joint facility with the Marine Corps Reserve and the Kansas Counterdrug Office at Topeka, Kansas.

## PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

The ARNG's fiscal year 2003 budget request contains \$14.7 million for planning and design and \$4.9 million for unspecified minor construction.

## MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

The fiscal year 2003 MCAR budget focuses on mission facilities that support the Army Reserve's mission of providing trained and ready unit and individuals to mobilize and deploy in support of the National Military Strategy.

## MISSION FACILITIES

In fiscal year 2003, there are seven mission facility projects in the Army Reserve's Military Construction program. These projects provide four Army Reserve Centers (Lincoln, Nebraska; Oswego, New York; Grand Prairie, Texas; and Fort Story, Virginia); four maintenance facilities (Mare Island, California; Lincoln, Nebraska; Grand Prairie, Texas; and Fort Story, Virginia); a battalion-size dining facility at Fort McCoy, Wisconsin; and an alteration to an Army Reserve training facility at Fort Bragg, North Carolina.

## PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

The fiscal year 2003 MCAR budget includes \$6.965 million for planning and design and \$2.85 million for unspecified minor construction.

## SUSTAINMENT, RESTORATION AND MODERNIZATION (SRM)

In addition to Military Construction and Family Housing, the third area in the facilities arena is the O&M SRM program. O&M SRM is the primary account in the base support funding area responsible to maintain the infrastructure to achieve a successful readiness posture for The Army's fighting force. Installations and Reserve Component facilities are the platforms of America's Army and must be properly maintained to be ready to support current Army missions and any future deployments.

O&M SRM consists of two major functional areas: (1) facilities sustainment of real property and (2) restoration and modernization. Facilities sustainment provides resources for maintenance and repair activities necessary to keep an inventory of facilities in good working order. It also includes major repairs or replacement of facility components, usually accomplished by contract, that are expected to occur periodically throughout the life cycle of facilities. 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, 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.

Within the O&M SRM program, there are two areas to highlight: (1) our Barracks Upgrade Program (BUP) and (2) the Long Range Utilities Strategy. The first area is our BUP program, which is the major renovation and restoration of existing barracks and an integral part of the Barracks Modernization program's goal to eliminate gang-latrines barracks by 2008. However, due to the reallocation of central funding of the BUP program in fiscal year 2002, we will now complete the program in 2009. At the completion of the fiscal year 2003 program, as requested, we will have funded, with MILCON and BUP, adequate housing to meet or approximate the DOD 1+1 barracks standard for 77 percent of our soldiers. The fiscal year 2004–2008 Military Construction program will provide barracks for another 18 percent of eligible soldiers. We will use O&M SRM resources to renovate barracks to an approximate DOD 1+1 standard for the remaining 5 percent of eligible soldiers. We are committing an average of about \$120 million per year in O&M SRM to continue the efforts to upgrade housing for our single soldiers.

The second area to highlight within the O&M SRM program is our Long Range Utilities Strategy to provide reliable and efficient utility services at our installations. Privatization or outsourcing of utilities is the first part of our strategy. All Army-owned electrical, natural gas, water, and wastewater systems are being evaluated to determine the feasibility of privatization. When privatization appears economical, we use competitive contracting procedures as much as possible. We continue to successfully privatize utility systems on Army installations. Recent successes include privatization of the natural gas system at Fort Benning, and the water and waste water systems at Presidio of Monterey. Of the 320 Army systems available for privatization since 1998, 24 have been privatized, 28 have been exempted, and the remaining are in various stages of privatization. The second part of the strategy is the utilities modernization program. We are upgrading utility systems that are not viable candidates to be privatized, such as central heating plants and distribution systems. We have executed approximately \$188 million in utility modernization projects in fiscal years 1998 through 2001 and we plan to accomplish \$83 million in additional projects in fiscal year 2002 to complete the program. Together, privatizing and modernizing utility systems will provide reliable and safe systems.

We are making progress in upgrading barracks and improving utility services, and funding for the basic maintenance and repair of Army facilities has improved to 92 percent of the OMA, OMNG and OMAR requirement in fiscal year 2003. However, we still need to strive toward fully funding sustainment to keep facilities from getting worse and to protect the large infrastructure investment requested in this budget. The Installation Status Report (ISR) shows Army facilities are rated C-3 (not fully mission capable) due to years of under-funding. At the end of fiscal year 2001, the ISR for The Army showed 28 percent of our facilities were "red"—mission failure; 42 percent were "amber"—mission degraded; and only 30 percent were "green"—mission supported.

#### HOMEOWNERS ASSISTANCE FUND, DEFENSE

The Army is the 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 2003, there is no request for appropriations and authorization of appropriations. Requirements for the program will be funded from prior year carryover and revenue from sale of homes. Assistance will be continued for personnel at 7 installations that are impacted with either a base closure or a realignment of personnel, resulting in adverse economic effects on local communities.

## BASE REALIGNMENT AND CLOSURE (BRAC)

Our facilities strategy strives to meet the needs of today's soldiers while also focusing on the changes required to support the Army of the 21st century. For BRAC in fiscal year 2003, we are requesting appropriations and authorization of appropriations of \$149.9 million. This budget represents the Army's budget required to continue unexploded ordnance (UXO) removal, environmental restoration and property management of those facilities not yet disposed from the first four rounds of BRAC. In fiscal year 2001, the Army began saving \$945 million annually upon completion of the first four rounds of BRAC. Although these savings are substantial, we need to achieve even more, and bring our infrastructure assets in line with projected needs. The Army supports the need to close and realign additional facilities and we appreciate the Congress' authority to have an additional round in fiscal year 2005.

The Army is now in the first year of exclusively care taking and completing the remaining environmental restoration activities at BRAC installations. The Army implemented innovative approaches to environmental restoration at BRAC sites in fiscal year 2001, which will support the early transfer of several properties. The Army will continue to support early property transfers in fiscal year 2002 and beyond and requests \$149,878,000 in fiscal year 2003 to continue this important work. These funds allow us to properly care take these properties and to continue environmental and ordnance removal efforts that will facilitate economic revitalization and will render these properties safe. Our efforts will make 24,854 acres of property available for reuse in fiscal year 2002 and complete restoration activities at 7 additional locations. This budget includes the resources required to support projected reuse in the near term and to continue with current projects to protect human health and the environment.

Although the extensive overseas closures do not receive the same level of public attention as those in the United States, they represent the fundamental shift from a forward-deployed force to one relying upon overseas presence and power projection. Without the need for a Commission, we are reducing the number of installations by 70 percent, roughly equal to the troop reductions of 70 percent. Your support of our Efficient Basing, East, military construction project will allow us to continue reducing the number of installations in Europe. In Korea, the number of installations is dropping 20 percent. The total number of Army overseas sites announced for closure or partial closure since January 1990 is 680. Additional announcements will occur until the base structure matches the force identified to meet U.S. commitments.

The significant challenges posed by the removal of unexploded ordnance, the remediation of groundwater, and the interface of a variety of regulatory authorities continue to hinder the disposal of property. A number of innovative approaches for environmental restoration were recently developed in an effort by the Army to expedite the transfer of property, while ensuring the protection of human health and the environment. Two innovative mechanisms are being utilized to complete environmental restoration efforts: Guaranteed/Fixed Price Remediation (G/FPR) Contracts and Environmental Services Cooperative Agreements (ESCA). A G/FPR Contract obligates BRAC funds necessary for regulatory closure of specified restoration activities. The Army retains responsibility for completion of the environmental restoration, overseeing the contractor and ensuring that regulatory closure of the property is obtained. An ESCA is a different mechanism, authorized under the environmental restoration program that obligates Army BRAC funds and apportions some amount of liability to a governmental entity representing the reuse interests of the particular BRAC installation, in exchange for specific environmental restoration services outlined in the ESCA.

We remain committed to promoting economic redevelopment at our BRAC installations. We are supporting early reuse of properties through economic development conveyances as well as the early transfer of properties along with cooperative agreements to accelerate the completion of remaining environmental remediation. The Army is also making use of leasing options approved by Congress and awarding guaranteed fixed price remediation contracts to complete environmental cleanup to make properties available earlier. Real property assets are being conveyed to local communities, permitting them to quickly enter into business arrangements with the private sector. Local communities, with the Army's support and encouragement, are working to develop business opportunities that result in jobs and tax revenues. The successful conversion of former Army installations to productive use in the private sector benefits the Army and ultimately the local community.

The BRAC process has proven to be a viable method to identify and dispose of excess facilities. The closing and realigning of bases saves money that otherwise would go to unneeded overhead and frees up valuable assets for productive reuse.

These savings permit us to invest properly in the forces and bases we keep to ensure their continued effectiveness. We request your support by providing the necessary BRAC funding to continue environmental restoration and property management in fiscal year 2003.

FISCAL YEAR 2003 SUMMARY

Mr. Chairman, our fiscal year 2003 budget is a balanced program that permits us to execute our construction programs; provides for the military construction required to improve our readiness posture; and provides for family housing leasing, operation and maintenance of the non-privatized inventory, and initiates privatization at seven additional installations. This request is part of the total Army budget request that is strategically balanced to support both the readiness of the force and the well being of our personnel. Our long-term strategy can only be accomplished through sustained, balanced funding, divestiture of excess capacity, and improvements in management. We will continue to streamline, consolidate, and establish community partnerships that generate resources for infrastructure improvements and continuance of services.

The fiscal year 2003 request for the Active Army is for appropriations and authorization of appropriations of \$2,882,141,000 for Military Construction, Army and Army Family Housing.

The request for appropriations and authorization of appropriations is \$101,595,000 for Military Construction, Army National Guard and \$58,779,000 million for the Military Construction, Army Reserve.

Madam Chairman, this concludes my statement. Thank you.

Senator FEINSTEIN. Thank you very much. Dr. Fiori, I am told that the three military gentlemen are not here to make speeches but to answer questions. Is that correct, Dr. Fiori?

Dr. FIORI. Yes, ma'am.

LOW MILCON BUDGET

Senator FEINSTEIN. So we will proceed with the questions. Let me begin with you, General Van Antwerp. The Army's MILCON budget request is 15-percent cut from last year's funding level. I would like to ask you the same question I asked Mr. Zakheim. Is this budget request adequate to meet all your MILCON needs for fiscal year 2003?

General VAN ANTWERP. Ma'am, I will start out by saying first of all this MILCON funds 38 percent of our requirement, so there is a lot of the requirement that is not funded here. We had to make budget tradeoffs, of course, to decide what were the priorities, so we funded along priority lines.

We did keep our barracks, permanent party barracks, which is the Army's top priority, funded at 100 percent, and we kept our strategic mobility projects, which provides the ability for our forces to deploy from their bases at 100 percent, so we took the cut in the other revitalization areas, so if we ask, did we get everything that absolutely we want and need, no, but we have funded our highest priority, to answer your question.

The comments you made about the services and personnel on the installation, we fund the services and personnel out of the base ops account, which is the O&MA account, rather than the MILCON account, so whether MILCON is up or down, it does not impact the people as much as it does when you have a substandard facility that you really cannot do the mission in. That is when you do the upgrade or a new facility.

Senator FEINSTEIN. But you are saying you could live with this budget and that the MILCON is adequate to maintain readiness and quality of life?

General VAN ANTWERP. Well, we would live with it. I will tell you that our facilities are at what we call C-3, as opposed to our units at C-1, C-1 being fully mission-capable, C-3 being marginally mission-capable, and so our facilities with this budget will remain at the marginally mission-capable level.

Dr. FIORI. That is with the exception of the housing, which we will get into C-1 by 2007.

Senator FEINSTEIN. And you would say the same for the Guard and the Reserve, right?

General VAN ANTWERP. Yes, ma'am. I can let them speak.

Senator FEINSTEIN. Perhaps they would speak for themselves, then. Gentlemen, you heard the question. Would you like me to repeat it?

General HELMLY. Ma'am, I would ask you to repeat it, if you would.

Senator FEINSTEIN. My question is that you have had a substantial cut in MILCON, and I would like to ask whether the cut is such that you can continue to operate effectively, that neither readiness nor quality of life will be affected by it.

General HELMLY. Yes, ma'am. In the near term, I will say that for the Army Reserve it will not be affected negatively. Our Sustainment and Restoration and Modernization funding, SRM, as was mentioned by Dr. Fiori, is adequate, and that provides the near-term sustainment for the facilities. MILCON obviously is longer-range, as this committee well knows. Our MILCON is definitely down from \$111 million requested last year to \$58.9 million requested this year.

I would only note that last year—we have all alluded to the events of 11 September. Last year was the first year that I believe you would see that all of us were beginning to encroach upon, to use that negative word, the negative funding we had seen for years. We requested in the Army Reserve \$111 million, and this committee with the help of the Congress appropriated \$165 million.

We were on the road to requesting the same kinds of amounts again, but the events of 11 September precipitously changed that. Our focus, as previous witnesses have stated, changed materially. It is decidedly, this moment, on operations, readiness for near-term operations, so it was with the understanding of our leadership that we took this precipitous reduction.

I would note again, that reduction is in longer-term MILCON. Short-term we are adequately funded at 91 percent of our SRM budget. We do not like the cut, but it is something that we are quite willing to live with, given our priorities in the Nation and in turn in the Armed Forces and in the Army Reserve today.

Senator FEINSTEIN. Thank you. General Squier, would you like to comment?

General SQUIER. Madam Chairman, of course I would like to make some comments in support of the issues that we bring to the table.

Senator FEINSTEIN. General, could you move the mike over and speak directly into it?

General SQUIER. As General Van Antwerp and General Helmy have already alluded to, this is a tough issue for us, to balance our competing requirements for readiness, especially since the things

that have evolved since 9/11. There are a lot of competing interests. Yes, the long-term recapitalization program that we worked with the Army is on target for what we can afford right now. For the long-range plan, and given the sustainment dollars, we have been able to program in the interim.

Would we like more money? Of course we would, but we will work that issue harder with the Army for the future, on our road to the future.

Senator FEINSTEIN. I guess what concerns me, because everybody seems so happy with what they have, that we will begin to get phone calls from commanders and others saying, you know, we cannot possibly live with this, you have got to help us, and of course we will want to do it, and many people believe that that is the game that is played in this institution with this particular budget, that they really look at the Congress to kind of plus it up after it has been requested, and I guess what I am saying is, that very well might not happen this year.

If you are all happy with it and you are coming before us and saying this meets our short-term needs, and there are other things that are more important, and we are going to be fine with this level of funding, that is a signal to me, and I think even to the Ranking Member, to hold firm at this number.

Dr. FIORI. We have looked at the budget, and I was fortunate to be pretty much at the front end of the budget process this year. We weighed all the different items that affected our budget, and as General Van Antwerp said, our budget took care of the most important construction issues—barracks, strategic mobility, and transformation. We gave 70-percent to the Army National Guard Division Redesign program, and then what was remaining we split up among the components. None of our total requirements are going to be met, nor will they ever be met every year. These were balanced things we had to do to fund other things.

The one thing we did do, of course, the Active Army, Army National Guard and Army Reserve, is to make sure our sustainment was going to be equal, and that is 92 percent. Ideally, obviously, if we could have afforded 100 percent, we would have done that. This is where we came out.

#### EFFICIENT BASING, SOUTH—SCHOOL ENROLLMENT

Senator FEINSTEIN. Let me ask you one question. I was briefed last year by General Miggs regarding Efficient Basing South and the rationale for the development in Vincenza, Italy, and General Miggs emphasized the need for this initiative, which would move an additional battalion to Vincenza.

Now, I understand the existing Vincenza Elementary High School cannot anticipate the anticipated enrollment increase, and I am just wondering what is going to happen long term, and then there is Grafenwoehr, which will cost \$70 million this year and another \$492 million in the future, and that does not include other things as well.

#### EFFICIENT BASING EAST

Dr. FIORI. The quick lesson I learned from listening to the testimony is, I am going to check on the school and the Grafenwoehr

project. I am going to ask General Van Antwerp to answer the question about Vincenza, since we are almost finished everything there. I certainly was not aware of the school issue, but the Grafenwoehr issue, we are doing another validation of our economic study to show why it makes both financial sense and also sense just for the soldiers for time away from home, all the other soldier issues, to get ourselves into one area, instead of 13 that we are in presently.

We are also finding that Germany will contribute the housing. We are going to be leasing the housing from them. We are going to have some savings there, but we have an economic analysis, and we are reverifying it, and we will have that report in April.

General VAN ANTWERP. The end of April.

Dr. FIORI. So we are going to look at the financial aspect of it, and we will also look at the aspect of what OSD is providing in this. I just cannot answer that at the moment.

Senator FEINSTEIN. My time is up. Senator Hutchison.

#### FORT BLISS DESALINIZATION PLANT

Senator HUTCHISON. I am going to ask a question first on a more local issue, and that is the issue of the desalinization plant at Fort Bliss. In the fiscal year 2002 military construction budget there was \$2.8 million for the planning and design activities at that plant. As you know, there is a dwindling supply of potable water at Fort Bliss, and yet the Army has not yet executed any of those funds, and here we are in March. What is the hold-up?

Dr. FIORI. I was briefed on this earlier, in the last few days, and we are looking at what is the status basically of the \$2 million that was provided in the 2002 Defense Bill, it has been obviously earmarked for Fort Bliss in the funding letter to TRADOC, and the funds will be sent to TRADOC, or should have been sent by now. We have not defined the best methods of disposal of brine solution byproducts from desalinization, and this will help fund the reinjection of the brine back into the aquifer.

There are pre-design studies that still have to be done, and my understanding is the Army cost for this co-venture is going to be \$29 million. The total cost of the venture with the City will be \$50.4 million.

The \$2 million will fund engineering studies required prior to design. The current estimated time to perform these engineering studies is going to be 12 to 18 months. The project will also require an environmental study that could take up to 24 months, and this effort would cost \$1½ million, which Fort Bliss has submitted to TRADOC for action during the midyear review process. It is premature to initiate any design work, and I think that may be the issue that appears to be slowing things down, before these engineering studies are completed.

General, can you add anything to that?

General VAN ANTWERP. We will be doing the studies, and then that will tell us what we need to do for the planning and design, but this first phase for the studies, we will be beginning those very shortly. The engineer district will get those funds probably in the next week or so to begin those studies.

Senator HUTCHISON. Well, that did not sound like we are really on top of this. I would just ask you to go back and make this happen. It has been sitting there since October 1, and we would like to get going on it. It is very important. It is a joint effort with the City of El Paso, as you mentioned, and I think it is essential for Fort Bliss and essential—I think it cuts the cost by doing it in a joint venture. It is good for the city as well, but I just would like to see it not be delayed further.

I mean, I know there is a lot of work to do, but the studies have been appropriated, so I think we should go forward.

General VAN ANTWERP. Actually, ma'am, we did not get the money in order to be able to put our funding letter out, until very recently, to the field, so we did not have the money on 1 October to do it. We just recently put the funding letter out, and it has now gone through TRADOC.

Senator HUTCHISON. So it is imminent?

General VAN ANTWERP. It is.

Senator HUTCHISON. You do not see any further hold-up?

General VAN ANTWERP. No.

#### REPROGRAMMINGS

Senator HUTCHISON. Last question. The services normally will take excess funds as bill-payers to offset other MILCON projects. That, I think, has been the norm if it meets certain criteria, 25 percent or less, or less than \$2 million, and it is my understanding that the services tried to do that in its normal course last year, reprogramming money saved from Korea to Fort Belvoir's fire station, and that was held up by the House Appropriations MILCON Congressman.

I understand that now there has been, I do not know, a policy or an edict or something that says you cannot use money that is programmed for Korea or Germany to fund other projects. Is that the case, and what is happening there, and if it is the case, is that going to hurt your capability to fully utilize money where you need it most?

Dr. FIORI. This has certainly been under discussion, of course, and I will let General Van Antwerp answer.

General VAN ANTWERP. Ma'am, you are correct. When we were reprogramming for the ARVN Physical Development Center at West Point, we were looking at funds. We originally proposed \$27 million that we got from bid savings in Korea to reprogramming for that facility.

We were requested by the House to not use those funds from Korea for that, but to keep those funds for other Korea projects, so what we did was go back and found other reprogramming sources where we could take a little bit from an awful lot of projects, and where we had bid savings and other things.

Where it leaves us today is, we have very little money left if we cannot reprogram those dollars in other areas, if they are confined to Korea or Europe. I am not aware of the Europe restriction, but the Korea restriction right now is that we have no ability to use those funds anywhere else, so they are just sitting there right now. We have not used those funds.

Senator HUTCHISON. Do you think that is hurting your capability to decide your priorities?

General VAN ANTWERP. I think it does. We have needs to reallocate that money elsewhere, and we are not able to.

Senator HUTCHISON. Thank you.

#### WEAPONS OF MASS DESTRUCTION/CIVIL SUPPORT TEAMS

Senator FEINSTEIN. I have one last question for General Squier, if I might. General, I wanted to ask you about the WMD civil support teams that have gone from 20 to 32, and without going into the history of the funding, I think we are all hopeful that that will be completed in the coming year. Are the funds adequate to fund those 32 teams?

General SQUIER. Ma'am, thanks for the question. We do have a shortfall in unspecified minor, making sure that we can stand up these last five teams that were announced this year. It will be about \$3.5 million. That would help.

Senator FEINSTEIN. Another \$3.5 million?

General SQUIER. Yes, ma'am.

Senator FEINSTEIN. Okay, because I think that is a priority, I think, for us, to see that those teams are set up, and I am pleased you are telling me what it will take to do it, but if there was another \$3.5 million, that would take care of 32 teams in place when?

General SQUIER. By the end of 2003.

Senator FEINSTEIN. The end of 2003?

#### ADDITIONAL COMMITTEE QUESTIONS

General SQUIER. Yes, ma'am. Those last five teams were just announced this year. The first 27 are going to finish up this year in 2002, and there will be those last five stood up and completed by the end of 2003. \$3.5 million in unspecified money will help us facilitate that.

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

#### QUESTIONS SUBMITTED TO DR. MARIO P. FIORI

#### QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

#### UNITED STATES FORCES KOREA BRIDGE

*Question.* Secretary Fiori, the US Forces Korea plans to construct a \$7.9 million bridge linking its two military posts (main post and south post) in Yongsan in central Seoul. Understanding the convenience that is offered by this project, however, I am still concerned. Is it true that the land proposed for the building of this bridge is not in accordance with the Status of Forces Agreement (SOFA)? And, with plans to move Yongsan at a cost of nearly \$10 billion, during the next decade, is a project of this magnitude justified?

*Answer.* The project is being funded with construction funds provided by the Republic of Korea (Host Nation Funded Construction). This project is not for convenience, but to improve force protection and reduce the negative impact of our controlled access procedures on the city. There is no land required, only a right of way (easement). The SOFA provides for such requirements, and the SOFA Joint Committee set up by treaty to negotiate such actions is already engaged. The Republic of Korea government is providing the easement, and both the Korean Federal and Seoul city governments support the project. Our force protection requirements and controlled access, particularly during heightened threat conditions, cause a tremendous traffic problem for the city. This project will significantly reduce the impact

on the city of our force protection requirements, and thus has their full support. There are no "plans" to move Yongsan garrison. There is an agreement from 1990 stating Yongsan will relocate (by 1996) and the Korean government will pay for it. This agreement has lain dormant for many years. Recently, the Korean government has expressed interest in revisiting the issue, but there is no agreed upon new location, no scope of work for the relocation, no designs, and no master plans. Should the Korean government decide to aggressively pursue the relocation, it will take years to accomplish. In the interim, the overpass will still help improve USFK force protection and reduce our impact on the city.

#### CHEMICAL DEMILITARIZATION PROGRAM

*Question.* Dr. Fiori, the President's budget requests \$168 million for the Defense Department's Chemical Demilitarization Program in fiscal year 2003. Yet, in an evaluation from the Office of Management and Budget accompanying the fiscal year 2003 budget, the program was rated "ineffective" because of a 60 percent cost increase estimate and delays stemming from "unrealistic schedules, site safety and environmental concerns, and poor planning." That evaluation doesn't give me a lot of confidence that the budget request is justified or will be well spent.

Since it is the Army that administers that program, could you please comment on the budget evaluation and tell us what your department is doing to improve the chem-demil program?

*Answer.* The Office of the Secretary of Defense (OSD) completed a major program review (September 2001) that resulted in the recognition that the prior stockpile destruction milestones would not be met. The current schedule approved by the Defense Acquisition Executive projects completion of disposal operations at six chemical stockpile sites between 2007 and 2011, and associated costs of \$24 billion. Schedules for the Pueblo, CO, and Blue Grass, KY, sites will be published once the technology decisions are made, now projected for the 3rd Quarter, fiscal year 2002 and the 1st Quarter, fiscal year 2003, respectively. The revised program cost and schedules are based on operational experience obtained at the Johnston Island and Tooele, UT, chemical agents disposal facilities. Chemical agent destruction efforts at these sites were evaluated to develop realistic schedules for other incinerator sites. The significant cost drivers are revised processing rates; disposal facility operations extensions; stockpile conditions that affect processing rates (e.g., gelled chemical agent in rockets, frothing and solidification with mustard agent; and heavy metal contamination in ton containers); higher labor rates; increased equipment and construction costs; technology maturity and design evolution. The schedule extensions have also increased the costs of emergency response and preparedness. In addition, facility closure estimates for CONUS sites have increased based on ongoing closure efforts at the Johnston Island facility.

The Army has consolidated the management of the Chemical Demilitarization Program under the Assistant Secretary of the Army (Installations and Environment). I have extensive experience in managing environmentally sensitive and complex Government facilities and programs. The revised milestones and associated costs are incorporated into a new set of program requirements by which OSD and the Army will monitor schedule, cost and performance of the program. The Army has accelerated the neutralization process by as much as 3 years for disposal of mustard bulk agent at Aberdeen, MD. The Army is studying the feasibility of a similar effort to accelerate disposal of the bulk VX nerve agent stockpile at Newport, IN, and will continue to evaluate options at other sites. This approach will save time and money. I assure you that the Army will continuously review options for potential cost savings and utilization of resources, while not jeopardizing the safety of the public, workers and environment.

*Question.* Do you believe that the fiscal year 2003 budget request is the actual amount that will be needed in fiscal year 2003, or is it more of a guesstimate?

*Answer.* The fiscal year 2003 Military Construction budget request is based on historical experience and detailed engineering estimates for the work to be performed in fiscal year 2003. The fiscal year 2003 budget request represents funds needed to begin, continue and complete Chem Demil projects during the year. Significant activities during fiscal year 2003 are: (a) completion of construction activities associated with the accelerated neutralization initiative at Aberdeen; (b) continuation of facility construction activities at Newport, IN; (c) award of the design-build systems contract at Pueblo, CO; (d) execution of technology dependent infrastructure projects at Blue Grass, KY (technology decision expected September 2002); and (e) completion of construction activities at Pine Bluff, AR (no fiscal year 2003 funds requested). For work already under contract, the budget requests are based on projected obligation and expenditure to support the planned workload. For work

not yet awarded, the budget requests are based on government estimates based on past experience. Decisions regarding accelerated destruction of the chemical agent stockpile (over and above what is currently scheduled) may alter the fiscal year 2003 funding requirements.

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

MILITARY CONSTRUCTION SPENDING AND BACKLOG

*Question.* Dr. Fiori, last year senior Defense officials testified that after many years of neglect, the Department intended to start investing in infrastructure. They stated that our facilities had been allowed to deteriorate to unacceptable levels and that we needed to address these shortfalls. The fiscal year 2002 budget was a major step forward in that regard. However, I note that we are back to business as normal with a proposed recapitalization rate of 123 years in the 2003 budget versus the 83 year rate in the fiscal year 2002 budget. Is the Army serious about improving Army facilities, and if so, why the reduction in MILCON spending in this budget?

*Answer.* Our military construction budget request is \$3.2 billion and will fund our highest priority facilities and family housing requirements. In fiscal year 2002, we presented a budget that was a down payment on our goal to better support our infrastructure. When we developed this year's budget in light of the events that took place last year, we had some very difficult decisions to make. The need to fund our military pay raises, Army transformation, OPTEMPO, the war on terrorism, increases in health care and other key programs were all included in the decision leading to our request. Thus, the Army budget provides the best balance between all our programs, including military construction.

BACKLOG OF ACTIVE AND RESERVE COMPONENT MILCON PROJECTS

*Question.* What is your backlog of Active and Reserve Component MILCON projects?

*Answer.* The Army's backlog is \$17.7 billion based on the fiscal year 2001 Installations Status Report (ISR) and the associated cost to improve the condition of our facilities to C-1. Much of this backlog will require MILCON funding because the facilities require extensive renovation. Some of the work will be accomplished with Operation and Maintenance (O&M) funds. The component breakout of the backlog requirement is Active \$9.6 billion, Army Reserve \$1.7 billion, and Army National Guard (Federally Funded portion) \$6.4 billion.

INTERIM BRIGADE COMBAT TEAMS (IBCTS)

*Question.* I understand that there is a disconnect between the fielding of the Interim Brigade Combat Teams and the amount of funding available for the military construction facilities necessary to support those brigades. Can the Army provide me a list of the unfunded MILCON requirements essential for all of the IBCTs?

*Answer.* Yes. When the fiscal year 2003 budget was developed, all known IBCT requirements were funded. However, while budget decisions were being made, we continued to refine military construction requirements, using emerging IBCT doctrine and lessons learned from fielding and training in the first two IBCTs. As a result, we have since identified \$276.4 million in emerging Military Construction, Army (MCA) requirements for the IBCTs, primarily in Alaska and Hawaii (Table follows).

EMERGING BILLS PROGRAM CATEGORY

Location	Description	Dollars
ARMY		
Alaska:		
Fort Richardson	Sniper Range	3,650
Fort Richardson	Mission Support Training Facility	34,000
Fort Richardson	Multipurpose Training Range	14,800
Fort Wainwright	Combined Arms Collective Training Facility	24,000
Fort Wainwright	MOUT Upgrades	10,880
Fort Wainwright	Company Operations Facilities (2)	7,500
Fort Wainwright	Brigade Motor Pool Phase 2	32,000

## EMERGING BILLS PROGRAM CATEGORY—Continued

Location	Description	Dollars
Fort Wainwright .....	Ammunition Supply Point .....	13,000
Fort Wainwright .....	Battle Area Course .....	48,000
Hawaii:		
Schofield Barracks .....	Mission Support Training Facility .....	43,000
Schofield Barracks .....	Information Systems Facility .....	22,000
Washington: Fort Lewis .....	Arrival Departure Airfield Control Group .....	2,600
Worldwide: Various .....	Planning and Design .....	21,000

*Question.* What caused this delay in getting projects lined up for the interim brigades? Have you all fixed the problem?

*Answer.* The delay in the development of the total requirements was due to several factors. The announcement of the locations for IBCTs 3 through 6 occurred in July 2001. Since then, interim doctrinal development and lessons learned from training and fielding the first IBCTs has resulted in changing project requirements, particularly for Alaska and Hawaii. With a better opportunity to analyze specific installations' on-hand facilities against more developed IBCT requirements, additional requirements have emerged that are critical to support the fielding, training and sustaining these IBCTs.

The Army is fixing these problems. We are working to synchronize the Interim Force requirements process with the MILCON process and capture the refined facilities requirements to support fielding IBCTs 3 through 6. We are addressing these emerging requirements in the Army's program development for fiscal years 2004 through 2009. The Army is leveraging IBCT lessons learned to better plan and program the fielding of the Objective Force.

## PROJECT BID SAVINGS

*Question.* What is the Army's Policy towards MILCON bid or project savings generated in South Korea and Germany?

*Answer.* Construction contract bid savings or project savings need to be used wherever there is a justified MILCON program shortfall. The country, state or installation location that generated the savings is not a factor in the decision on where the savings will be used to fund an Army MCA shortfall.

*Question.* What are the policy implications to the rest of the MILCON program of maintaining bid savings in each state or country?

*Answer.* There would be an impact on the Army's ability to effectively manage and execute the MILCON program. Maintaining bid savings in each state or country might result in the eventual expiration of unexpended funds in areas with no requirement, reduction in required project scope in areas with no bid savings, or possible cancellation of projects where further scope reductions would impact the functionality of the facility.

## U.S. ARMY SOUTH RELOCATION

*Question.* Dr. Fiori, I understand that the Army is in the process of sending evaluation teams to five or six bases to determine their suitability to serve as the new home to U.S. Army South (USARSO). Will the criteria these installations be evaluated on include: Proximity to an international airport with direct flights to Central and South America? Abundant spousal employment opportunities? Existing infrastructure capable of absorbing USARSO, without the need for new construction?

*Answer.* Senator Hutchison, the Army is not currently evaluating any locations for a future home for USARSO. The Army is, however, studying the necessity of moving USARSO and a decision is expected soon. If a decision is made to move USARSO, criteria, to include such criteria as you mentioned in your question, will be developed and utilized in the process of reviewing possible relocation sites and in making a final selection.

## MILCON CUTS

*Question.* When I look closely at the proposed MILCON budget and break it out by state, I find that four of the states that received the lion's share of the cuts from previous budgets are California, Florida, Texas, and Hawaii. Am I to believe that this is coincidence that these states are heavily represented on the appropriations committees or can I conclude that the administration purposely under funded these

states with the intent that the committees would then take the role of making them "whole?"

Answer. The Army funds our priorities without respect to specific states, but with regards to where our most important requirements exist. The Army has identified certain facility types for focused investment. These facilities are our first priority for funding.

Our Permanent Party Barracks will be replaced or modernized to the new Army standard barracks of 1 + 1 by fiscal year 2008.

Strategic Mobility will be complete with this budget and a follow on Army Power Projection Program will apply additional funding to requirements that have been identified through new missions and changing force structure.

The Transformation of the Army requires significant facility investment at all impacted installations.

Ammunition (Chemical) Demilitarization supports the destruction of the U.S. stockpile of chemical weapons to reduce the risk to the communities surrounding the stockpile sites and is a major priority of the Army.

National Guard Army Division Redesign Study (ADRS) provides facilities for new wartime and domestic support requirements.

Critical C-3 and C-4 Facilities. We will focus also on critical categories of facilities in poor condition (vehicle maintenance shops, tactical equipment shops, general instruction buildings, Chapels, Reserve Centers, National Guard facilities, etc)

Last, is recapitalization of existing facilities. Our goal is to reach a 67 year cycle by 2010. We are currently on a 123 year cycle.

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QUESTIONS SUBMITTED TO MAJOR GENERAL JAMES R. HELMLY

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

ADEQUATE FUNDING FOR THE ARMY RESERVE

*Question.* The Army Reserve requirements and funding profile for fiscal year 2003 indicate that the President's budget request will meet just 26 percent of the Reserve's MILCON requirement. Do you consider that to be an adequate level of funding?

Answer. I consider the Army Reserve military construction funding to be adequate within the context of the fiscal year 2003 budget. The Army had some very difficult decisions to make in light of the events that took place last year. The need to fund the war on terrorism, military pay raises, Army transformation, OPTEMPO, increases in health care and other key programs were all included in the decisions leading to our budget request. Although the Army Reserve has other military construction projects we would like to see funded, the budget provides the best balance between all Army programs.

ANTI-TERRORISM/FORCE PROTECTION

*Question.* General Helmly and General Squier. I see no specific requests in the budgets of the reserve components addressing increased force protection requirements. However, understanding that this amount could be in the billions of dollars, the Army Guard has made an initial cut as to the amount that could be executed in the next fiscal year. I assume the USAR has a similar estimate. Would you please provide your estimated requirement for the Committee?

Answer. The Army Reserve estimates increased force protection MILCON requirements will cost \$13 million for fiscal year 2003. This estimate encompasses the resources required to consistently assess our force protection posture, fix deficiencies discovered during that process, secure our installations and Reserve centers, and replace the communication links necessary to gather intelligence and coordinate response plans.

QUALITY OF LIFE FOR MOBILIZED RESERVISTS

*Question.* With more Guardsmen and reservists employed full-time, what concrete efforts are being planned to address quality of life for these soldiers.

Answer. We have established a much more robust Family Support network to educate, assist and support soldiers' families on the requirements, responsibilities and entitlements associated with being mobilized and serving on active duty as well as demobilization and the soldiers' return to civilian work.

The OSD TRICARE demonstration which affords mobilized Reservists greater coverage and entitlements is a good step toward understanding and compensating for the health issues of the soldier and, more importantly, his or her family. Further

considerations to deal with any loss of health care and afford our Reserve family a true continuum of health care are ongoing.

Our Reservists continue to benefit from the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, and the work of the National Committee for Employer Support of the Guard and Reserve Ombudsman program.

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QUESTION SUBMITTED TO BRIGADIER GENERAL MICHAEL J. SQUIER

QUESTION SUBMITTED BY SENATOR DIANNE FEINSTEIN

ADEQUATE FUNDING FOR THE NATIONAL GUARD

*Question.* General Squier, the National Guard requirements and funding profile for fiscal year 2003 indicates that the President's budget request will meet only 14 percent of the Guard's MILCON requirement in fiscal year 2003. Do you consider this an adequate level of funding?

*Answer.* Last year, the Army made a down payment against their requirements to increase funding for both the Active and Reserve Component facilities. Unfortunately, the Army could not sustain that level this year due to higher Army priorities for transformation, mission and readiness.

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QUESTIONS SUBMITTED TO MAJOR GENERAL ROBERT L. VAN ANTWERP, JR.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

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Our Reservists continue to benefit from the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, and the work of the National Committee for Employer Support of the Guard and Reserve Ombudsman program.

UNFUNDED PRIORITIES

*Question.* General Van Antwerp: General Shinseki (Army Chief of Staff) reported last week that the Army has nearly \$9.5 billion in unfunded priorities for fiscal year 2003. What portion of that amount involves military construction?

*Answer.* The total MILCON identified in the unfunded priorities for fiscal year 2003 is \$621,871,000. The program categories are Facilities Revitalization and Emerging Bills.

*Question.* Would you please provide for the Committee a list of the Army's unfunded MILCON priorities?

*Answer.* The projects are listed below:

## FACILITIES REVITALIZATION PROGRAM CATEGORY

Location	Description	Dollars
<b>ARMY</b>		
Alaska: Fort Richardson .....	Mylar Window Glazing .....	1,115
Alabama: Anniston AD .....	Igloo Mods for THAAD .....	2,150
Colorado:		
Fort Carson .....	Multi-Purpose Machine Gun Range .....	2,700
Fort Carson .....	Arrival Departure Airfield Control Group & Ramp .....	50,000
District of Columbia:		
Walter Reed AMC .....	Physical Security, Main Section .....	3,450
Georgia:		
Fort Benning .....	Cantonment Fencing .....	14,600
Fort Gillem .....	Modified Record Fire/Combat Pistol Qual Course .....	4,400
Kansas:		
Fort Leavenworth .....	Cantonment Fencing .....	1,300
Fort Riley .....	Cantonment Fencing .....	7,000
Fort Riley .....	Combined Arms Collective Training Facility .....	27,000
Kentucky:		
Fort Campbell .....	Combined Arms Collective Training Facility .....	12,779
Fort Campbell .....	Shoot House .....	1,250
New York:		
Fort Drum .....	Combined Arms Collective Training Facility .....	14,500
Fort Drum .....	Parallel Taxiway .....	8,600
Fort Drum .....	Mountain Ramp and Hot Pad .....	15,000
North Carolina:		
Fort Bragg .....	Shoot House .....	1,250
Fort Bragg .....	Anti-Armor/Infantry Squad Battle Course .....	6,900
Oklahoma:		
Fort Sill .....	Railroad Equip/Engine Maintenance .....	2,100
McAlester AAP .....	Consolidated Shipping Center LCL .....	2,500
Texas:		
Fort Hood .....	Qualification Training Range .....	8,100
Fort Hood .....	Urban Assault Course .....	1,400
Fort Hood .....	Urban Assault Course .....	1,000
Washington:		
Fort Lewis .....	Guard House .....	15,500
Fort Lewis .....	Fencing .....	2,400
Fort Lewis .....	Shoot House .....	1,250
Germany: Grafenwoehr Training Area .....	Combined Arms Collective Training Facility .....	31,850
Kwajalein:		
Kwajalein .....	Vehicle Paint and Prep Shop .....	10,000
Kwajalein .....	Cover Raw Water Tanks .....	4,516
Puerto Rico: Roosevelt Roads .....	SOF Aircraft Maintenance Hangar .....	18,500
Worldwide: Various .....	Planning and Design .....	7,780
<b>ARMY RESERVE</b>		
California: Los Alamitos .....	Perimeter Security (fencing, gates, lighting, doors, camera, IDS), 63rd RSC.	1,773
Massachusetts: Devens .....	Upgrade and Installation of fencing, gates, lighting, gates, doors, camera, IDS), 94th RSC.	1,331
New York: Fort Totten .....	Upgrade and Installation of fencing, gates, lighting, gates, doors, camera, IDS), 77th RSC.	1,400
Pennsylvania: Oakdale .....	Upgrade and Installation of fencing, gates, lighting, gates, doors, camera, IDS), 99th RSC.	1,651
Utah: Salt Lake City .....	Upgrade and Installation of fencing, gates, lighting, gates, doors, camera, IDS), 96th RSC.	2,500
Washington: Seattle .....	Upgrade and Installation of fencing, gates, lighting, gates, doors, camera, IDS), 70th RSC.	2,235
Puerto Rico: Ft Buchanan .....	Upgrade and Installation of fencing, gates, lighting, gates, doors, camera, IDS), 65th RSC.	1,235
Worldwide: Various .....	Planning and Design .....	857
<b>NATIONAL GUARD</b>		
Arkansas:		
Camp Robinson .....	Cantonment Fencing .....	1,600

## FACILITIES REVITALIZATION PROGRAM CATEGORY—Continued

Location	Description	Dollars
Camp Robinson .....	Fence Training Areas .....	4,805
Fort Chaffee .....	Relocate Parking lots .....	2,000
Connecticut:		
Bradley Intl Airport .....	State Area Reserve Command (STARC) (-) and alt EOC. Install Force Protection.	2,300
Bristol Armory .....	State Area Reserve Command (STARC)—Install Force Protection.	1,900
Enfield Armory .....	Install Barriers, gates, fences .....	1,250
MTA Cp Rowland .....	Install Barriers, gates, fences .....	1,250
Illinois:		
Springfield .....	New Standoff Mail/Receiving Center .....	2,000
Springfield .....	New Entrance /Exit, Harden Guard Bldg .....	1,500
Indiana: Camp Atterbury .....	Installation Boundary Fence with Patrol Road .....	7,429
Kansas: Topeka .....	Inspection facility, & internal access lines .....	2,242
Maryland: Fifth Regiment Armory .....	State Headquarters (STARC) .....	1,200
New York:		
Latham STARC .....	Fencing, lighting, CCTV .....	2,500
Troy Armor/OMS .....	fencing, lighting, CCTV .....	1,500
New York .....	Relocate entrance, drive, guard house .....	1,500
North Dakota: Camp Grafton .....	Upgrade and harden perimeter Security Fence .....	1,500
South Dakota:		
Rapid City .....	Enhance site perimeter barriers & access gates, pro- vide guard houses.	2,500
SD, Sioux Falls .....	Barriers, Fencing .....	2,000
Tennessee: Smyrna .....	Replace fencing and Improve .....	1,802
Virginia: Fort Pickett .....	Install perimeter security .....	4,500
Worldwide: Various .....	Planning and Design .....	4,291

## EMERGING BILLS PROGRAM CATEGORY

Location	Description	Dollars
ARMY		
Alaska:		
Fort Richardson .....	Sniper Range .....	3,650
Fort Richardson .....	Mission Support Training Facility .....	34,000
Fort Richardson .....	Multipurpose Training Range .....	14,800
Fort Wainwright .....	Combined Arms Collective Training Facility ...	24,000
Fort Wainwright .....	MOUT Upgrades .....	10,880
Fort Wainwright .....	Company Operations Facilities (2) .....	7,500
Fort Wainwright .....	Brigade Motor Pool Phase 2 .....	32,000
Fort Wainwright .....	Ammunition Supply Point .....	13,000
Fort Wainwright .....	Battle Area Course .....	48,000
Hawaii:		
Schofield Barracks .....	Mission Support Training Facility .....	43,000
Schofield Barracks .....	Information Systems Facility .....	22,000
Washington: Fort Lewis .....	Arrival Departure Airfield Control Group .....	2,600
Worldwide: Various .....	Planning and Design .....	21,000

## INCREASING COSTS OF THE EFFICIENT BASING INITIATIVE IN EUROPE

*Question.* General Van Antwerp, I want to get a handle on the real costs and efficiencies of the Efficient Basing Initiatives—both East and South. I am told that the Efficient Basing effort in Grafenwoehr will cost \$70 million this year, another \$492 million in the future, and this doesn't include \$90 million for DODEA in Germany alone. That's a lot of cash. Plus, we're looking at almost \$35 million this year in Vicenza alone. Are there hidden outyear costs there?

Answer. We have identified all known costs for both initiatives and we have provided that information to various members and staff. If changes in costs or requirements occur we will continue to keep Congress informed.

*Efficient Basing East (Grafenwoehr).* The total construction costs are \$695 million, of which \$70 million is programmed in fiscal year 2003 as part of the Military Construction, Army (MCA) budget request, and the remaining requirement is split between Army (\$492 million), Military Construction, Defense-wide (MCD) (\$99 million) and planning and design. These non-Army construction requirements are for schools, medical facilities and Army and Air Force Exchange System facilities. There is no construction requirement for Army Family Housing (AFH) because our family housing requirements will be provided through Build to Lease facilities—currently estimated at \$34 million per year funded out of our AFH Operations account.

*Efficient Basing—South (Vicenza).* Construction requirements total \$53 million, of which \$39 million is funded in MCA and \$14 million is part of a larger MCD school expansion project (totaling \$17 million) to be programmed. Family housing requirements can be satisfied on the local economy.

*Question.* What is the bottom line? Is the Efficient Basing Initiative really efficient? Answer. The initiatives are necessary and efficient.

Efficient Basing—East consolidates a heavy Brigade Combat Team from 13 small, scattered installations to a single installation. It is good for soldiers, it will improve operations and training, and it saves money. Soldiers will be located next to their major training area, work in facilities built to support their job most efficiently and housed in modern barracks and family housing, properly sized and outfitted to today's standards. This initiative saves money because in the long run it is cheaper to build new in a single location than rehabilitate and refurbish old outmoded facilities in a dispersed World War II footprint.

Efficient Basing—South will increase forces in the NATO Southern Region and provide CINCEUCOM with more flexibility to deploy assets across the spectrum of military scenarios—it provides operational efficiencies rather than economic efficiencies. Vicenza was selected because of its robust support structure, availability of quality of life services and facilities, and least overall cost.

*Question.* I would like to see an analysis of the payout of this initiative.

Answer. For Efficient Basing East, an independent economic analysis (EA) is being conducted to determine savings and benefits. We will forward it to you when it is completed and reviewed by the Army. An initial estimate provided by US Army Europe indicates an approximate savings of \$12 million per year. As for Efficient Basing South, the initiative was based on military operational requirements rather than for base efficiencies.

#### ANTI-TERRORISM/FORCE PROTECTION

*Question.* MG Van Antwerp: Regarding Anti-Terrorism-Force Protection requirements following the events of September 11th, I would assume that the demand for increased force protection measures is great. Can you tell me how much of this demand was addressed in this year's budget request?

Answer. Due to the events of September 11th, approximately \$200 million from Defense Emergency Response Fund (DERF) Program Year 2001 was allocated to improve Access Control on military installations Army-wide. The fiscal year 2003 Budget Request contains \$691 million for DERF to be used for Military Construction and other Access Control Measures. If approved, it will provide equipment packages for Perimeter Access Control Points, Internal Limited Access Control Points and Cargo Inspection Points at mission essential vulnerable areas. Under "Combating Terrorism" within the fiscal year 2003 President's Budget there is over \$2.0 billion for Army Anti-Terrorism-Force Protection measures. The intent of funding these packages is to mitigate risk at entry points and reduce manpower requirements.

#### QUALITY OF LIFE FOR MOBILIZED RESERVISTS

*Question.* General Van Antwerp, with the recently declared "war on terrorism" the readiness of reservists is key to our success. We need modern ranges, training areas, and facilities that will allow all our service members the training and education they need. However, this disproportionate budget seems to be divided between "the haves and the have nots." If you do not address the service-wide needs of soldiers this year, what guarantee do the members of Congress have that they will be addressed in coming years?

Answer. The Army's military construction budget supports all Army soldiers, active and reserve. The Army has funded sustainment of our facilities at 92 percent for both active and reserve components' facilities inventory. Also, one-fourth of the projects in the active Army's military construction budget are available for joint use

with the Army National Guard and Reserve. The fiscal year 2003 Army Military Construction budget request includes several major programs and initiatives which are funded at higher percentages, for example: barracks (100 percent), strategic mobility (100 percent), transformation (100 percent), chemical demilitarization (100 percent), and Army National Guard Division Redesign (69 percent). After these, the Army funded all remaining revitalization requirements for the Active Army at 9 percent of requirements, for the Army National Guard at 9 percent, and for the Army Reserve at 26 percent. The Army is committed to addressing the needs of soldiers in all components of the Army equitably.

QUESTION SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

FORT BLISS—CAPACITY

*Question.* General VanAntwerp, as you are well aware, large land areas for maneuver training are at a premium in the U.S. and, because of this scarcity, their use needs to be maximized. I'm sure you are also aware that the Fort Bliss/White Sands training area is the largest in the U.S., yet there are no major maneuver forces permanently stationed at Fort Bliss. Do you see the movement of a division, or perhaps one of the Army's new Interim Brigade Combat Teams (IBCTs), to Fort Bliss to take advantage of this unmatched maneuver space?

*Answer.* Fort Bliss is home to a robust array of U.S. Army Air Defense Artillery units, schools, and related activities. The Air Defense Artillery Center and School trains Army air defenders and Army leaders with a host of courses and facilities. Major units include the 32nd Army Air and Missile Defense Command, four (4) Air Defense Brigade Headquarters and Headquarters Batteries, seven (7) Patriot Battalions, and seven (7) Maintenance Companies. Several of these units were relocated to Fort Bliss after 1995 to maximize Army usage of the range spaces there. Air defense missile firing requires a great amount of range space to safely conduct under realistic engagement conditions and distances, and Fort Bliss is well suited for this very mission.

Both Active Component and Reserve Component (both Army National Guard—from several states—and United States Army Reserve) units and personnel currently conduct extensive training exercises, mobilization activities, and support missions at Fort Bliss. Additionally, the Army staffs, equips, and jointly operates other United States Government elements at Fort Bliss such as Joint Task Force-6, Operation Alliance, and the El Paso Intelligence Center.

Fort Bliss, like all other installations, is being considered for future stationing options for different units. Each installation has its advantages and disadvantages, in terms of maneuver and range availability, power projection capacity, and installation support capacity. Fort Bliss is currently undergoing some important upgrade projects regarding the fielding of Theater High-Altitude Area Defense System (THAADs), and the installation will continue to meet the important needs of soldiers, civilian employees, and families.

SUBCOMMITTEE RECESS

Senator FEINSTEIN. All right. Does anybody else have anything they would like to bring to the attention of the committee?

If not, then, I thank you very much. This hearing is recessed.

[Whereupon, at 4:30 p.m., Tuesday, March 5, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

# **MILITARY CONSTRUCTION APPROPRIATIONS FOR FISCAL YEAR 2003**

**TUESDAY, MARCH 19, 2002**

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

The subcommittee met at 2:30 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Dianne Feinstein (chairman) presiding.

Present: Senator Feinstein.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE NAVY

**STATEMENT OF H.T. JOHNSON, ASSISTANT SECRETARY OF THE NAVY  
FOR INSTALLATION AND ENVIRONMENT**

**ACCOMPANIED BY:**

**REAR ADMIRAL DAVID D. PRUETT, CIVIL ENGINEER CORPS, USN,  
DIRECTOR, CIVIL ENGINEERING READINESS DIVISION, CHIEF OF  
NAVAL OPERATIONS**

**REAR ADMIRAL NOEL G. PRESTON, USNR, DEPUTY DIRECTOR OF  
NAVAL RESERVE**

**BRIGADIER GENERAL (SELECT) RONALD S. COLEMAN, USMC, DEP-  
UTY ASSISTANT COMMANDANT OF THE MARINE CORPS FOR IN-  
STALLATION AND LOGISTICS FACILITIES**

OPENING STATEMENT OF SENATOR DIANNE FEINSTEIN

Senator FEINSTEIN. I would like to call this meeting of the Military Construction Subcommittee of the Defense Appropriations Committee to order and I welcome our witnesses and members of the subcommittee. I am sorry the ranking member, Senator Hutchison of Texas, has an unavoidable commitment and cannot be here today. But we will proceed in any event. I want everybody to know that the Appropriations Committee has officially entered the cyber age and all our witnesses should know that the audio of our hearing is being broadcast live over the Internet. So the mikes are live at all times.

Today we are going to hear from representatives of the Navy and the Air Force on their respective 2003 military construction programs. The prepared statements of all the witnesses will be entered into the record in their entirety. So I will ask the witnesses to summarize their oral remarks and if you can do it within five minutes that is really wonderful and then we will have some time for questions. If you cannot, that is all right, too.

The total fiscal year 2003 budget request for military construction is slightly less than \$9 billion. Now that is a 15 percent drop from what Congress appropriated last year and, it is a 24 percent drop in active component military construction. When you break it down by service, the Navy's active military construction program is down 20 percent and the Air Force is down 48 percent.

For the reserve components, the Navy Reserve has level funding, while the Air Force Reserve is down almost 69 percent and the Air Guard is down nearly 75 percent. These are major reductions from last year and so I want these witnesses to know that this committee would like to support an adequate program for military construction. We have been concerned because the budget is cut so dramatically in military construction and as I said last time, I generally go by what the military believe they need in military construction to carry out their work. So I would encourage everybody to speak as frankly as you can.

#### BASE REALIGNMENT AND CLOSURE CLEANUP

At the last hearing, the military said they could live with these cuts. So I take them at their word. But last year the Navy and the Air Force submitted inadequate budget requests for their BRAC environmental cleanup programs and I want you to know that I appreciate the effort that both services put forth to help correct the situation.

Secretary Johnson, you in particular have been very helpful with the Hunter's Point shipyard problem and I appreciate that very much. Last year we were able to bail the services out on this environmental remediation of closed bases, but it is going to be very difficult to do so this year within the budget constraints. And I think we regard environmental cleanup as being a very vital part of the BRAC process. It is also the reason, or one of the major reasons, why base conversion has been so slow and so difficult.

Because the cleanup of many of these bases has been dramatically underestimated by the military and local jurisdictions that have the bases transitioned to them really cannot use them unless the cleanup is carried out, and of course they do not have the money on the local level to do the cleanup. So I believe very strongly when the services make promises to affected communities, those promises must be kept and so I look forward to hearing progress reports on the BRAC cleanup program today.

Let me begin by introducing panel number one. The Honorable H.T. Johnson, Assistant Secretary of the Navy for Installations and Environment; Rear Admiral David Pruett from the Chief of Naval Operations, Civil Engineer Corps; Rear Admiral Noel Preston, United States Navy Reserve; and Brigadier General Ronald Coleman, United States Marine Corps. I would ask each of you to summarize your statements if you can. We will put your whole statement in the record and let's begin now. Secretary Johnson. Welcome.

#### NAVY TESTIMONY

Mr. JOHNSON. Thank you. I am very pleased to be with you and you have introduced my partners and they are partners not only

in this hearing, but also working the MILCON and also taking care of our people in the Marine Corps and the Navy.

We would like to highlight a few items and we have many more in our statement, of course. We have done well in the current budget climate. The Department of Navy budget for installations overall is \$9.3 billion. A bit higher than the \$8.9 billion appropriated in 2002. We have tilted towards our top priority our sailors, Marines, their families and our civilian work force.

There is \$375 million for family housing construction and improvement. This is a 15 percent increase over this year's enacted levels. This will allow us to build 1,100 new homes and renovate some 31,000 existing homes—31 hundred—three thousand one hundred. We have also funded 4,400 new bachelor quarter homes for our single sailors and Marine Corps. Of these, 600 and—correction, 764 are for homes for our shipboard sailors.

We have 31,000 sailors who don't have a home except on the ship. This is lowest quality of life in the Department of Defense. We want to give them a home ashore by 2008. We have also added \$269 million to better sustain our existing facilities. This is 15 percent higher than this year's level.

Unfortunately as you mentioned, our active and reserve military construction request, MILCON, is \$948 million, 21 percent below this year's enacted level. This reflects the priorities that I mentioned keeping the balance across all of our Department of Navy priorities. There was some thought early on that we had anticipated a BRAC 2005. We have not. No one in the Department of Navy considered that and it is not part of our priority system. You mentioned cleanup, Madam Chair, but we have done very well. Last year you mentioned that you helped us a bit and we appreciate that. This year, we are using the funds that we got from the Congress. In the 2003, we are fully funded. And looking out, we are also funding all the requirements.

#### BASE CLOSURE CLEANUP

You mentioned that BRAC is very, very difficult and it is true. We never know exactly what is going to come up next. When you uncover a rock, you have to look under it and Hunter's Point is certainly one that you and I know very well. Every time we dig up a bucket full of dirt, we find something new.

Looking just at a few of our successes and some of our challenges, Mare Island, I am not sure if you know it or not, but the Governor just last week approved the transfer of the eastern parcel. That is some 668 acres—the industrial part of Mare Island. In fact, all of the industrial part has been transferred. There are 3,000 acres in the western parcel, which was wetlands. It is on the Governor's desk for approval. So very shortly we should have all of Mare Island completed.

This is a new approach. We gave the cleanup funding to the city and their contractor teammate for both the eastern sector, some \$78 million, and for the western sector a like amount. So Mare Island is fixed, if you will. Hunter's Point, we have forged a good relation good partnership under your tutelage with the mayor, the city, the local contractor and certainly the Department of Navy. We are anxious to integrate our cleanup with development.

We are very pleased at Tustin. We are about to transfer most of Tustin, but we keep some property for the Federal Government to sell. So we will make a little bit on Tustin. Oakland Naval Hospital, that is up for sale and that seems to be going well also.

Turning now to the part that our Secretary and Department focuses on is housing. As I believe you know, the Secretary of Defense accelerated the goal for having good homes for all of our family members from 2010 to 2007. The Navy service will make 2007. The Marine Corps will make it 2 years early in 2005, which is quite an accomplishment.

#### PUBLIC PRIVATE HOUSING PARTNERSHIPS

We also have some good news. We have been very successful at privatization and this has worked out very well for the Department of Navy. We have Public Private Partnerships at six locations for some 6,600 homes. We have another 1,800 homes at two locations underway—solicitations, and we have plans for 12,000 more at seven locations. That has worked very, very well and we get a good up front leverage and it is a self-sustaining entitlement for our sailors and Marines.

We believe we have real opportunity to use the privatization concept for bachelor housing and we are working that very hard. We are working on three pilots and we are working with your staff and other congressional committees to gain support for this concept. We are also pleased at what we have done in energy. We are concerned about our facilities, but we are also concerned about conserving our energy and utilities. The Department of Navy won two of four energy awards that were passed out by the Vice President last Fall. That is quite an accomplishment for our people and we are very proud of that. If I may turn it over to Admiral Pruett now ma'am?

Senator FEINSTEIN. Thanks, Mr. Secretary. Admiral?

Admiral PRUETT. Good afternoon, Madam Chairman. It is a pleasure to be before the committee to discuss the fiscal year 2003 MILCON budget request. I just have a couple of additional comments to amplify a couple of the areas mentioned by Secretary Johnson in his opening statement.

First of all and primary, mission accomplishment is what we call our main thing, but our people, of course, are our top priority. Truly both mission accomplishment and the people are inextricably linked. As Secretary Johnson discussed, we have over 31,000 sailors that are living on board ships while in home port and these sailors like all sailors in the Navy endure a very austere lifestyle aboard ship while underway on deployment. When the ships are in home port, we need to offer them a better place to call home. This is a major quality of service issue and we are programming and executing projects that will resolve this challenge, as the Secretary mentioned.

But we also need to come up with some more innovative ways to further expedite the housing of these shipboard sailors as well as our other eligible sailors ashore. This year's budget does have two projects for 764 shoreside sailor rooms for the junior sailors who would otherwise continue to live aboard the ship. Our goal is to have them off the ships while at home port, shore side living spaces by 2008. And this initiative will help lessen the divide with

regards to housing for our single sailors compared to our married sailors.

Next, protection of our people while at work and at home has of course taken on a paramount importance in the wake of the attacks of September 11. I want to assure you that our facility projects are designed to meet the latest anti-terrorism force protection engineering standards, and those include shatter resistant glass, building hardening, perimeter protection and structural reinforcing. We employ these standards based upon local conditions and our threat analyses.

Quality facilities and infrastructure are an integral component of our readiness. Our installations serve as our launch platforms from which our sailors and Marines deploy to execute their mission, while their families remain behind. These are the places where our sailors, Marines and their families live, work, train and relax. We do remain committed to assure readiness even though as you've mentioned, we have a smaller MILCON budget this year.

There are no quick fixes and we must stay the course and look at our available funding, continue to balance it across the different facility accounts. First of all, we need to sustain our facilities. This is with what we call our SRM budget—Sustainment, Restoration and Modernization budget, to stop the growth of C3 and C4 deficiencies. And we need to correct those deficiencies and then achieve this recapitalization rate goal of 67 years.

The continued support by the Congress and the administration over the long term is vital to improving the condition of our facilities in order to support the fleet readiness both now and in the future.

#### PREPARED STATEMENT

So I sincerely thank you for your continued support that this committee and your staff have given the Navy and Marine Corps team. In closing, I will just leave you with a thought. I started out saying mission was our main thing, people are our top priority, but you could say mission first, people always. Thank you ma'am.

[The statement follows:]

#### PREPARED STATEMENT OF H.T. JOHNSON

Madam Chairwoman and members of the Committee, I am H. T. Johnson, Assistant Secretary of the Navy (Installations and Environment). I appreciate the opportunity to speak to you today on the Department of the Navy's shore infrastructure.

We are all justifiably proud of the way this Nation's military forces have responded to the September 11 terrorist acts in New York, Pennsylvania and Washington DC. From providing increased security for homeland defense at airports and port facilities against future potential threats, Tomahawk cruise missiles fired from ships and submarines, and carrier-based Navy and Marine Corps aircraft providing 80 percent of the combat sorties over Afghanistan, Sailors and Marines have served proudly and with distinction to eliminate terrorist threats in what was previously considered a landlocked sanctuary. In "Operation Enduring Freedom" and the global "War on Terrorism," on-station Naval Forces were first to respond, first to fight, first to secure U.S. interests.

It takes highly trained and motivated individuals, using advanced technologies and weapon systems, to successfully pursue U.S. military objectives. Our bases and stations provide direct and indirect support to forward-deployed Naval Forces. Perhaps more importantly, such installations are the means by which Naval forces are formed, trained, maintained, and housed. And our environmental programs help ensure our continued use of military training areas on land and at sea, while also complying with national and international environmental standards.

The Secretary of the Navy has repeatedly said people are our most important asset. Military pay and benefits are obviously important. But members of this Committee know that a modern, well maintained infrastructure is a very strong "people" program; it's the pier, the hangar, the warehouse, where Sailors, Marines, civilian employees and contractors report to work; it's the classroom, the training range where they learn and hone their skills; it's the nice home in a good neighborhood where our military members and their families live. It's also the commitment to effective safety and occupational health programs that protects them from the daily hazards they face, whether on the job or off. The military mission is inherently a dangerous one. Whether it is training for the mission, carrying out the mission, or preparing the weapons and weapon systems that may be employed, we need to, and are, pursuing a vision of zero mishaps for the future by institutionalizing operational risk management, embracing best business practices, and adopting key safety technologies.

I will begin by summarizing our fiscal year 2003 budget request, and follow with more details in each program area.

THE FISCAL YEAR 2003 BUDGET

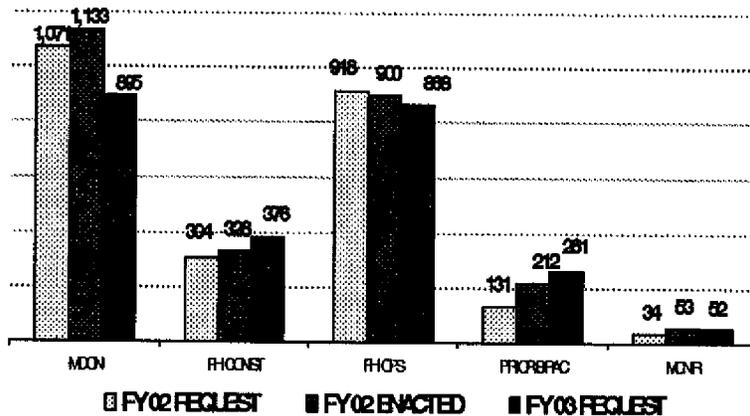
*Shore Infrastructure Budget*

The Department of the Navy shore infrastructure budget includes these appropriations: Military Construction, Navy; Military Construction, Naval Reserve; Family Housing, Navy and Marine Corps; Base Realignment and Closure; and the Operations and Maintenance accounts which provide base support and Sustainment, Restoration and Modernization.

**NAVY/MARINE CORPS MILCON PROGRAM**

**FY 2003 PROGRAM COMPARED WITH FY 2002**

(\$M)



Our fiscal year 2003 infrastructure budget request continues the progress we have made in last year's budget. Our budget request of \$9.3 billion represents a 4.5 percent increase over the enacted fiscal year 2002 level of \$8.9 billion. While maintaining the overall forward momentum, we have emphasized housing and the sustainment of our existing facilities, consistent with the priorities of the Secretary of Defense, the Secretary of the Navy, the Chief of Naval Operations, and the Commandant of the Marine Corps. There are notable gains in these areas.

## FISCAL YEAR 2003 DON FAMILY HOUSING CONSTRUCTION

Location	Homes	Millions of dollars
Construction:		
Lemoore, CA .....	178	<sup>1</sup> \$41.0
New London, CT .....	100	<sup>1</sup> 24.4
Mayport, FL .....	1	0.3
Meridian, MS .....	56	<sup>1</sup> 9.8
Larissa, GR .....	2	1.2
St. Mawgan, UK .....	62	18.5
Twentynine Palms, CA .....	76	<sup>1</sup> 19.4
Kaneohe Bay, HI .....	65	<sup>1</sup> 24.8
Camp Lejeune, NC .....	317	<sup>1</sup> 43.7
Quantico, VA .....	290	<sup>1</sup> 41.8
Improvements (Various Locations):		
Navy .....	2,928	123.9
Marine Corps .....	209	15.6
Planning & Design .....		11.3
<b>Total Construction</b> .....	<b>4,284</b>	<b>375.7</b>

<sup>1</sup> Replacement construction.

Housing is a cornerstone of our efforts. The fiscal year 2003 family housing construction request totals \$376 million, a 15 percent increase over the fiscal year 2002 enacted level of \$328 million. This funding will allow us to build 1,147 new homes (all but 65 are replacement construction) and renovate 3,137 existing homes. Included in this improvement request is \$33 million for privatization at Pearl Harbor, HI. Our family housing operations and maintenance request totals \$868 million, a 4 percent reduction below the fiscal year 2002 enacted level. This reduction is due to a net reduction of approximately 5,000 government owned homes, primarily the result of privatization efforts.

Our military construction request for the active component totals \$895 million, consisting of 43 Navy and 19 Marine Corps projects. The facts are that there are other pressing requirements, most of which are associated with the conduct of the war on terrorism. After the September 11 attack, the Department was required to make some difficult choices to pursue the war on terrorism. The Secretary had to achieve balance across many competing needs. This military construction budget request is the second largest in 6 years. It is exceeded only by our fiscal year 2002 request, and is considerably larger than previous requests. We are planning to use some of the funds allocated for anti-terrorism/force protection (AT/FP) from the Defense Emergency Response Fund toward military infrastructure. These additional funds are not included in any tables or other discussion in this statement.

## MILITARY CONSTRUCTION NAVY

Type of facility	Navy		Marine Corps	
	No. of projects	Millions of dollars	No. of projects	Millions of dollars
Quality of Life .....	12	\$270	6	\$73
Operational .....	15	118	1	3
Training .....	1	6	2	10
Maintenance/Storage .....	3	63	8	75
Utilities .....	2	34	1	5
RDT&E .....	1	9		

Nearly three-quarters of the military construction request is for restoration and modernization projects. Consistent with our focus on solving housing needs, the active military construction request includes a robust bachelor housing effort totaling \$275 million to construct, improve and replace 4,360 bachelor-enlisted quarters beds. There is also \$69 million for six Navy and two Marine Corps quality of life projects, including fitness centers and dining facilities. We have included \$69 million for planning and design efforts, and raised our request for unspecified minor construction to \$23 million under the expectation that further AT/FP efforts will be needed.

Our Military Construction, Reserve request totals \$52 million, about the same as the fiscal year 2002 enacted level. There are six Navy (including a bachelor enlisted quarters for 92 spaces) and three Marine Corps projects totaling \$48 million, \$2.5 million for planning and design, and \$1 million for unspecified minor construction.

Our prior Base Realignment and Closure (BRAC) request totals \$259 million, a 20 percent increase over the fiscal year 2002 enacted level of \$215 million. This funding supports caretaker functions and cleanup of contamination at base closures under the four previous rounds (i.e., BRAC 1988, BRAC 1991, BRAC 1993, and BRAC 1995). This request meets all current regulator and community expectations for cleanup at our BRAC bases. I am pleased to report we have resolved our fiscal year 2002 shortfall as a result of the additional funds provided by Congress, the availability of land sale revenue, and the use of prior year BRAC funds which we have determined are no longer needed for their original intended purpose. These prior year BRAC funds are being reallocated to fund fiscal year 2002 BRAC cleanup needs.

Our Sustainment, Restoration and Modernization (SRM) funded by Operations and Maintenance accounts request totals \$2,066 million, a 15 percent increase over the fiscal year 2002 enacted level of \$1,797 million. This \$269 million increase in funding allows the Marine Corps to achieve 92 percent, and Navy 84 percent, of the sustainment requirement for the existing facilities inventory based on the current requirements model. This provides the highest level of sustainment funding achieved using this metric, considerably higher than the estimated 80 percent for Marine Corps in fiscal 2002, and the estimated 71 percent Navy average over the three previous years.

I would now like to address specific program areas in more detail:

#### HOUSING

We have two overarching housing principles:

- Our Sailors and Marines, and their families, are entitled to quality homes; and
- Housing that we provide, either directly through ownership or indirectly through privatization, must be self-sustaining over the long term. “Self-sustaining” means that we must ensure that the resources are there to operate, maintain, and recapitalize the home throughout its life.

#### *Family Housing*

Our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector.*—We rely first on the local community to provide housing for our Sailors, Marines, and their families. Three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community. Our bases have housing referral offices to help newly arriving families find suitable homes in the community.
- Private Financing through 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 and meet our housing needs, in part, through the use of private sector capital. These authorities, which I like to think of in terms of public/private partnerships, allow us to leverage our own resources and provide better housing faster to our families. We are aggressively seeking additional opportunities to meet our housing needs through the use of PPVs.
- Military Construction.*—Military construction will continue to be used where PPV authorities don't apply (such as overseas) or where they don't make financial sense for the Department.

Some years ago, the Secretary of Defense established a goal to eliminate inadequate military family housing units by fiscal 2010. Secretary Rumsfeld recently accelerated that goal by 3 years, to fiscal year 2007. Through a combination of increased funding and increased use of PPV authorities, I am pleased to say that the Navy and Marine Corps have stepped up to the challenge: the Navy will meet the Office of the Secretary of Defense (OSD) goal and eliminate their inadequate family housing by fiscal year 2007. The Marine Corps will exceed the goal and eliminate their inadequate housing by fiscal year 2005.

#### *Bachelor Housing*

Our budget request continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. While we are nearing the achievement of our goal for improving family housing, our track record in addressing the housing needs of our single members has been uneven. One of our top priorities is to focus attention and resources on improving bachelor housing. There are three challenges:

—*Provide Homes Ashore for our Shipboard Sailors.*—There are approximately 31,000 Sailors worldwide who are required to live aboard ship even while in homeport. This situation is unacceptable. The recent change in law allowing E4s to receive BAH is a step in the right direction. Under current levels of funding, the Navy estimates that it will be able to achieve its “homeport ashore” initiative by fiscal year 2008. Our fiscal year 2003 budget includes two “homeport ashore” projects that will provide homes ashore to 764 shipboard Sailors at Norfolk, VA and Bremerton, WA. Through continued emphasis on military construction and the use of private financing authorities for bachelor housing, I strongly believe we can, and must, do even better.

—*Ensure our Barracks Meet Today’s Standards for Privacy.* We are continuing our efforts to construct new and modernize existing barracks to provide increased privacy to our single Sailors and Marines. The Navy applies the “1+1” standard for permanent party barracks. Under this standard, each single junior Sailor has his or her own sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to adopt a “2+0” configuration where two junior Marines share a room with a bath. Both configurations allow for more private quarters for our senior Sailors and Marines. Our fiscal year 2003 request reflects a recent change in OSD criteria that gives the Services flexibility to adjust the proportion of living area and common space within an overall limitation of 66 square meters (710 square feet) per module. The Navy will achieve these barracks construction standards by fiscal year 2013; the Marine Corps by fiscal year 2010.

#### DON BARRACKS CONSTRUCTION REQUEST

Location	Spaces	Millions of dollars
NS Norfolk, VA .....	500	<sup>1</sup> \$37.3
NAF Andrews, MD .....	120	9.7
NTC Great Lakes, IL .....	1,056	43.4
NTC Great Lakes, IL .....	1,056	41.7
NWS Yorktown, VA .....	168	15.0
JHCS Larissa, GR .....	40	14.8
CNM Guam .....	72	13.4
NS Bremerton, WA .....	264	<sup>1</sup> 35.1
NAS Atlanta, GA .....	92	6.7
MCB Camp Pendleton, CA .....	400	23.2
MCAGCC 29 Palms, CA .....	384	25.8
MCB Quantico, VA .....	200	10.3
MCB Quantico, VA .....	100	5.0
<b>Total .....</b>	<b>4,452</b>	<b>281.5</b>

<sup>1</sup> Homeport Ashore. Family Housing Privatization

—*Eliminate gang heads.* The Navy and Marine Corps remain on track to eliminate the inadequate barracks with gang heads for permanent party personnel <sup>1</sup>. The Navy will achieve this goal by fiscal year 2008; the Marines by fiscal year 2005.

#### Family Housing Privatization

We are using a two-step approach for PPV. The first step (Request for Qualifications (RFQ) phase) allows a list of proposers to be narrowed to those who are judged to be highly qualified on the basis of their experience, financial capabilities, and vision for meeting our needs. Those proposers judged to be “highly qualified” (typically four to six) are then invited to submit technical and financial proposals to achieve our project objectives. We then select a preferred developer with whom we enter into exclusive negotiations. In all PPV projects, we have established the following objectives:

- Self-sustaining projects that provide for necessary recapitalization over the long-term without additional infusions of cash;
- A legally recognized voice in key decisions made over the life of the agreement;
- Flexibility to accommodate unforeseen changes over the life of the agreement;
- and

<sup>1</sup> Gang heads remain acceptable for recruits and trainees.

—Protection of Government interests and minimization of Government exposure in case of default, poor performance, or non-performance.

*DON Family Housing Privatization—Project Awarded*

<i>Location</i>	<i>No. of homes</i>
Corpus Christi/Ingleside/Kingsville, TX .....	404
Everett, WA .....	185
Kingsville (II), TX .....	150
Everett (II), WA .....	288
San Diego, CA .....	3,248
New Orleans, LA .....	935
South Texas, TX .....	661
Camp Pendleton, CA .....	712
<b>Total Awarded .....</b>	<b>6,583</b>

We have now awarded eight PPV projects totaling 6,583 homes. Through the use of these authorities we have leveraged \$135 million in DON funds with \$478 million in private sector capital for a combined investment of \$613 million in homes for our Sailors, Marines and their families. We have effectively expanded our buying power by stimulating over \$4.50 of construction for each \$1.00 we have contributed. We currently have two additional projects in procurement (not yet awarded) and another eight projects in planning. All told, the projects, either in procurement or planning, total 13,792 homes.

*DON Family Housing Privatization—Projects in Process*

	<i>No. of homes</i>
<b>In Procurement:</b>	
Beaufort/Parris Island, SC .....	1,165
Stewart Army Subpost, NY .....	171
<b>Total in Procurement .....</b>	<b>1,836</b>
<b>In Planning:</b>	
Northeast Region .....	564
Lakehurst, NJ .....	212
Oahu Regional, HI .....	1,978
Mid-South, TN .....	626
San Diego (II), CA .....	4,981
Hampton Roads, VA .....	(1)
Camp Pendleton (II), CA .....	3,595
<b>Total in Planning .....</b>	<b>11,959</b>

<sup>1</sup>To be determined.

*Private Financing Alternatives for Bachelor Housing*

I believe that there are real opportunities for applying PPV authorities to our barracks needs. We held an industry forum last November with developers, lenders, and property managers. We learned that there is a potential to use private sector financing to improve bachelor housing. We are developing three bachelor housing pilot projects—Hampton Roads, VA; Camp Pendleton, CA (Del Mar); and Quantico, VA (Basic School). We look forward to bringing these proposals to the Committees in the near future.

*Housing Issues*

We appreciate Congress extending the military housing public/private venture authorities to 2012. DOD is considering additional legislative changes to improve our efforts in family housing and remove obstacles for the application of these authorities to bachelor housing, such as combining family and bachelor housing privatization accounts into a single fund to facilitate joint projects.

FACILITIES

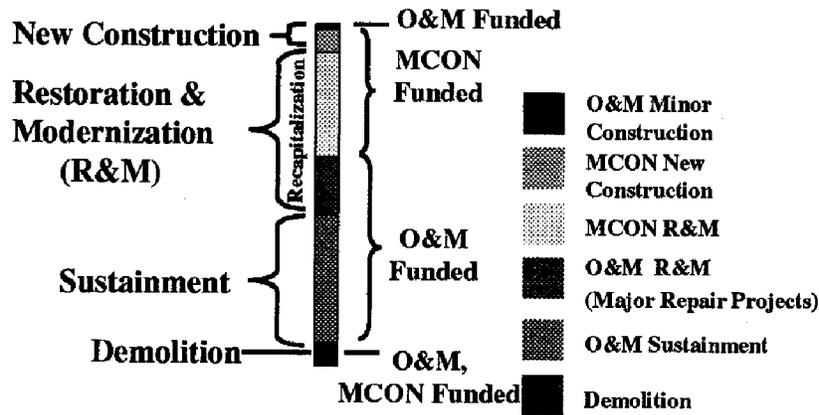
*Sustainment, Restoration and Modernization*

With this budget, the DON is implementing the new DOD methodology for facilities maintenance and repair. "Sustainment" is the amount of funding required for scheduled maintenance and facility component repairs over the expected service life of the facility. It does not improve the condition or readiness of the facility. It is

calculated using the DOD Facilities Sustainment Model (FSM), which considers facilities quantity data (most often square feet), and unit cost factors (most often dollars per square foot) derived from private industry. The calculated sustainment requirement is unique to the DON infrastructure inventory and adds, consistency and audit ability in determining our requirement. FSM projects inventory gains (new construction) and losses (demolition, privatization, excess facilities) to arrive at a total sustainment requirement. The sustainment metric is the percentage funded of the FSM generated requirement. While competing budget pressures precluded us from doing better, this budget request meets more than 85 percent of the Department of Navy FSM calculated requirement—much better than in previous years.

“Restoration and Modernization (R&M)” is the portion of SRM that goes beyond sustainment to improve the condition and readiness of the facility, using Operations and Maintenance as well as military construction funds. The O&M funds help to correct poorly rated facilities and to recapitalize the inventory. R&M requirements are based on an investment level to achieve a DOD average 67 year recapitalization rate, with all facilities satisfactorily sustained. Over the FYDP, R&M (O&M and MILCON) is funded to eliminate facility deficiencies by 2013. The fiscal year 2003 recapitalization rate is 122 years and the FYDP (03–07) average is 83 years.

## Elements of Total Facility Investment



### *Anti-terrorism/Force Protection*

Every installation has increased its security posture since the attacks of September 11. Additional security personnel, technology (security systems, detection devices), security fencing, barriers, security boats, and training are being used to enhance our AT/FP posture. The SRM budget includes \$147 million in AT/FP projects. These measures include shatter resistant windows, structural reinforcement, and building hardening.

The military construction budget request has incorporated AT/FP measures within the scope of each project, where appropriate. These measures include standoff distances, shatter resistant windows, structural reinforcement and building hardening. These features account for \$17.5 million within the projects requested in the fiscal year 2003 MILCON program.

There are seven military construction projects totaling \$107 million that support specific AT/FP enhancements and/or improvements. These projects were identified after the September 11 attacks:

- Advanced Explosive Ordnance Disposal Training Facility, Eglin AFB, FL—\$6.4 million.
- Shoreline Security Fencing, Naval Station, Norfolk, VA—\$2.0 million.
- Installation Services Support Center, Naval Support Activity, Bahrain—\$26.0 million.

- Parking Garage and Perimeter Security Upgrade, Naval Air Station, Sigonella, Italy—\$19.6 million.
- AT/FP Improvements, Naval Shipyard, Kittery, ME—\$11.6 million.
- AT/FP Improvements, Naval Shipyard, Portsmouth, VA—\$19.7 million.
- AT/FP Improvements, Naval Shipyard, Puget Sound, Bremerton, WA—\$21.7 million.

#### *Building Demolition*

Our centralized demolition program remains a success story. Defense Reform Initiative Directive 36 directed the Navy and Marine Corps to dispose of excess facilities over the period of fiscal year 1998 through fiscal year 2002. Navy will exceed its goal of 9.1 million square feet (MSF) in fiscal year 2002. The Marine Corps met its goal of 2.1 MSF in fiscal year 2000. Both Services will continue the demolition program. Our fiscal year 2003 budget request continues this effort, with Navy planning to spend \$42 million on 50 projects to demolish 2.0 MSF and Marine Corps planning to spend \$5 million on 15 projects to demolish 0.5 MSF. The Navy has expanded the use of the central account funds to allow limited relocation and repair costs to consolidate functions before demolishing the vacated building. These actions will eliminate obsolete excess facilities, and further reduce SRM needs.

#### *Energy and Utilities Privatization*

To comply with Executive Order 13123 goals, Federal agencies must reduce energy consumption 30 percent by fiscal year 2005 and 35 percent by fiscal year 2010, using fiscal year 1985 as the baseline. I am pleased to report that we have reduced consumption by nearly 25 percent through fiscal year 2001, exceeding our target of 24 percent. To meet these goals, we are implementing energy efficient technologies, conducting energy awareness programs, and using private sector expertise. I am delighted that the DON energy program received two of the four government wide Presidential Energy Awards presented by the Vice President at a Ceremony on October 18, 2001.

We are also expanding the use of geothermal energy production at Naval Air Warfare Center China Lake, CA and Naval Air Station Fallon, NV. This gives us a cost efficient method to use private sector financing to generate additional energy in the western U.S. while using our land for military training needs.

Defense Reform Initiative Directive 49 directed the Services to privatize their natural gas, water, wastewater and electrical systems except where uneconomical or where precluded by unique security reasons. Privatization is expected to reduce total ownership costs while upgrading the reliability of our utility systems. The DON is continuing efforts to privatize, where economically beneficial, 704 systems at 122 activities worldwide by fiscal year 2005. Proposals are now being evaluated to privatize utility systems at the Marine Corps base at 29 Palms, CA and Navy and Marine Corps installations in the Great Lakes and Washington, DC regions.

#### *Facilities Issues*

The DOD is considering a number of facilities related proposals, including:

- Reduction in long-term facility maintenance costs.*—Expands the demonstration program under Section 2814 of the fiscal year 2002 National Defense Authorization Bill, now limited to the Army, to allow a single contractor to design, build, operate and maintain facilities funded with military construction funds. It would allow additional demonstration projects that seek to reduce life cycle costs for facilities within the DOD.
- Conveyance of surplus real property for natural resource conservation purposes.*—Allows the transfer of environmentally sensitive property with endangered species habitat to a non-governmental organization. This type of property can now only be transferred to governmental entities. This proposal would expand the field of potential recipients, expanding the opportunity to dispose of excess property that has limited commercial development potential.
- Amend 10 USC 2810 Construction Projects for Environmental Response Actions.*—Based on Congress' new definition of repair, the Services are not able to continue to define environmental restoration of soil as repair. The unintended consequence of this redefinition is that these cleanups would have to be classified as MILCON, with all of the necessary approvals inherent with that funding source. This proposal would return the status of environmental restoration projects as repair and allow these cleanup projects to be funded from the Environmental Restoration accounts in the DOD Appropriations Bill. Notification would be submitted for projects estimated over \$10 million.

## PRIOR BASE REALIGNMENT AND CLOSURE

*Status*

We are now in the home stretch to complete environmental cleanup and property disposal from the four prior rounds of BRAC, 1988 under Public Law 100-526 and 1991, 1993, and 1995 under Public Law 101-510. We were authorized to implement a total of 178 actions consisting of 46 major closures, 89 minor closures, and 43 realignments. We have completed closure and realignment of all bases except one move from leased space to government owned space.

Our focus is now on cleanup and property disposals for 595 parcels at 90 installations. I am pleased to report that to date we have transferred 354 parcels comprising over 69,000 acres. Conveyance actions are complete at 60 of the 90 installations. Still to go are 241 parcels at 30 installations. Completing environmental cleanup is generally the critical path to conveyance. The fiscal year 2003 budget is sufficient to meet all regulator requirements and commitments to local redevelopment authorities.

## FISCAL YEAR 2001 BRAC HIGHLIGHTS

Cecil Field, FL: 29 acre parcel transferred to the city of Jacksonville, FL with no-cost economic development authority. Of the 17,037 acres, just 768 acres remain to be conveyed.

Trenton, NJ: final 27 acres of the former Naval Air Warfare Center was sold for \$1.2 million.

Long Beach, CA: 323 acres transferred to the City of Long Beach under a Port Public Benefit Conveyance. Of the original 1,483 acres, only 235 acres remain to be conveyed.

El Toro, CA: 901 acres conveyed to the Federal Aviation Administration.

Barbers Point, HI: 148 acres transferred to the Hawaii National Guard.

Philadelphia, PA: the last 2.9 acres of the Naval Complex were conveyed to the Philadelphia Authority for Industrial Development.

Perth Amboy, NJ: 3 acres of the former Naval Reserve Center were sold for \$1 million.

*A look ahead*

We have ambitious plans for property disposals during the remainder of fiscal year 2002 and into fiscal year 2003. At Mare Island we have signed early transfer agreements that will convey approximately 3,670 acres to the City of Vallejo and the State of California for economic use and development. At Hunters Point, the Secretary of the Navy signed an agreement with the City of San Francisco to work with a public/private partnership to accelerate the conveyance of this property. And at the former Oakland Naval Hospital, we have initiated action with the General Services Administration to sell the 174-acre property by public sale. We are nearing conveyance of the final parcels at each of the following locations: Annapolis, Long Beach, Louisville, Naval Activities Guam, New London, and Orlando, with another seven locations working toward planned transfer in fiscal year 2003.

## CONCLUSION

In conclusion, I believe our infrastructure is well positioned for the future. We are accelerating the solution to long-standing housing shortfalls for Navy and Marine Corps families and enlisted personnel. We are making real progress on family housing PPV, and look to apply these tools to bachelor housing. Funding to support our prior BRAC efforts is on track, and we have a strong environmental cleanup and property disposal plan for this year and next.

This concludes my statement. I look forward to working with the Committee and staff to best support our Sailors, Marines, and our Nation.

Senator FEINSTEIN. Thank you very much. Appreciate it. Admiral Preston and then General?

This was a Marine Corps team, Madam Chairman.

That is a good answer. Very diplomatic. Please proceed, Admiral.

Admiral PRESTON. Madam Chairman, thank you for giving me the opportunity to come here today and represent Vice Admiral Totushek—

Senator FEINSTEIN. Can you pull the mike a little closer and speak directly into it? Great.

Admiral PRESTON. Thank you for giving me the opportunity to come and represent Vice Admiral Totushek, the Director of the Naval Reserve and our some 88,000 Naval Reservists that we have serving our country. First I would like to thank you for your support in fiscal year 2002. Congress provided the Naval and Marine Corps reserve some \$53 million in budget request and adds to support our Sailors and our reserve Marines as they accomplish our Nation's missions and we thank you very much for that.

Our budget for fiscal year 2003 is almost the same. It totals approximately \$52 million of which \$36 million is for Naval reserve projects. We believe that these projects are well aligned to the Chief of Naval Operations and Admiral Totushek's top priorities for our naval reserve manpower and readiness.

I will keep it short. Again, thank you for giving me the opportunity to speak today and thank you for the support you have provided to our reserve Sailors and Marines.

Senator FEINSTEIN. Thank you very much. Just a point of clarification, did you say that the Naval Reserve budget totals \$56 million this year?

Admiral PRESTON. If I did, I misspoke. It should be \$52 million for Naval and Marine Corps.

Senator FEINSTEIN. Yeah, \$51.5 million exactly.

Admiral PRESTON. Yes, ma'am.

Senator FEINSTEIN. Okay. Thank you. General, welcome.

General COLEMAN. Yes, ma'am.

Senator FEINSTEIN. General Coleman.

General COLEMAN. Thank you very much, ma'am. Ma'am, I would like to thank you for allowing us here this afternoon and tell you it is a pleasure to appear before you. Top line constraints over most of the last decade forced us to defer investment in areas that did not have an immediate impact on near-term readiness, such as investment in military construction, family housing and maintenance of our existing facilities. We sustained our combat readiness at the expense of construction because we had no other option.

These were painful decisions because ultimately combat readiness is more than just a well-trained and equipped Marine. I have been fortunate to visit all of our Marine Corps bases and have spoken with many of our Marines and their families. I am pleased to report that they are more optimistic than at any time in the past.

Family housing, bachelor housing and operational facilities construction supported by this committee has finally begun to become visible on Marine Corps installations. Our fiscal year 2003 military construction family housing and reserve budget provides over \$500 million. Our proposals will support most of our urgent requirements for readiness and quality of life construction.

Overall our program will continue to provide in excess of \$50 million for new barracks and construction. I am happy to report that in fiscal year 2003, the administration supported the Commandant's request to increase family housing construction funding by 19 percent over fiscal year 2002. In fiscal year 2003, all these projects continue to focus on our enlisted Marines.

Every dollar you spend for our facilities is an investment that pays long-term dividends in readiness, retention and mission accomplishment. The Marine Corps thanks you for your support, ma'am.

Senator FEINSTEIN. Thank you very much, General Coleman.

I will begin with the questions now. Secretary Johnson, the Navy's budget is reduced over 20 percent from last year's enacted budget. Admiral Blair, the Pacific Command Commander, recently told a House Subcommittee and I quote, "We can't sustain forever. MILCON is usually last on the list of priorities." Given this statement from a Commander that controls more of the globe than any other CINC, how do you justify a request 20 percent lower than the previous year?

Mr. JOHNSON. Certainly we would like to have had the opportunity to take care of more of his and other people's desires. We looked at the overall requirements for the Department of Navy and Department of Defense. As I mentioned earlier, our overall infrastructure installation budget has gone up.

The MILCON is down the 20 percent you talked about, but the family housing is up 15 percent and bachelor housing. So overall for the installations, we have done pretty well. We have not done as well as we did last year. In military construction alone, last year was a very good year. This is the second best year in the past six, exceeded only by last year.

Senator FEINSTEIN. Admiral Pruett, do you consider this request adequate?

Admiral PRUETT. Yes, ma'am. I think our emphasis is and I am sure you may have—staffs may have briefed you or you have other information on the OSD facility sustainment model, we are taking an approach where we have some very good metrics. The Secretary mentioned that we have been using this model for the first time this year and we are focusing on funding sustainment of the facilities and sustainment so that they do not further deteriorate. And that has caused some increase in that part of our installations funding. Also base operating support, which sometimes eats into our sustainment funding, is funded at a better level this year. So I think that our focus from here should be to improve on what we do to take care of C3 and C4 deficiencies.

#### FLAG OFFICER HOUSING

Senator FEINSTEIN. All right. While you are answering questions, let me ask you one more. I would like to begin by saying that I think the Navy is to be commended for its efforts to eliminate inadequate family housing by 2007 and the Marine Corps for your 2005 goal. I have a question though regarding a \$1.2 million request for two general officer quarters in Italy. Can you tell us what that is all about?

Admiral PRUETT. Yes, ma'am. There is a new NATO joint command headquarters in South Central Europe. The Navy has been designated by EUCOM as the administrative agent. Typically, the projects that are funded by the U.S. for NATO installations are the administrative and support type facilities, whereas NATO funds the operational facilities. This project is for two flag officers who are in high risk billets. The project builds two 3,000 square foot

homes. There's a high geographic area cost factor of about one and a quarter. The fact that it is just two projects does not give us much economy of scale.

We do have some added cost because there is a requirement to manufacture and factory build housing using U.S. firms and then ship to the project site. And in this particular location, I do not have some of the specifics, but there is a significant cost in utility mains and site improvements. But the cost really is seismic bracing, safe haven rooms and other force protection types of issues.

Senator FEINSTEIN. Is this on-base housing?

Admiral PRUETT. Yes, ma'am. It is in the compound that is being constructed.

Senator FEINSTEIN. And you need all the special security requirements for on-base housing?

Admiral PRUETT. Well, the safe haven rooms are a requirement as we understand it, and the seismic bracing is another piece of it, which is not ATFP. That is more for the seismic standards.

Senator FEINSTEIN. Are there any other more cost-efficient alternatives?

Admiral PRUETT. None that I have available to address, ma'am.

Senator FEINSTEIN. Okay. General Coleman, the Marine Corps has released a fiscal year 2003 unfunded priorities list that includes 30 MILCON and family housing projects totaling over \$400 million. Why is that? That sounds like the Marine Corps funding and the President's budget falls short of what the Corps actually needs. Can you comment on the discrepancy please?

General COLEMAN. No, ma'am. Excuse me. Yes, ma'am. I would just say that it is just the way we prioritize. I feel that the Commandant's unfunded priority list is just those things that we were not able to fund for originally, but I would not say that we were underfunded, ma'am.

Senator FEINSTEIN. So there are no priorities on that list?

General COLEMAN. I beg your—

Senator FEINSTEIN. Is that correct?

General COLEMAN. You say there are none, ma'am?

Senator FEINSTEIN. Yes.

General COLEMAN. Yes, ma'am. They are—the Commandant together with I&L (Installation & Logistics) comes up where we decide what our list should be. The list that you have seen is in no prioritized order.

Senator FEINSTEIN. Well, now I am talking about the unfunded priority list—

General COLEMAN. I'm sorry.

Senator FEINSTEIN [continuing]. And what you're saying is That list is in no priority order? I don't know that I am understanding you correctly.

General COLEMAN. Well, I—and that is my fault. Ma'am, the list that you should have received or the list that you received is a list of unfunded items, but the list—the only one that knows the priority of that list would be the Commandant, ma'am.

Senator FEINSTEIN. Oh, I see.

General COLEMAN. The order of precedence.

Senator FEINSTEIN. Okay. There are 30 MILCON and family housing projects on that list and they are all unfunded and what

you are saying is then they are in no priority order. The only one that knows what the priority is, is the Commandant?

General COLEMAN. No, ma'am. I misspoke. Excuse me. That is a prioritized list. I am sorry, ma'am. I misunderstood you. The list that you have is a prioritized list. I apologize.

Senator FEINSTEIN. The list I have what?

General COLEMAN. It is—the unfunded prioritized list is in prioritized order.

Senator FEINSTEIN. All right. That—

General COLEMAN. I apologize, ma'am.

Senator FEINSTEIN. Thank you very much. Secretary Johnson, last year the Navy did not request—we have talked about this—adequate funding for BRAC environmental cleanup. Do I have your assurances that the Navy's BRAC budget for 2003 is sufficient to meet all of your commitments and obligations?

Mr. JOHNSON. It is all of our known commitments when we put it together. As we talked earlier, you never know what comes up, but it certainly is fully funded to the best of our knowledge. If I may follow on to General Coleman, the Navy and all services presented their unfunded priority lists. The Navy list did not include the MILCON breakout. That will be available if you want it, they had the amount, but not the amount—

Senator FEINSTEIN. I think it would be helpful if we could have it. Appreciate that very much.

Mr. JOHNSON. And I am sure all services did the same thing.

Senator FEINSTEIN. And again, let me just thank you because on January when we signed the Hunter's Point agreement, it was the first time a meaningful agreement has actually been signed and it is my understanding that the Navy has requested \$36 million for environmental cleanup at the base. May I ask you how those funds will be allocated and whether they are sufficient to cover the obligation?

Mr. JOHNSON. I cannot give you the specific allocations among parcels, but they are sufficient in 2003. After 2003, we think there will be another \$68 million to complete. That is to the best of our knowledge.

We are working with the city and the contractor team to prioritize our work. We finished parcel A. We are working on B. We will continue to work on E, which is a landfill. As we move from A through D we are working in essence on all of them, but in the priority established by the city and their developer team.

Senator FEINSTEIN. Thank you. When you testified before the Senate Armed Services Subcommittee on Readiness 2 weeks ago, you talked at some length in your prepared statement on the problem of encroachment. And one of the examples you cited was Naval Air Base Coronado, where you said there was a loss of over 80 percent of its training beaches because of encroachment, and that the Navy has had to substantially alter training activities and conduct them elsewhere. Do you have any requests in this budget for land acquisition and future years defense for training sites to accommodate this problem?

Mr. JOHNSON. We do not for Coronado. We have done very well there with the nesting of the endangered birds. We have increased

their nests and also their population obviously. In that case, our SEALS work—

Senator FEINSTEIN. Is the encroachment from birds? Is that what you are—

Mr. JOHNSON. Yes.

Senator FEINSTEIN. I thought it was development. No?

Mr. JOHNSON. Not at Coronado. In fact, developers indirectly cause things, but I do not think at Coronado. At Pendleton to the north, developers take up the available land and the endangered species end up being on the only land left between Los Angeles and San Diego at Camp Pendleton. At Coronado, we have been helping the species grow. Our Marines and sailors go out and protect nests, move them and at certain times a year we cannot use the beaches because of that and other times we have to be careful what parts we use. So that is strictly an endangered species. Now again, developers help because they take up other available land.

Senator FEINSTEIN. Oh, are you saying that the SEALS cannot conduct water exercises because of nests on the beach?

Mr. JOHNSON. They are—

Senator FEINSTEIN. What are those nests?

#### TRAINING AREAS ENCROACHMENT

Mr. JOHNSON. They are constrained by the nests because we protect them and they have certain marked-off areas you cannot use. And the two types are the California Least Tern. Back in 1987, there were 30 nests. In 1993, 187. In our conservation effort, we have built it to 925. We have done very well, but we have also decreased our training space.

The other one is the Western Snowy Plover nests. In 1987, there were zero. By 1992, we had 12. Now we have 49. So we are proud of what we are doing to help endangered species, but at the same time, it does constrain our maneuver area.

Senator FEINSTEIN. So what are you doing to carry out the SEAL exercises at Coronado?

Mr. JOHNSON. We worked with the environmental groups and we mark off certain areas. There are rules about the number of birds and other things that you can harm or potentially harm. So we have to restrict our activities. At Coronado, we continue to do it, we work around the birds.

Others, like San Clemente, we have a bigger problem in that certain times of the year during their breeding cycle, we cannot fire into the island. Other times we have to be careful about starting fires. But we work very carefully with the environmentalists. We are working with the Department of Defense, all the services are, to try put together a package that will be coordinated throughout the Administration and come to you to help us both from a legislative standpoint to regulatory, we can do that within the administration—and administrative standpoint.

Senator FEINSTEIN. But, basically you are able to carry out your exercises one way or another?

Mr. JOHNSON. Yes, ma'am. But it is more and more difficult. You will never find a Marine or sailor who will tell you they cannot carry out their mission. The Marines for instance, if we may for a moment, when they do amphibious exercises, they get on the ships,

go down to San Clemente, approach the beach and oftentimes they cannot land there. So they administratively go up to Camp Pendleton. There is only 500 yards on the 17-mile beach of Camp Pendleton that they can land on.

Senator FEINSTEIN. Let me ask you this. Does the Endangered Species Act take precedence over national security?

Mr. JOHNSON. Sometimes it does. We have something called the Sikes Act, which allows us to do an integrated Natural Resources Protection Plan—Management Plan, I think it is. And that takes everything into consideration, the military needs, the endangered species and so forth.

Some would say that you also have to have habitats, critical habitats for the endangered species. We say the Sikes Act NRMP is sufficient and we are trying to get that accepted by all agencies. So far the Fish and Wildlife have accepted it, but some people are suing us about it. Interesting enough, one of the suers is a group of developers.

Senator FEINSTEIN. What is, just out of curiosity, the nature of their suit? Well, because development would certainly come much lower in terms of priority than national security.

Mr. JOHNSON. Not in their eyes.

Senator FEINSTEIN. Not in?

Mr. JOHNSON. Their eyes. No. They would like to build right up to the base boundary and push all the birds, animals and so forth into the sanctuary of our military bases. I believe early on you asked if we were building some buffers around bases. The Army has the best example so far down at Fort Bragg. They got some environmental easements around the base. We are trying to do that at Camp Lejeune and we're also trying to do some in California, but land is awfully hard to procure in California.

Senator FEINSTEIN. Well, if I can be helpful, let me know because—

Mr. JOHNSON. I have heard that you—

Senator FEINSTEIN [continuing]. We do want you to carry out your exercises and there is probably a way through some form of habitat conservation plan to make areas available in exchange for committing areas for preservation. But I would be happy to work with you in that regard.

Mr. JOHNSON. We would like to welcome you for a visit at Camp Pendleton when you are in California sometimes—Senator Feinstein: Thank you. I would love that. And show you the challenges.

Senator FEINSTEIN. Thanks very much, Secretary. Admiral Preston, of all the service requests submitted in this budget, yours remains virtually unchanged from last year's amount. Although it is meager, your budget is strong. What have you done to maintain that level and avoid a cut? You seem to maybe have some magic formula.

#### NAVY AND MARINE CORPS HOUSING

Admiral PRESTON. I do not think we have a magic formula. We have some pretty strong requirements and we have been very fortunate to get those identified and supported, ma'am.

Senator FEINSTEIN. And what are those requirements?

Admiral PRESTON. Well, we have six projects that we are looking at in 2003. One of them is bachelor enlisted quarters at NAS Atlanta that will give us approximately 92 more spaces, which is something we really need to support our Sailors' quality of life, quality of service. We have three projects in New Orleans again to support our readiness and our ability to support the operational units there. We are building a new reserve center.

We would like to build a new reserve center in Montana, which we feel is very important, in Billings, to maintain the Navy presence there. And we are also looking at expanding the Navy and Marine Corps Reserve center at Little Creek in Norfolk, Virginia, which we need because of the growth we have there.

Senator FEINSTEIN. Thank you very much.

Admiral PRESTON. Yes, ma'am.

Senator FEINSTEIN. General—

Admiral PRESTON. I'd like to give a plug here.

Senator FEINSTEIN. Yes. Please.

Mr. JOHNSON. Our reserve forces are very important at all times, but certainly now we have them around the world, around the country working as part of the total force team and we are very proud of what they do and very pleased to have them supported so well by the Congress and the service.

Senator FEINSTEIN. Thanks, Secretary. I thought there may be some magic formula there with Mitch Daniels that I was not aware of, but we will let it go. General Coleman, you have stated that family housing at Quantico would be fixed by 2003. However, your unfunded priority list lists the need for new barracks bases at the same facility. How are you going to accomplish these goals and how does the Marine Corps plan to address the inadequate barracks listed as unfunded priorities?

General COLEMAN. Yes, ma'am. Remembering, ma'am, that we look at family housing and BEQs in two different frames, ma'am. But anyway to answer the question, the Marine Corps because of the plus up in the basic allowance for housing along with—and that was about a 19 percent increase in some areas—and the increased PPV from Camp Pendleton phase two, we are going to be able to take the money and combine those two projects and fix all family housing at Quantico. Now we will still have some fixes in the bachelor quarters, but with 2003 funds, we will fix all family housing at Quantico.

Senator FEINSTEIN. 2006? I thought it was 2005?

General COLEMAN. No, ma'am. 2003, we will fix—

Senator FEINSTEIN. Oh, just in Quantico?

General COLEMAN. Yes, ma'am. Quantico.

Senator FEINSTEIN. All right. Thank you.

General COLEMAN. Yes, ma'am.

Senator FEINSTEIN. Thank you very much.

Mr. JOHNSON. If I may add something—

Senator FEINSTEIN. Secretary?

Mr. JOHNSON. We are trying to work a pilot on the bachelor quarters PPV, Public Private Venture and we wanted three locations. A Navy one at Norfolk, which is fairly large. One is down near Oceanside, it is called Del Mar in Camp Pendleton and then

with that one also one at Quantico. So the barracks you talk about we would like to have in a pilot.

We would like to do these pilots to prove number one, that they are financially proper and number two, that they provide the proper housing for our Marines and sailors and three, that it makes sense not only to us, but also to the Congress and we have a road map to move forward if this proves successful.

Senator FEINSTEIN. Thank you very much.

Admiral PRUETT. Last year Admiral Blair was good enough to fill me in on his needs at Guam, particularly with the new submarines and my understanding is that you have 3,000 service members currently in Guam and they are going to be increased by an additional 1,000. And my understanding is that there is a need for an elementary and a high school at a cost of \$40 and \$35 million respectively. Admiral Blair said that these schools and another \$7 million in Korea for a school did not make the DOD education activity budget cut. What are you going to do about that?

Admiral PRUETT. Ma'am, we are working with the DOD education activity which includes the Department of Defense dependent schools and well, that is the group that is affected by these schools in Guam. There are two schools as you mentioned: the high school, which was never intended to be a permanent school or facility anyway, it was the old headquarters for COMNAVMAR; and then there is another one that is an old building for the middle school and for the elementary school. We are working with that agency, DODEA, and looking at what we can do with our 2004 budget or their 2004 budget to see what can be done to fund those two schools. That is where we are now. Admiral Fargo was—

Senator FEINSTEIN. So you have pushed it out a year essentially?

Admiral PRUETT. Well, we have not necessarily pushed it out a year as much as we have had Admiral Fargo working—he has put some emphasis on it and we are just now getting that emphasis and we are trying to see what we can do with DODEA.

#### OVERSEAS FINANCIAL CONTRIBUTION

Senator FEINSTEIN. Okay. Just one final question. It is my understanding that this year Japan and Korea are going to contribute \$942 million in financial assistance and I think I heard somewhere that Korea was going to contribute 50 percent for housing in Korea? I was visited by a Korean parliamentary delegation and I thought that is what they said. What is the percentage that Japan contributes?

Mr. JOHNSON. It is in essence 100 percent, but I hope David can give—

Admiral PRUETT. It is for new construction, ma'am, facilities that are identified that need to be constructed to support our forces. It is 100 percent. If the—

Senator FEINSTEIN. Both Japan and Korea?

Admiral PRUETT. No, ma'am. Just for Japan.

Senator FEINSTEIN. Oh, I see. All right.

Admiral PRUETT. I cannot address the—it is called the CDIP program, Combined Defense Program In Korea. I do not know the figure there. I will have to check that, but—

Senator FEINSTEIN. Well, is that \$942 million all Japanese money or is that a combination of both?

Admiral PRUETT. I am not familiar with that figure, ma'am, as far as what that split is, but I do know it is 100 percent for Japanese contribution to our construction. When it comes to replacement facilities or major rehabs, that is when we pick up the tab.

Senator FEINSTEIN. And the Korean situation, that is 50 percent. Is that correct?

Admiral PRUETT. I cannot answer that.

Mr. JOHNSON. We will give you something for the record.

Senator FEINSTEIN. Could I get some information on that reimbursement and what the standard is and if other Nations other than Japan and Korea are doing the same thing?

[The information follows:]

Japan and Korea are planning to contribute \$942 million in financial assistance. In the proposed Japan fiscal year Facilities Improvement Program (FIP), the U.S. expects to receive \$801 million of which \$122 million for Navy and \$133 million for Marine Corps. The Korean cost-sharing programs include Combined Defense Improvement Program (CDIP) and Republic of Korea Funded Construction (ROKFC). The calendar year 2001 programs are \$47 million and \$95 million respectfully. The Navy received \$1.1 million in each program. The calendar year 2002 programs are under development.

Mr. JOHNSON. There are some others who contribute some, but Japan is far and away the biggest and they are 100 percent and we will give you what we know about Korea, but we have very little Naval forces in Korea.

Admiral PRUETT. Right.

[The information follows:]

Japan contributes 100 percent for new construction of all but exempted projects such as those related to offensive operations and some Morale, Welfare and Recreation (MWR) facilities. Korea funds 100 percent related to improved combat operations, war reserves and combined U.S./ROK operations.

Senator FEINSTEIN. Is this just Navy or was this Army, too?

Admiral PRUETT. This is Navy.

Senator FEINSTEIN. It is just Navy?

Admiral PRUETT. Yes, ma'am.

Mr. JOHNSON. We will give you—for the record, ma'am.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator FEINSTEIN. Okay. Thank you very much. That takes care of my questions. If anybody has anything to add, I would be happy to hear it. If not, then I hope you can get along with these budgets.

Mr. JOHNSON. We appreciate your help and we look forward to being your partner.

Senator FEINSTEIN. Thank you. I will be happy to do what I can. Thank you very much, gentlemen. And we will go now to panel two.

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

## QUESTIONS SUBMITTED TO H.T. JOHNSON

## QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

## MILCON FUNDING

*Question.* Admiral Vernon Clark reportedly told the House Armed Services Committee that the Navy will be \$8.67 billion short in funding in fiscal year 2003. Do you know if any of that shortfall includes Milcon? (If so, what is the Milcon shortfall?)

*Answer.* Admiral Vernon Clark's letter of 20 February 2002 to Congressman Skelton provided a list of requirements not selected for funding in the fiscal year 2003 President's Budget. The list provided by the Chief of Naval Operations included \$667 million of military construction (active and reserve) projects.

*Question.* Does the Navy have any unfunded Milcon priorities? Would you provide the Committee with a list of your unfunded priorities, in priority order.

*Answer.* Admiral Vernon Clark's letter of 20 February 2002 to Congressman Skelton provided a list of requirements not selected for funding in the fiscal year 2003 President's Budget. The list provided by the Chief of Naval Operations included \$667 million of military construction (active and reserve) projects. Attached is the list of projects in priority order.

## CNO UNFUNDED REQUIREMENT PRIORITY #52 MCON ATFP

[In thousands of dollars]

Activity	PNO	Title	Current Estimate
MCON DESIGN .....	203	MCON DESIGN .....	15,064
CORPUS CHRISTI TX NAS .....	355	PUBLIC SAFETY FACILITY .....	15,790
INDIAN HEAD MD NSWCTRDIV .....	171	AT/FP IMPROVEMENTS .....	14,000
YORKTOWN VA .....	617	MAIN GATE IMPROVEMENTS .....	2,610
MILLINGTON TN SUPPACT .....	360	IMPV GATE/PERIMTR SECURITY .....	4,200
KITTERY ME PORTSMOUTH NSY .....	280	GATE 2 IMPROVEMENTS .....	2,350
MERIDIAN MS NAS .....	310	AIRFIELD PERIMETER FENCING .....	5,150
WHITING FLD FL NAS .....	245	INSTL/RELOCATE PERIM FENCE .....	3,020
GREAT LAKES IL NTC .....	771	REPLACE PERIMETER FENCE .....	3,610
PEARL HARBOR HI NSY .....	905	PERIMETER/SECURITY LIGHTG .....	20,637
MAYPORT FL NS .....	774	SECURITY BLDG PASS/ID OFC .....	1,770
JACKSONVILLE FL NAS .....	268	AIRFLD PERIM SECURITY ENHAN .....	3,230
EARLE NJ NWS .....	034	MAIN GATE IMPROVEMENTS .....	4,610
LITTLE CREEK VA NAVPHIBSE .....	535	GATE 1 IMPROVEMENTS .....	3,860
NEWPORT RI NAVSTA .....	457	GATE 1 (MAIN) IMPROVEMENTS .....	2,440
WHIDBEY IS WA NAS .....	075A	AULT FIELD SECURITY FENCING .....	4,600
NEWPORT RI NS .....	345	CONSOL FIRE/POLICE&SEC FAC .....	6,660
MECHANICSBURG NAVSUPPACT .....	575	NORTH GATE IMPROVEMENTS .....	2,820
MECHANICSBURG PA NAVICP .....	573	OXFORD GATE IMPROVEMENTS .....	4,150
LITTLE CREEK VA NAVPHIBSE .....	406	POLICE & SEC OPRS FAC .....	4,970
LITTLE CREEK VA NAVPHIBSE .....	376	PERIMETER SECURITY FENCE .....	2,760
DAHLGREN VA NSWCTR DIV .....	305	INFRASTRCT ASSURANCE FAC .....	6,400
BETHESDA MD NSWCARDEROCK .....	901	SECURITY FACILITY .....	5,800
GREAT LAKES IL NTC .....	773	RELOCATE SECURITY FACILITY .....	4,430
KEYPORT WA NUWC DIV .....	392	EMERGENCY COMMAND CENTER .....	7,600
ORLANDO FL NAWCTSD .....	003	SECURTY/PERIMTR FENCE/WALL .....	2,370
PATUXENT RIVER MD AWCACDV .....	986	FORCE PROT IMPV GUARD HSE .....	13,400
NEW LONDON CT NSB .....	446	LOWER BASE PARKING FAC .....	9,000
DAHLGREN VA NAVSPACECOM .....	017	PHYS SECTY ENHANCE (CENT) .....	7,390
YORKTOWN VA NWS .....	460	STATION SECTY PERIM FENCE .....	3,650
PEARL HARBOR HI NS .....	624	MAIN GATE IMPROVEMENTS .....	8,600
MAYPORT FL NS .....	776	AT/FP CENTRALIZED PARKING .....	3,350
BARKING SANDS HI PMRF .....	413	SECURITY FENCING & LIGHTING .....	8,000
LUALUALEI HI NM .....	177	PERIMETER/SECURITY LIGHTG .....	4,100
PEARL HARBOR HI NS .....	616	PERIMETER/SECURITY LIGHTG .....	1,600
PATUXENT RIVER MD AWCACDV .....	123	SECURE MAIL FACILITY .....	2,040
KEFLAVIK ICELAND NAS .....	565	BASE PERIMETER SECTY FENCE .....	2,600
PEARL HARBOR HI FISC .....	194	SECURITY FENCING .....	2,000
BARKING SANDS HI PMRF .....	416	SECURITY FACS & PARKING .....	2,000
MILLINGTON TN SUPPACT .....	363	VEHICLE STAND-OFF .....	4,500
DAHLGREN VA NSWCTR DIV .....	300	EMERGENCY OPERATIONS CTR .....	5,000

## CNO UNFUNDED REQUIREMENT PRIORITY #52 MCON ATFP—Continued

[In thousands of dollars]

Activity	PNO	Title	Current Estimate
KEY WEST FL NAF .....	901	CVQ AT/FP UPGRADES .....	2,120
KEY WEST FL NAF .....	903	CVQ & GALLEY AT/FP UPGRADE .....	5,070
JACKSONVILLE FL NAS .....	270	GUARD AND WATCH TOWERS .....	3,400
NORFOLK VA NS .....	994	SECURTY/PERIMTR FENCE/WALL .....	4,000
LUALUALEI HI NM .....	167	SECURITY LIGHTING .....	5,800
LUALUALEI HI NM .....	166	SECURITY LIGHTING .....	5,400
PEARL HARBOR HI NB .....	002	SECURTY/PERIMTR FENCE/WALL .....	12,000
PEARL HARBOR HI PWC .....	706	SECURTY/PERIMTR FENCE/WALL .....	4,500
KEY WEST FL NAF .....	902	CVQ AT/FP UPGRADES .....	1,790
NEW LONDON CT NSB .....	433	REALIGN PERIM FENCE/NEW RD .....	3,200
TOTAL .....			269,411

## CNO UNFUNDED REQUIREMENT #98 RECAPITALIZATION (\$340M)

[In thousands of dollars]

Activity	PNO	Title	Current estimate
OMN/OMNR .....			83,200
MCON:			
MCON DESIGN .....	203	MCON DESIGN (\$400M Design) .....	13,000
CHINA LAKE CA NAWCWPNDIV .....	268	BEQ TRANSIENT .....	6,330
NEW LONDON CT NSB .....	463	REPLACE PIER 6 .....	24,800
NORFOLK VA NS .....	526	A/C MAINTENANCE HANGARS .....	37,500
SIGONELLA ITALY NAS .....	635	BASE OPS SUPPORT I .....	32,300
SAN DIEGO CA NAS NORTH IS .....	751	SQUADRON OPERATIONS FAC .....	36,930
CHINA LAKE CA NAWCWPNSDIV .....	521	AIRFIELD PAVEMENT UPGRADE .....	13,260
EL CENTRO CA NAF .....	207	APRON & HANGAR RECAP .....	47,850
INDIAN HEAD MD NSWCTRDIV .....	160	WATER SYSTEM IMPROVEMENTS .....	15,270
SAN DIEGO CA NAS NORTH IS .....	748	TAXIWAY/TOWER .....	14,040
TOTAL .....			241,280
MCNR:			
MCNR DESIGN .....	223	MCNR DESIGN .....	1,100
ALBANY NY NMCRC .....	598	RESERVE CENTER .....	10,000
ASHEVILLE NC NRD .....	596	RESERVE CENTER .....	3,140
NEW ORLEANS LA NAS JRB .....	187	PERIMETER ROAD AND FENCE .....	1,280
TOTAL .....			15,520

## CNO UNFUNDED REQUIREMENT #100 RECAPITALIZATION AND C3/C4 DEFICIENCY CORRECTION (\$173M)

[In thousands of dollars]

Activity	PNO	Title	Current estimate
OMN/OMNR .....			32,700
MCON:			
MCON DESIGN .....	203	MCON DESIGN (\$400M Design) .....	7,400
LEMOORE CA NAS .....	217	AIRCRAFT MAINT HANGAR .....	24,880
WASHINGTON DC NRL .....	010	ADVANCED COMPUTING FAC .....	12,800
EL CENTRO CA NAF .....	201	BEQ AND GALLEY .....	26,530
PUGET SOUND WA NAVSHIPYD .....	346	CVN MAINTENANCE COMPLEX .....	18,600
NORFOLK VA LANFLTHQSPACT .....	830	CLF/TYCOM HQ FAC INC I .....	45,000
TOTAL .....			135,210

CNO UNFUNDED REQUIREMENT #100 RECAPITALIZATION AND C3/C4 DEFICIENCY CORRECTION  
 (\$173M)—Continued  
 [In thousands of dollars]

Activity	PNO	Title	Current estimate
MCNR:			
MCNR DESIGN .....	223	MCNR DESIGN .....	90
ATLANTA GA NAS .....	349	PW COMPLEX .....	5,000
TOTAL .....			5,090

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

NATO SUB-REGIONAL HQ

*Question.* Secretary Johnson, I understand that the Navy has several projects in the fiscal year 2003 in support of new sub-regional NATO headquarters in Greece and Spain. Can you tell me how those requirements are developed and how is it determined that the Navy will fund them?

*Answer.* The Department of the Navy (DON) has Executive Agent responsibilities for U.S. support facilities related to NATO in Spain and Greece. DON, as Executive Agent, is responsible for providing support facilities, such as housing and other community support facilities, to U.S. forces at these locations. Facility requirements are determined based on planning criteria utilized for all DON projects.

*Question.* What additional projects related to the Larrisa and Madrid headquarters are in the Navy's outyears Milcon plans?

*Answer.* At this time, the Department of the Navy does not have plans to provide any other facilities at Madrid and Larissa beyond those included in the fiscal year 2003 President's Budget Request.

BRAC

*Question.* Secretary Johnson, I understand that the Navy has fully funded the BRAC account in the fiscal year 2003 budget request. Is that true?

*Answer.* Yes, the fiscal year 2003 budget request of \$261 million includes sufficient funds to meet agreements reached with local redevelopment authorities, State and Federal regulators and communities affected by the previous BRAC rounds for environmental cleanup of the properties.

*Question.* Should the Congress expect that the Navy will fully fund the BRAC account in future budget submissions?

*Answer.* Yes. Completion of the previous BRAC program is a high priority for the Department of the Navy.

FACILITIES REPLACEMENT

*Question.* Admiral Pruet, I note that the rate at which we replace our facilities has gone from 106 years to 122 years in the 2003 budget. There was a lot of promises made last year in the budget regarding facilities. Are we back to business as usual with regard to neglecting our facilities?

*Answer.* The Navy is committed to providing adequate funding to (1) sustain our facilities in a current state of acceptable readiness, and (2) replace and modernize those facilities, which have outlived their useful life and function. This year's budget request focuses on providing funding for sustaining facilities in a C1/C2 condition of readiness. Although the fiscal year 2003 military construction budget request is lower than last year's budget, it is the 2nd largest military construction budget request in 6 years. The Navy is developing its future year's military construction program such that the Navy can achieve the Department of Defense goal of a 67-year recapitalization rate by fiscal year 2007.

CONDITION OF FACILITIES

*Question.* What kind of message are we sending our young Sailors and families about the condition of the facilities in which they live, work and train?

*Answer.* The Navy is committed to providing a better quality of life and workplace to our Sailors and their families:

- We are on track to eliminating all inadequate family housing by fiscal year 2007 through a combination of military construction and public-private ventures.
  - We are beginning to bring our Sailors off of their ships while in homeport and plan to complete this initiative by fiscal year 2008.
  - The Navy is replacing and modernizing its bachelor quarters in accordance with the Department of Defense (DOD) standards that provide much more privacy for the service members. The Navy plans to complete this initiative by fiscal year 2013.
  - Finally, the Navy is replacing and modernizing its workplace by programming and budgeting for projects to replace aging facilities. The Navy is developing its future year's military construction program such that the Navy can achieve the DOD goal of a 67-year recapitalization rate by fiscal year 2007.
- Through the initiatives outlined above, the Navy is sending the message that it wants to improve the quality of service for the Sailors and their families in and out of the workplace.

#### HOMEPORT ASHORE

*Question.* Admiral Pruett, can you explain your "Homeport Ashore" initiative and what is the Navy's long-term plan to get Sailors off of ships?

*Answer.* The Navy has determined that single enlisted Sailors who must live on ship while in Homeport have the worst living conditions in Department of Defense. The 1999 Quality of Life Domain Study reflected that these Sailors are the least satisfied with Navy life. As a result, both the Secretary of the Navy and the Chief of Naval Operations are committed to providing shipboard Sailors a bachelor quarters room when they are in homeport. The Navy has drafted a plan to accelerate moving shipboard Sailors ashore by construction of 1+1 bachelor housing units to temporarily accommodate four Sailors in each unit which would allow junior shipboard Sailors to live off ships by 2008.

*Question.* Currently, how many additional barracks rooms do you need to accommodate all of the single Sailors who are living on ships?

*Answer.* The Navy needs to construct about 10,850 rooms to accommodate an additional 21,700 Sailors ashore. This does not include the requirement for shipboard Sailors in Japan (to be satisfied by the Government of Japan), nor does it include rooms already provided in Hawaii and Guam, or rooms already funded in fiscal year 2002 at San Diego and Mayport.

#### FORCE PROTECTION IN PRIVATIZED BQS

*Question.* Secretary Johnson, I understand that the Navy is looking to privatize barracks, but there are still financial issues that must be worked out. How do you address the issue of force protection with privately opened and operated barracks?

*Answer.* We will include Anti-Terrorism/Force Protection measures in our projects as deemed necessary as a result of a risk assessment. We will also establish priorities for occupancy that, where necessary, will avoid potential compromises of a base's mission or security without adversely affecting a project's viability.

*Question.* What are the major cost concerns that will potentially impact this initiative?

*Answer.* The major elements of cost in barracks privatization are the initial Government investment, if necessary, and the annual housing allowances required. We have been able to leverage limited resources to accelerate elimination of inadequate family housing through privatization, and are pleased with the success we have enjoyed with those efforts. We would like to build on that success with similar efforts for barracks. We are committed to ensuring that barracks privatization initiatives are cost-effective on a life cycle basis.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF NELSON F. GIBBS, ASSISTANT SECRETARY OF THE  
AIR FORCE FOR INSTALLATION, ENVIRONMENT AND LOGISTICS

ACCOMPANIED BY:

MAJOR GENERAL EARNEST O. ROBBINS, II, USAF, AIR FORCE  
CIVIL ENGINEER

BRIGADIER GENERAL DAVID A. BRUBAKER, USAF, DEPUTY DIREC-  
TOR, AIR NATIONAL GUARD

BRIGADIER GENERAL ROBERT E. DUIGNAN, USAF, DEPUTY TO  
THE CHIEF, AIR FORCE RESERVE

Senator FEINSTEIN. I am very pleased to welcome this panel. Is Mr. Gibbs present?

Mr. GIBBS. Yes, ma'am.

Senator FEINSTEIN. There he is. The Honorable Nelson F. Gibbs, Assistant Secretary of the Air Force for Installation, Environment and Logistics; Major General Earnest Robbins, The Air Force Civil Engineer; Brigadier General David Brubaker, Deputy Director of the Air National Guard; and Brigadier General Robert Duignan—from the Air Force Reserve. I would ask each one of you to summarize your statement for the record. Secretary Gibbs, would you begin?

Mr. GIBBS. Thank you very much, Madam Chairman. I will be the only one making opening remarks.

Senator FEINSTEIN. All right.

Mr. GIBBS. And I will try to beat your 5-minute time limit by at least 40 percent. Madam Chairman, good afternoon. I appreciate the opportunity to appear before you today to discuss the Department of the Air Force fiscal year 2003 budget requests for military construction (MILCON), military family housing and dormitories. The Air Force's total force military construction and military family housing programs play a vital role supporting Air Force operational needs, workplace productivity and quality of life.

This committee's support for this program has remained steadfast over the years. The Air Force's top priorities within this year's President's budget are to sustain the facilities that already exist, enhance quality of life by improving housing for both single and married members, complying with existing environmental statutes and supporting new missions and weapon systems.

AIR FORCE FACILITIES AND INFRASTRUCTURE

For fiscal year 2003, the Air Force is requesting over \$4.2 billion to invest in Air Force facilities and infrastructure, the same level as submitted in the fiscal 2002 budget request. This includes nearly \$2 billion for sustainment, restoration and modernization to maintain our existing infrastructure and facilities, an increase of over \$360 million from fiscal year 2002. This budget request also reflects the Air Force's continued commitment to taking care of its

people and their families. Their welfare is a critical factor to overall Air Force combat readiness and the family housing program, dormitory program and other quality of life initiatives reflect a commitment by the Air Force to provide its people the facilities that they deserve.

#### FAMILY HOUSING

The Air Force is requesting \$1.5 billion for military family housing of which \$700 million is to replace more than 2,100 worn-out units at 23 bases and improve more than 1,700 units at 11 bases. This request also supports privatization of more than 4,500 units at five bases. To improve the quality of life for the Air Force's unmarried junior enlisted members, the Air Force is requesting \$135 million for its fiscal year 2003 dormitory program, which consists of 11 enlisted dormitory projects at 10 stateside bases and one overseas base.

#### F-22 BASING

The fiscal year 2003 request also includes \$500 million for active force military construction, \$50 million for the Air National Guard and \$30 million for the Air Force Reserve. Included are 33 new mission projects totaling over \$350 million. This includes investments to base the F-22 Raptor at Nellis Air Force Base for operational test and evaluation and at Langley Air Force Base, the home of the first operational wing.

#### NEW MISSION PROJECTS

Also the request includes new mission projects to support B-2 forward operations in the United Kingdom and at Diego Garcia and basing of the Global Hawk Unmanned Vehicle at Beale Air Force Base. These projects also include expanded aircraft parking at Naval Station Rota in Spain and at Ramstein Air Base in Germany.

#### PREPARED STATEMENT

In conclusion, I want to thank you and the rest of the committee for its continuing strong support of the Air Force military construction, military family housing and dormitory programs. With the committee's assistance and support, the Air Force will continue to meet the most urgent needs of commanders in the field while providing quality facilities for the men and women who serve in and are the backbone of the most respected air and space force in the world. Thank you very much, Madam Chairman.

[The statement follows:]

#### PREPARED STATEMENT OF NELSON F. GIBBS

##### INTRODUCTION

Madam Chairman and members of the committee, good afternoon. I appreciate the opportunity to appear before you and discuss present the Department of the Air Force's fiscal year 2003 military construction and military family housing programs.

## OVERVIEW

The Air Force's total force military construction and military family housing programs play a vital role supporting Air Force operational needs, work place productivity, and quality of life. This committee's support for those programs has remained steadfast over the years, and the Air Force is grateful to believe that privatization is a key component to accomplish this goal quickly and in a cost-effective manner. In recent years, the committee's support for innovative programs such as privatizing military family housing has given the Air Force additional tools for improving the quality of life for its members, and that support has been appreciated.

As Secretary Rumsfeld recently testified to Congress, "September 11 changed our nation forever." The Air Force's challenge is to simultaneously accomplish three difficult missions: to win the war on terrorism, to restore the force through investments in procurement, people and modernization, and to transform the force to meet 21st Century demands. In the area of installations and facilities, this transformation began last year with the fiscal year 2002 budget.

Last year the Secretary of Defense made a commitment—to transform the Department of Defense installations and facilities into those required for a 21st Century military. Given the competing priorities resulting from September 11, the Air Force has developed an executable and fiscally responsible plan for getting its facilities on a path to recovery.

While the Air Force acknowledges the importance of robust funding for facility sustainment and modernization, other priorities and insufficient Department of the Air Force topline have not permitted it to fully address the problems associated with an aging infrastructure. In fiscal year 2002, this administration proposed a significant increase in military construction and housing programs—to \$2.7 billion, the largest in 20 years the last decade. That increase was supported and, in fact, enhanced by this committee and other members of Congress, and was welcomed by the Air Force.

For fiscal year 2003, the Air Force is requesting over \$4.2 billion to invest in Air Force facilities and infrastructure. This request includes \$2.3 billion for total force military construction and military family housing. This request includes including \$644 million for active force military construction, \$1.5 billion for military family housing, \$54 million for Air National Guard military construction, and \$32 million for Air Force Reserve military construction. In addition, the Air Force has increased the request for operations & maintenance sustainment, restoration, and modernization (SRM) funding by \$360 million over the fiscal year 2002 request, bringing the total force facility investment request to the same level as submitted in the fiscal year 2002 budget request.

These Air Force programs were developed using a facility investment strategy with the following objectives:

- Accommodate new missions,
- Invest in quality of life improvements,
- Continue environmental leadership,
- Sustain, restore, and modernize our infrastructure,
- Optimize use of public and private resources, and
- Continue demolition of excess, uneconomical-to-maintain facilities.

For fiscal year 2003, the Air Force's top priorities within the President's budget are to sustain the facilities that already exist, enhance quality of life by improving housing for both single and married members, comply with existing environmental statutes, and support new missions and weapon systems.

Air Force missions and people around the world clearly depend upon this committee's understanding of, and support for Air Force infrastructure programs. That support has never wavered, and for that the Air Force thanks you.

## OPERATIONS AND MAINTENANCE INVESTMENT

To sustain, restore, and modernize what it owns, the Air Force must achieve a balance between military construction and operations & maintenance programs. Military construction restores and re-capitalizes facilities. Operations & maintenance funding ensures the Air Force can perform facility sustainment activities, without which facilities would fail prematurely. Without proper sustainment, facilities and infrastructure wear out sooner. Operations & maintenance funding is also used to directly address many of the critical restoration and less-expensive recapitalization needs. Without these funds, commanders in the field are unable to address facility requirements that impact their near-term readiness.

With last year's "shot in the arm" provided to military construction, the Air Force is now in a position to restore its operations & maintenance balance. In fiscal year 2003, the sustainment, restoration, and modernization share of the Air Force oper-

ations & maintenance funding is \$2.0 billion—meeting the required sustainment level for the first time in many years. Included in this amount is nearly \$160 million in operations & maintenance programmed for restoration and modernization work.

#### INVEST IN QUALITY OF LIFE

The Air Force is committed to taking care of its people and their families. Quality of life initiatives acknowledge the increasing sacrifices airmen make in support of the nation and are pivotal to recruiting and retaining the Air Force's most important resource—its people. When members deploy, they want to know that their families are stable, safe, and secure. Their welfare is a critical factor to overall Air Force combat readiness, and the family housing program, dormitory program, and other quality of life initiatives reflect a commitment by the Air Force to provide its people the facilities they deserve.

#### FAMILY HOUSING

The Air Force Family Housing Master Plan provides the road map for meeting the Department of Defense goal of providing safe, affordable, and adequate housing for our members. The Air Force has increased its fiscal year 2003 housing request by \$132 million over the fiscal year 2002 request.

The \$677 million fiscal year 2003 military family housing replacement and improvement program replaces more than 2,100 worn-out units at 23 bases, improves more than 1,700 units at 11 bases, and supports privatization of more than 4,500 units at five bases. The Air Force housing privatization program will be covered in more detail later. The fiscal year 2003 housing operations and maintenance program totals \$844 million.

#### DORMITORIES

Just as the Air Force is committed to provide adequate housing for families, it has an ambitious program to improve the housing for its unaccompanied junior enlisted personnel. The Air Force Dormitory Master Plan is a comprehensive, requirements-based plan, which identifies and prioritizes dormitory military construction requirements. The plan includes a three-phased dormitory investment strategy. The three phases are: (1) fund the replacement or conversion of all permanent party central latrine dormitories; (2) construct new facilities to eliminate the deficit of dormitory rooms; and (3) convert or replace existing dormitories at the end of their useful life using the Department of Defense 1+1 room standard. Phase 1 is complete, and the Air Force is now concentrating on the final two phases of the investment strategy.

The total requirement is 79,400 Air Force dormitory rooms. There is currently a deficit of 12,700 rooms, and the existing inventory includes 3,900 inadequate rooms. It will cost approximately \$1 billion to execute the Air Force Dormitory Master Plan and achieve the fiscal year 2009 Air Force goal to eliminate the deficit and replace the worst existing dormitories.

The fiscal year 2003 dormitory program consists of 11 enlisted dormitory projects at ten CONUS bases and one overseas base, for a total of \$135 million. On behalf of all the airmen benefiting from this important quality of life initiative, I want to thank the committee for its continued support of this critical quality of life effort.

#### FITNESS CENTERS

Other quality of life investments include community facilities, such as fitness centers, vital in the effort to attract and retain high quality people and their families. A strong sense of community is an important element of the Air Force way of life, and these facilities are important to that sense of community as well as to the physical and psychological well being of the airmen. The fiscal year 2003 military construction program includes fitness centers at Andersen Air Force Base, Guam; Hanscom Air Force Base, Massachusetts; and Royal Air Force Lakenheath, United Kingdom.

#### ACCOMMODATE NEW MISSIONS

New weapon systems provide the rapid, precise, global capability that enables combat commanders to respond quickly to conflicts in support of national security objectives. The fiscal year 2003 total force new mission military construction program consists of 33 projects, totaling \$339 million.

These projects support the initial basing of a number of new weapon systems; two of special significance are the F-22 Raptor and the C-17 Globemaster III. The F-22 Raptor is the Air Force's next generation air superiority fighter. Tyndall Air

Force Base, Florida, will house the F-22 flying training program. Nellis Air Force Base, Nevada, will be the location for F-22 Follow-on Operational Test and Evaluation. Langley Air Force Base, Virginia, will be home for the first operational squadrons. The requirements for F-22 related construction at Tyndall were funded in the fiscal year 2002 military construction program. The fiscal year 2003 military construction request includes one F-22 project at Nellis for \$3 million, and three F-22 projects at Langley totaling \$40 million.

The C-17 Globemaster III aircraft is replacing the Air Force's fleet of C-141 Starlifters. The C-17 provides rapid global mobility by combining the C-141 speed and long-range transport capabilities; the C-5 capability to carry outsized cargo; and the C-130 capability to land on short, forward-located airstrips. The Air Force will base C-17s at Charleston Air Force Base, South Carolina; Altus Air Force Base, Oklahoma; McChord Air Force Base, Washington; McGuire Air Force Base, New Jersey; and Jackson Air National Guard Base, Mississippi. Thanks to support from this committee, construction requirements for Charleston, Altus, and McChord were all funded in prior-year military construction programs. The request for fiscal year 2003 includes a \$25 million facility at McGuire Air Force Base, two facility projects for \$35 million at Jackson International Airport, and \$31 million for C-17 facilities at a soon to be announced location.

Other new mission requirements in fiscal year 2003 include supporting the Air Force's Global Strike Task Force by building B-2 aircraft hangars at Royal Air Force Fairford, United Kingdom, and B-2 aircraft parking pads at Diego Garcia. To support the Space/C2ISR Task Force the Air Force will build facilities to base the Global Hawk unmanned aerial vehicle at Beale Air Force Base, California and to support the Defense Satellite Program and future SBIRS at Buckley Air Force Base, Colorado. Finally, to support the Global Response Task Force the Air Force will build facilities to support Combat Search and Rescue aircraft at Davis-Monthan Air Force Base, Arizona, C-130J aircraft at Little Rock Air Force Base, Arkansas, and expand aircraft parking at Naval Station Rota, Spain, and at Ramstein Air Base, Germany.

#### OVERSEAS MILCON

The quality of overseas installations continues to be a priority for the Air Force because of the impact it has on both individual and family morale. Even though the majority of Air Force personnel are assigned in the United States, 14 percent of its forces are serving overseas, including 33,000 Air Force families. The Air Force overseas base structure has stabilized after years of closures and force structure realignments. At this level, the overseas infrastructure still represents 19 percent of the total Air Force physical plant. The fiscal year 2003 military construction request for European and Pacific installations is \$233 million totaling 14 projects. The program consists of infrastructure and quality of life projects in Korea, the United Kingdom, Germany, Italy, and Spain as well as critical facilities on Guam, Diego Garcia, and Wake Island. The committee's support for these operational and quality of life projects is equally as important as its support for stateside projects.

#### PLANNING AND DESIGN/UNSPECIFIED MINOR CONSTRUCTION

The Air Force will request \$53 million in planning and design for fiscal year 2003. These funds are required to complete design of the fiscal year 2004 construction program, and to start design of the fiscal year 2005 projects. The Air Force is also requesting \$21 million in fiscal year 2003 for the total force unspecified minor construction program, which is the primary means of funding small, unforeseen projects.

#### OPTIMIZE USE OF PUBLIC AND PRIVATE RESOURCES

In order to accelerate the rate at which it revitalizes its housing inventory, the Air Force has taken a measured approach to housing privatization. It started with a few select projects, with the goal of identifying successes and "lessons learned" to guide follow-on initiatives. The first housing privatization project was awarded at Lackland AFB, Texas, in August of 1998, and all 420 of those housing units are constructed and occupied by military families. There are three additional projects under construction that will result in 1,900 privatized units at Dyess Air Force Base, Texas; Elmendorf Air Force Base, Alaska; and Robins Air Force Base, Georgia. In addition, the Air Force is on track to award eight projects in the next 12 months that will result in an additional 9,000 privatized units across the Air Force. On average, the Air Force has realized a five to one leverage on the military construction investment for housing privatization, and this kind of favorable ratio is expected to hold steady or even increase on other projects in the out-years. As mentioned ear-

lier, the fiscal year 2003 budget request includes \$7.8 million to support the privatization of more than 4,500 units at five bases: Maxwell Air Force Base, Alabama; Hanscom Air Force Base, Massachusetts; Cannon Air Force Base, New Mexico; Shaw Air Force Base, South Carolina; and F.E. Warren Air Force Base, Wyoming.

The Air Force continues to pursue privatization of utility systems at Air Force installations. The goal is to privatize utility systems where it makes economic sense and does not negatively impact national security. The Air Force has identified 434 of 513 systems as potential privatization candidates, and has released requests for proposals for 242 systems and have completed the process on 161 systems.

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

For the past 6 years, the Air Force has pursued an aggressive effort to demolish or dispose of facilities that are not economical to sustain or restore. From fiscal year 1998 through fiscal year 2001, the Air Force demolished 9.6 million-square feet of non-housing building space. It expects to demolish an additional 4.4 million-square feet in fiscal year 2002 and fiscal year 2003, for a total reduction of 14 million square feet. This is equivalent to demolishing six Air Force bases equal to the combined square footage of Whiteman, Goodfellow, Moody, Brooks, Vance, and Pope Air Force Bases. Air Force demolition efforts continue to be a success story enabling it to reduce the strain on its infrastructure funding by eliminating unneeded facilities.

#### REALIGNMENT AND CLOSURES

This summer the Air Force lowered the flags at Kelly and McClellan Air Force Bases, its two most complex closure actions resulting from the Base Realignment and Closure Acts. The Air Force has now completed all 39 of its base closure and realignment actions (22 closures and 17 realignments). As part of the closure process, the Air Force has worked with the local reuse authority at each base to minimize the impact on the local community from the closure. This effort has led to the creation of over 48,000 jobs and an annual payroll of \$1.4 billion in the affected communities.

While these facilities are being returned to their respective communities, the Air Force has a continuing responsibility for environmental clean up from past industrial activities. The Air Force takes this responsibility seriously, having spent \$2.4 billion since 1991 in environmental clean up at closing bases. For fiscal year 2003, the Air Force is requesting \$119 million to continue the clean up.

Although past base closure rounds have reduced its infrastructure footprint, the Air Force still retains excess infrastructure. Maintenance of this excess infrastructure forces the Air Force to sub-optimize use of available operations and maintenance funds. The Fiscal Year 2002 National Defense Authorization Act provides the Air Force an opportunity to divest itself of this unneeded infrastructure. In preparation for the 2005 base closure round, the Air Force will focus first on sizing its force, and then on sizing the infrastructure to support that force.

#### CONCLUSION

In conclusion, I again thank the committee for its strong support of Air Force military construction and military family housing programs. With the committee's assistance and support, the Air Force will meet the most urgent needs of commanders in the field while providing quality facilities for the men and women who serve in and are the backbone of the most respected air and space force in the world.

#### MCCLELLAN AIR FORCE BASE

Senator FEINSTEIN. Thanks very much, Secretary. I am going to jump right to California, in particular to a base that has had a lot of problems, and that is McClellan and the environmental remediation. I have been informed by the local reuse authority for Sacramento County that in January, the Air Force staff at McClellan had submitted a \$27.7 million plan to meet the fiscal year 2003 restoration schedule. By early February that number had been reduced to \$12.7 million and the final budget, it is now \$11.7 million.

In the Air Force briefing of which I have a copy, it says McClellan has been tasked with the identification of 2003 deferments within anticipated 2003 funding. It goes on to say these deferments

are necessary to ensure that fiscal year 2004 to 2009 is properly budgeted in case no fiscal year 2003 supplemental funding is received. Now, Secretary Gibbs, in these hearings last year, I was assured that there would be no repeat of a deliberate underfunding of environmental remediation, and it looks to me like you have submitted a budget that cuts funding to California bases with the expectation that this committee will restore the funds. Is that the case?

Mr. GIBBS. No, ma'am. It is not.

Senator FEINSTEIN. So you are prepared to maintain your commitment with this amount of money?

Mr. GIBBS. Yes, ma'am. Back in I believe it was in the 2000 budget year, there was a reduction in funding for environmental remediation across all services for BRAC bases. At that point with that conclusion, the Air Force reprogrammed all of its remedial actions throughout. We have a detailed plan for each of the bases in which a remedial treatment is necessary. And McClellan was one of those. In 2004, we reached the point where we have to again—

Senator FEINSTEIN. Please speak directly into the mike.

Mr. GIBBS. Excuse me. In 2004, we reached the point where we have to go back and pick up for some of those funds which we did not get back in 2000 on the bases. What we have in 2003 is the continuation of the program that started out or was reprogrammed in 2000, and the overall request for environmental remediation is approximately \$120 million for BRAC bases.

Senator FEINSTEIN. The cost is \$400 million.

Mr. GIBBS. The anticipation is in 2004, that request will have to be increased to about \$180 million to stay on track for our program.

Senator FEINSTEIN. Well, you know, if the cost for environmental remediation of that base is \$400 million, how are we going to get there at amounts like—what you are proposing? You cannot get there. It would take 35 years to get there.

Mr. GIBBS. Unfortunately that is very close. In McClellan specifically, the plan calls for all of the remedial processes to be in place by 2015 and it will take another 20 years or so after that for all of the processes to complete what it is they have to do. It is a passage of time.

One of the areas that McClellan, and to be quite honest with you, I wish it were only going to cost \$400 million—that is close to what we have already spent and it is going to be substantially more. But, at this point, much of what is occurring, because of the discoveries of the past 2 years really, are studies as to how best to achieve the cleanup. And moving some of the studies forward would not substantially change the completion dates, either the completion dates for the installation of the remedies or the ultimate cleanup of the site.

Senator FEINSTEIN. Is the Air Force capable of executing greater funding in 2003 at McClellan?

Mr. GIBBS. Yes, ma'am.

Senator FEINSTEIN. And how much would that be? How about \$22 million?

Mr. GIBBS. That would be very close. That would be almost exact as a matter of fact. There are a number of studies that can be done.

That is a number of individual projects that we would be capable of getting going that would—most of them as I said are in the study area and we would be capable of getting the people going on the studies and getting them started in 2003. If you would like, I can provide for you a list of those individual projects.

Senator FEINSTEIN. I would. If you would not mind. Thank you very much.

Mr. GIBBS. We will provide that to the committee next week. [The information follows:]

MCCLELLAN AIR FORCE BASE

Potential fiscal year 2003 Projects—\$23.0 Million.

The following is a list of McClellan 2004 projects that can be accelerated and executed in 2003.

[In millions of dollars]

<i>Project Description</i>	
Ground water pump and treatment/containment system expansion .....	5.6
Soils feasibility study .....	0.8
West Creeks feasibility study .....	0.5
Hexavalent chrome cleanup .....	3.0
Remedial investigation building 252 .....	0.4
Groundwater treatability study .....	2.8
Disposal pit treatability study .....	3.0
Basewide, sewer and landfill radiological investigations .....	6.9
<hr/>	
Total .....	23.0

Senator FEINSTEIN. The Air Force budget request for current mission MILCON appears to be at its lowest point in 20 years. With 63 percent of your facilities rated at C3 or C4, how do you justify a 48 percent MILCON reduction from last year's enacted level? And I guess the question I am going to ask, that I hope you will answer honestly is, does this budget request provide adequate military construction funding for the Air Force?

Mr. GIBBS. I think if I may, I will answer part of it and then I will ask General Robbins also to answer from his position. The Air Force made a specific decision this year in preparing its budget that what we needed to do first and foremost was to maintain and shore up that which we have. And that is what I mentioned in my remarks earlier on that the sustainment aspect of the budget was increased \$360 million. Effectively, we are attempting to fund sustainment at 100 percent of the Department of Defense (DOD) sustainment model because we believe that is the right thing to do and it is also the best use of the money.

CURRENT AND NEW MISSION PROJECTS

Senator FEINSTEIN. But let me just interrupt you because my understanding is you are funding only five Air Force projects. So my question would be what are the five?

Mr. GIBBS. You mean other than new mission projects? We are funding about 35 or 40 projects, ma'am, but there are—

Senator FEINSTEIN. Five current mission—

Mr. GIBBS [continuing]. Only five that are not new mission projects.

General ROBBINS. Yes, I can find the list.

Senator FEINSTEIN. Could you just tell us what those five are?

General ROBBINS. The list I have here are just the new mission projects.

Senator FEINSTEIN. Perhaps then would you get that to the committee staff?

Mr. GIBBS. Yes, ma'am. We will provide that to you also.

[The information follows:]

#### CURRENT AND NEW MISSION PROJECTS

The Air Force has requested a total of 48 projects for the active component in the fiscal year 2003 President's Budget Request. Of those 48 projects, 25 support new mission beddown and force realignment, 14 support quality of life initiatives, four correct environmental deficiencies, and five are for current mission facility requirements. The following table lists those projects.

[In millions of dollars]

Category	State/Base	Project	Cost
New Mission	AR—Little Rock	C-130J 2-Bay Hangar	12.9
New Mission	AR—Little Rock	C-1 30J Engine Storage Facility	2.1
New Mission	AR—Little Rock	Add to and Alter Fuselage Trainer Facility for C-1 30J.	2.5
New Mission	AR—Little Rock	C-130J Maintenance Training Facility	8.1
New Mission	AZ—Davis-Monthan	HH-60 Apron/Taxiway Shoulders	3.7
New Mission	AZ—Davis-Monthan	HH-60 Maintenance Hangar	6.4
New Mission	CA—Beale	Global Hawk Squadron Operations Facility/Aircraft Maintenance Unit.	3.7
New Mission	CA—Beale	Dining Facility	3.5
New Mission	CA—Beale	Upgrade Maintenance Dock for Global Hawk	4.6
New Mission	CO—Buckley	SBIRS Mission Control Station	6.9
New Mission	CO—Buckley	Wing Headquarters/Administrative Facility	10.8
New Mission	NJ—McGuire	C-17 Flightline Operations Facility	24.6
New Mission	NV—Nellis	F-22 Munitions Maintenance Facility	3.2
New Mission	TX—Sheppard	Euro-NATO Joint Training Flight Simulator	6.0
New Mission	VA—Langley	F-22 Infrastructure and Utilities	10.7
New Mission	VA—Langley	F-22 Flight Simulator	8.1
New Mission	VA—Langley	F-22 Squadron Operations Facility/Aircraft Maintenance Unit.	20.8
New Mission	O/S—RAF Fairford	B-2 Maintenance Hangar/Apron	19.0
New Mission	O/S—Diego Garcia	B-2 Aircraft Parking Apron	17.1
New Mission	O/S—Rota	Aircraft Parking, Phase 1	31.8
New Mission	O/S—Ramstein	Passenger Terminal Annex	17.7
New Mission	O/S—Ramstein	Combined Fleet Service/In-flight Kitchen Facility.	7.5
New Mission		Classified project	2.0
New Mission		Force Protection Improvements (Classified Location).	23.0
New Mission	TBD—TBD	C-17 (Various Facilities)	30.6
QOL	AZ—Davis-Monthan	Dormitory (120 rooms)	9.1
QOL	FL—Hurlburt	Dormitory (144 rooms)	9.0
QOL	LA—Barksdale	Dormitory (168 rooms)	10.9
QOL	MA—Hanscom	Fitness Center	7.7
QOL	MS—Keesler	Dormitory (200 rooms)	22.0
QOL	NC—Pope	Dormitory (144 rooms)	9.7
QOL	NV—Nellis	Dormitory (144 rooms)	12.3
QOL	OH—Wright-Patterson	Dormitory (144 rooms)	10.4
QOL	TX—Lackland	Dormitory (200 rooms)	18.5
QOL	TX—Shepard	Dormitory (144 rooms)	10.0
QOL	VA—Langley	Dormitory (96 rooms)	8.3
QOL	O/S—Andersen	Fitness Center	16.0
QOL	O/S—Lakenheath	Fitness Center	10.8
QOL	O/S—Osan	Dormitory (156 rooms)	15.1
Environmental	AK—Belson	Upgrade Central Heat Plant Baghouses	21.6
Environmental	AK—Clear	Upgrade Power Plant	14.4
Environmental	CA—Vandenberg	Repair Water Distribution, Phase 2	7.4
Environmental	CA—Vandenberg	Install Stormwater Drainage	3.1

[In millions of dollars]

Category	State/Base	Project	Cost
Current Mission	NV—Nellis	Land Acquisition	15.0
Current Mission	O/S—Ramstein	Repair Ramp 1, Phase 1	23.7
Current Mission	O/S—Wake Island	Repair Airfield Pavement, Phase 2	24.9
Current Mission	O/S—Lakenheath	Mobility Processing Facility	2.6
Current Mission	O/S—Ramstein	Kaiserslautern Military Community Center	21.3
Other		Planning and Design	41.5
Other		Unspecified Minor Construction	11.5
Total			644.1

Senator FEINSTEIN. Could you also give us a list of those projects funded with the Defense Emergency Response Fund (DERF)?

General ROBBINS. Yes. There are four of those. One was the Dover Mortuary project—military construction \$19 million, I believe. And then there were three classified location projects in Southwest Asia.

Senator FEINSTEIN. And those are funded?

General ROBBINS. Yes that is correct.

Senator FEINSTEIN. Right.

General ROBBINS. In 2002. Out of the 2002 DERF.

Senator FEINSTEIN. Do you feel your budget is adequate for your needs?

#### BACHELOR AND FAMILY HOUSING

General ROBBINS. One of the advantages of going second after the Navy is to think about your answer to that question and it's like asking one of my teenage daughters do they have enough money to spend. An engineer will never have all that they think they could use, but I would echo what Mr. Gibbs said in terms of the process the Air Force goes through to reach the conclusion that we have reached in terms of taking care of bachelor and family housing, the new mission bed downs that we know we have to do and then our most compelling environmental requirements. It is sufficient to at least help us hold the line when you throw in this increase in sustainment dollars that we have requested. So we will hold the line on our overall infrastructure readiness with this budget.

Senator FEINSTEIN. Well, let me just repeat something that I said last time. I am told by people who have done this for a long time that this is sort of typical. The MILCON budget gets cut and the belief is well, the Congress is going to plus it up, but everybody this year is saying, oh this is fine, we can handle all our needs with this. You may just actually have that as the final result, and I just want to say that publicly that the game may not take place this year.

Mr. GIBBS. That certainly would be acceptable to the Air Force, ma'am.

Senator FEINSTEIN. Okay. So in other words, you are not going to try, General Robbins, to bring all the Air Force's C3 and C4 rated facility classes to at least C2?

General ROBBINS. Not with this budget. Not with the 2003. What we are on track to do, and I believe it was in Mr. Gibb's testimony, but I am not sure, is that we believe by the time we reach the end

of this 5 year defense program, fiscal year defense program, that we will be on the glide path to meet the defense planning guidance that says by 2010 we should be on a 67 year recap rate.

Senator FEINSTEIN. Well, but the goal was 2007. Now you are changing it to 2010.

#### FAMILY HOUSING

General ROBBINS. Actually I believe that 2007 goal had to do with family housing.

Senator FEINSTEIN. Substandard family housing.

General ROBBINS. Right.

Senator FEINSTEIN. That is correct.

General ROBBINS. And I'm speaking to overall—

Senator FEINSTEIN. Oh. I beg your pardon.

General ROBBINS. Yes, ma'am.

Senator FEINSTEIN. Well, will the substandard family housing be brought up to par then by 2007?

#### AIR FORCE FAMILY HOUSING MASTER PLAN

General ROBBINS. Want me to answer that?

Mr. GIBBS. The Air Force plan—the master plan for family housing is for all of the substandard housing to be brought up to par, in your terms, by 2010. The specific reason for that is that there are several bases which are planned to have a construction project every year from now until 2010, that an attempt to bring any of those forward to close them out earlier, we believe would cause substantial disruption on the individual bases and would effectively dispossess more individuals from where they are living, and that it would be inappropriate from a mission perspective and also from how we want to treat our people to force them to do that.

Senator FEINSTEIN. So they are going to live in substandard housing?

Mr. GIBBS. Well, they actually have two options. The housing—yes, to that extent. Or, they can seek Basic Allowance for Housing (BAH) and live off of the facility.

Senator FEINSTEIN. General Brubaker, this budget includes just \$85 million for the Air Guard and Reserve out of the \$2.2 billion overall request and the Air Force MILCON is down sharply. But the Air Guard and Reserve constitute more than 50 percent of the Air Force's war fighting capability and comprise more than 25 percent of the work force, yet only 4 percent of your MILCON budget is being allocated to the Air Guard and Reserve. Do you believe this is a fair and balanced program?

#### AIR NATIONAL GUARD MILITARY CONSTRUCTION

General BRUBAKER. Ma'am, we would like to have more and our needs are greater. The Air Force had to make some real tough decisions and we played fully in that decision process and it did not happen that we got more. We are ready to execute the projects that we did get and we are hopeful next year that we might see some increases that enable us to do some other things.

Senator FEINSTEIN. What percentage of your facility inventory do you consider substandard or inadequate?

General BRUBAKER. We estimate that approximately 50 percent of the Air National Guard facilities are substandard. They would be those that we consider small and antiquated, those that are malpositioned, those with severe violations for life, safety and fire codes. The categories of facilities with the most pressing problems are the operations, training and support facilities and aircraft pavements.

Senator FEINSTEIN. Can I ask you a question? What was your request for funding in this area?

General BRUBAKER. Our total request was for over 30 projects and over \$200 million.

Senator FEINSTEIN. And the budget is at what for them? \$200 million. So that is a 75 percent cut in essence of your request.

General BRUBAKER. We got a lot less than—

Senator FEINSTEIN. You got \$50 million rather than \$200 million.

General BRUBAKER. Yes, ma'am.

Senator FEINSTEIN. And you can live with it?

General BRUBAKER. We are going to make do.

#### AIR FORCE RESERVE MILITARY CONSTRUCTION

Senator FEINSTEIN. Okay. I would like to ask a question about the Reserve. General Duignan, 23 percent of the Air Force Reserve projects were congressional adds last year. The 2003 Air Force Reserve budget request funds only four projects, all of them in Portland, Oregon to support the KC-135 tanker relocation program. For 2004 the future year's defense plan includes only six Air Force Reserve projects, five of them for the KC-135 program in Portland. The Air Force Reserve infrastructure encompasses five major installations, seven air stations and 55 other locations. Why is the Reserve focusing its 2003 and 2004 request really solely on Portland?

General DUIGNAN. Like our brothers in the Guard, we submitted—we have many more projects, but they are submitted through the corporate process in the Air Force and compete with the Air National Guard and the active force to fill the most important needs of the Air Force. In 2003, the most pressing requirement was the conversion of the rescue unit in Portland to the KC-135s. That will not be completed in 1 year so we have to continue that in the 2004 program. We do have additional projects that we have that we need to complete, but based on the priorities, the Portland ones are the top ones to get finished.

#### KOREA

Senator FEINSTEIN. Okay. General Robbins, at a House hearing, General Schwartz, the Commander in Chief of our forces in Korea, submitted a list of potential MILCON inserts for Korea. The list includes three Air Force projects, a mechanically protected personnel processing center, a missile maintenance shop complex and the replacement of an aircraft fuels maintenance dock. That's \$27 million worth of projects for the Air Force. Are you familiar with this list?

General ROBBINS. No, ma'am.

Senator FEINSTEIN. Do you know if General Schwartz requested them?

General ROBBINS. No, ma'am.

Senator FEINSTEIN. Do you know why they were not included in the budget request?

General ROBBINS. Why they were or were not?

Senator FEINSTEIN. Were not.

General ROBBINS. I am not familiar with those three projects.

Senator FEINSTEIN. Okay. Could we get answers to those questions?

General ROBBINS. Sure.

[The information follows:]

The projects referenced by Senator Feinstein are shown below. None are in the fiscal year 2003 budget request.

[Dollars in millions]

Project	Programmed amount	PACAF priority
Kunsan AB Consolidated Personnel Processing Facility .....	\$4.9	Fiscal year 2007
Osan AB Fuel System Maintenance Shop .....	7.5	( <sup>1</sup> )
Kunsan AB Missile Maintenance Facility .....	16.0	( <sup>1</sup> )

<sup>1</sup> Not in FYDP.

The Air Force prioritizes requirements, based on each command's priority and their impacts to mission, readiness, and quality of life, into one integrated priority list (IPL). This IPL is submitted to Chief of Staff of the Air Force and Secretary of the Air Force for endorsement, then to the Office of the Secretary of Defense and eventually Office of Management and Budget, for inclusion into the President's Budget.

The Air Force fiscal year 2003 MILCON submission includes \$73.1 million for overseas bases in the Pacific theater. It includes projects at Diego Garcia, Wake Island, Guam, and Korea.

GLOBAL HAWK AT BEALE AIR FORCE BASE

Senator FEINSTEIN. I wanted to ask a question about Global Hawk at Beale. Are the funds in this budget sufficient for Global Hawk?

Mr. GIBBS. Ultimately—I cannot answer your question. Ultimately but for what is planned out for the next couple of years. Yes, ma'am. Do you know?

General ROBBINS. Yes. The 2003 budget as you know, has the three projects I guess at Beale. And then in 2004 there are two more, and in 2005 there are two more, or one more, and then 2006 one more. So it's spread out ranging from the initial bed down mission support type requirements which are in the early years going out to a dormitory to bed down the additional people that will flow in as we get the iron into Beale, and then even a visiting quarters to handle the TDY rotations that will go up as a result of the bed down and new mission.

General ROBBINS. So it extends out through 2006.

Senator FEINSTEIN. And from a military point of view, that is adequate to meet the mission needs for Global Hawk?

General ROBBINS. Yes, ma'am. If this 2003 budget request is supported and we phase these other projects as I have laid them out here, that will match the flow of the actual aircraft into Beale.

Mr. GIBBS. I would comment for that. That is based upon the current—

Senator FEINSTEIN. I'm sorry. I cannot hear you.

Mr. GIBBS. That is predicated on the current anticipated buy of Global Hawks. Should that change, then we would have additional facility requirements.

Senator FEINSTEIN. Right. Thank you. I think that takes care of my questions. Oh, General Robbins, let me ask you about last week's fire—

General ROBBINS. Oh, yes.

BARKSDALE AIR FORCE BASE

Senator FEINSTEIN [continuing]. At the 8th Air Force headquarters at Barksdale in Louisiana?

General ROBBINS. Yes, ma'am.

Senator FEINSTEIN. We are told that it may take a year and \$13 million to repair. Could you just describe the extent of the damage and how the Air Force intends to fund its repair?

General ROBBINS. Right. They have not even got a definitive cost estimate on the damage yet, because last I heard, it was still smoldering. Although they were prepared to go in with some temporary tarpaulins to cover the undamaged portions of the roof once they could do that. The \$13 million number that you quote is the first initial estimate for what it would cost. Some portion of that was for furnishings and equipment, but about \$9 million I believe was facility. Again, first estimate for facility repairs. Depending upon the cost—how much this grows or does not grow, we will probably try to do it with Operations and Maintenance (O&M) dollars. Try to make the repairs using O&M dollars and the appropriation. But again until we get—

Senator FEINSTEIN. Sorry. Using what dollars?

General ROBBINS. O&M. Operations and Maintenance.

Senator FEINSTEIN. And you have sufficient O&M dollars to do that?

General ROBBINS. We would request that, yes.

Senator FEINSTEIN. Oh, I see, but—

General ROBBINS. Through the Air Force budget. We would have to go in through—as you know the way the O&M account works, they control the outlays over the year, there are residual funds that may not execute. So they would come in by the end of the year and request that we be allowed—

Senator FEINSTEIN. A rollover.

General ROBBINS. As you know, there's a \$7.5 million threshold. If a repair project exceeds \$7.5 million, we have to come to this committee and request permission to proceed with it as an O&M funded project versus MILCON.

Senator FEINSTEIN. Right. Okay. I mean, I would assume you are going to do that.

General ROBBINS. We are going to fix it. And if it is over \$7.5 million, we will come to you with a request. If that is the—we really have to wait and see how much damage was done on the facility. We do not know what the total bill's going to be yet.

Senator FEINSTEIN. Just one last question. I have been very concerned with the housing in Korea. Do you believe that the money that is in this request is adequate to do what we began to do last year to bring our housing up to standard in Korea?

General ROBBINS. Right. You want me to take it. Yes, ma'am. That is a three phase project. This request is to cover the first one-third of the units that are to be required there—it is around 120 units as I recall—to be followed in subsequent fiscal years with the remaining two-thirds. The command sponsored billets tours there at Osan are steady right at about 360, 365. And so if we follow this phased approach, then that should address the concerns of the Commander and the families that live there.

Senator FEINSTEIN. Because I know the chairman of the House subcommittee was very concerned about this and I am too, I just want to make that clear. I mean, I think we ought to house our people in decent quarters doing that duty there. So I want to be sure that what we have committed to last year is followed through this year. Do I have your assurance?

General ROBBINS. Yes, ma'am. The budget request includes the first tower and as I discussed with your staff members when we met over at our place a few weeks ago, what has changed is the site where we were going to build this first tower, but the cost will remain the same. Same number of units. We are just moving it to a different location on Osan.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator FEINSTEIN. Okay. All right. Gentlemen, is there anything else you would like to say? Otherwise, you are all just happy campers with your budget. I think that is wonderful that you set a model for taking 75 and 50 percent cuts and big smiles and that is wonderful. Thank you very much.

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

Mr. GIBBS. Thank you. Madam Chairman.

#### QUESTIONS SUBMITTED TO NELSON F. GIBBS

##### QUESTION SUBMITTED BY SENATOR DIANNE FEINSTEIN

###### MILCON FUNDING

*Question.* Secretary Gibbs, do you have any concern that by reducing MILCON funding this year, by deferring needed MILCON projects, you will be setting the Air Force up for a MILCON train wreck in the out years?

*Answer.* We are very concerned with the magnitude of our military construction requirements backlog, which is the result of many years of undersized military construction budgets. Not counting last year's shot-in-the-arm, the fiscal year 2003 MILCON request is the largest since fiscal year 1994. Further, we have programmed increasing MILCON budgets across the future years defense plan, which keeps us moving in the right direction of gradually buying down the backlog.

It will take a number of years of steady, adequate funding to fully recapitalize our infrastructure to an acceptable desired condition.

#### QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

##### OVERSEAS PROGRAM

*Question.* Secretary Gibbs, I understand that your fiscal year 2003 overseas program is consistent with last year's MILCON program. Can you explain to me how you determine your overseas priorities against the domestic requirements?

*Answer.* The Air Force investment strategy concentrates scarce resources on its Total Force top priorities. The Air Force integrates Total Force MILCON requirements into a single priority list and funds the most urgent needs of the Total Air

Force within budget constraints. After “must pay” requirements are funded, we utilize a MILCON scoring methodology to fund remaining urgent requirements. Urgency of need takes precedence over “fair share.”

*Question.* Secretary Gibbs: Your proposed budget for MILCON has very few projects compared to other years. Did the Air Force place more emphasis in the 2003 budget on overseas because of the uncertainty of a future round of base closure?

*Answer.* No. Future base closures are not factors in determining MILCON priorities.

*Question.* Secretary Gibbs, last year, senior DOD officials testified that after many years of neglect, the Department intended to start investing in infrastructure. Your proposed budget barely funds new mission initiatives, let alone replacement facilities. What is the corporate Air Force position on revitalizing Air Force facilities?

*Answer.* The Air Force has a balanced program that attempts to maximize the utilization of its facilities. The MILCON focus is, in descending order of priority, on (1) environmental, legal, or treaty-driven requirements; (2) quality of life initiatives; (3) new weapon systems requirements and (4) fixing C3/C4-rated facilities. In addition, this budget fully funds sustainment to ensure facilities last their full life. Our balanced program: (1) attempts to maximize scarce resources on our top MILCON priorities; (2) continues to reduce physical plant and associated Operation and Maintenance costs, and (3) relies on alternative approaches to MILCON, particularly privatization.

#### BACKLOG OF MILCON REQUIREMENTS

*Question.* What is the backlog of Active, Guard, and Reserve Air Force requirements for military construction?

*Answer.* Active: The Air Force calculates its backlog of restoration and modernization construction requirements using data from our Installations Readiness Report, updated and submitted to Congress annually per 10 USC 117. We define the backlog as the cost to restore all facility classes to ratings of C-2 or higher. The following table details that backlog for the Active, Guard, and Reserve components.

#### BACKLOG OF CONSTRUCTION REQUIREMENTS

[In millions of dollars]

	O&M	MILCON	Total
Active Air Force .....	1,592	12,016	13,608
Air National Guard .....	388	2,182	2,570
Air Force Reserve .....	89	279	368
<b>Total .....</b>	<b>2,069</b>	<b>14,755</b>	<b>16,546</b>

Note: The table above includes requirements met with MILCON and Facility Restoration and Modernization (O&M) funding. It does not include an additional \$1.8 billion in requirements met with other fund sources (e.g., host-nation funding, medical and RDT&E appropriations). Including those other fund sources, the Total Air Force backlog is \$18.3 billion.

*Guard: Unspecified Minor Construction (UMC).*—The annual funding for unspecified minor construction is roughly \$5 million. The annual shortfall is roughly \$8 million. The fiscal year 2003 budget includes \$4.4 million for unspecified minor construction. This funding is \$7.9 million short of the requirement.

*Current Mission Military Construction (MILCON).*—The Air National Guard backlog of mission MILCON stands at over \$2 billion. This backlog includes projects that replace or repair aging pavements and facilities at our 176 locations. The Air National Guard could execute \$200–\$250 million per year toward the backlog if funding were available.

*New Mission MILCON.*—There are several critical new mission beddowns in progress. The outstanding construction bill associated with the announced conversions is nearly \$200 million. Pending conversions which are being discussed could add another \$325 million to this new mission bill.

*Restoration and Modernization.*—The Restoration and Modernization backlog is \$928 million. Projects include repairs to degraded airfield pavements, leaking roofs, failed fire suppression systems, failed heating and ventilating systems, and other failed utility/building systems.

*Reserve.*—The total backlog of currently identified Air Force Reserve Military Construction projects is \$650 million.

## QUESTIONS SUBMITTED TO MAJOR GENERAL EARNEST O. ROBBINS, II

## QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

## CURRENT MISSION

*Question.* General Robbins, the Air Force MILCON budget appears to fund only five current mission projects. How many Air Force major commands did not get their #1 current mission MILCON requirement funded in this request?

*Answer.* Eight. They include Air Combat Command, Air Force Materiel Command, Air Force Reserve Command, Air Force Special Operations Command, Pacific Air Forces, United States Air Force Academy, the 11th Wing, and Air Intelligence Agency.

*Question.* General Robbins, can you provide, for the record, a list of those #1 unfunded priorities?

*Answer.* Those priorities are:

*Air Combat Command.*—Hurlburt Field, FL—Air Force Command and Control Training and Innovation Group Systems/Warrior School Complex (\$13.8 million).

*Air Force Materiel Command.*—Robins AFB, GA—Corrosion Control Paint Facility (\$27.0 million).

*Air Force Reserve Command.*—Keesler AFB, MS—Fuel Cell (\$7.2 million).

*Air Force Special Operations Command.*—Hurlburt Field, FL—Special Tactics Advance Skills Training Facility (\$7.9 million).

*Pacific Air Forces.*—Osan AB, ROK—Add/Alter Operations/Aircraft Maintenance Unit Facility (\$15.0 million).

*United States Air Force Academy.*—Upgrade Academic Facility, Phase 4 (\$22.5 million).

*Eleventh Wing.*—Bolling AFB, DC—Physical Fitness Center (\$13.0 million).

*Air Intelligence Agency.*—Lackland AFB, TX—Information Operations Center (\$8.8 million).

*Question.* General Robbins, what is the Air Force's recapitalization rate based on the fiscal year 2003 budget? What was it in fiscal year 2002?

*Answer.* The fiscal year 2003 President's Budget request has a fiscal year 2003 recapitalization rate of 227 years. The fiscal year 2002 recapitalization rate was 113 years

## QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

## CONDITION OF FACILITIES

*Question.* General Robbins, I note that the majority of your facilities are in a condition C-3 or C-4. What would be the bill to bring all of the Air Force C-3 and C-4 facilities to at least C-2?

*Answer.* Our installation commanders identified over \$18.3 billion in facilities restoration and modernization investment is needed to restore the Air Force's C-3 and C-4 facility classes to at least C-2.

## MAJCOM UNFUNDED PRIORITIES

*Question.* General Robbins, how many of the Air Force major air commands did not get their number one priority MILCON budget funded in this request? Can you provide a list of those unfunded number one priorities for the record?

*Answer.* Eight major air commands did not get their number one priorities funded in this year's budget request: Air Combat Command, Air Force Materiel Command, Air Force Reserve Command, Air Force Special Operations Command, Pacific Air Forces, United States Air Force Academy, the 11th Wing, and the Air Intelligence Agency. Those priorities are:

*Air Combat Command.*—Hurlburt Field, FL—Air Force Command and Control Training and Innovation Group Systems/Warrior School Complex (\$13.8 million).

*Air Force Materiel Command.*—Robins AFB, GA—Corrosion Control Paint Facility (\$27.0 million).

*Air Force Reserve Command.*—Keesler AFB, MS—Fuel Cell (\$7.2 million).

*Air Force Special Operations Command.*—Hurlburt Field, FL—Special Tactics Advance Skills Training Facility (\$7.9 million).

*Pacific Air Forces.*—Osan AB, ROK—Add/Alter Operations/Aircraft Maintenance Unit Facility (\$15.0 million).

*United States Air Force Academy.*—Upgrade Academic Facility, Phase 4 (\$22.5 million).

*Eleventh Wing.*—Bolling AFB, DC—Physical Fitness Center (\$13.0 million).

*Air Intelligence Agency.*—Lackland AFB, TX—Information Operations Center (\$8.8 million).

RECAPITALIZATION

*Question.* General Robbins, with the funding proposed in the 2003 budget for MILCON, what does that do to the Air Force recapitalization rate? What is the Air Force long term plan regarding recapitalization of facilities?

*Answer.* The fiscal year 2003 President’s Budget level of funding results in a recapitalization rate of 227 years for fiscal year 2003, up from 113 years in fiscal year 2002 and 209 years in fiscal year 2001. Our long-term plan is to properly sustain and modernize our facilities and infrastructure to ensure we have the right facilities at the right time and place to support military readiness. To do this, we are fully funding sustainment across the future years defense plan and are on a funding path to meet goals of buying out the C3/C4 rated facilities backlog as well as achieving a 67-year recap rate by 2010.

PLANT REPLACEMENT VALUE

*Question.* General Robbins, is the Air National Guard portion of your budget request proportionate to the Guard’s share of the Air Force’s plant replacement value?

*Answer.* The Air Force investment strategy concentrates scarce resources on its Total Force top priorities. The Air Force integrates Total Force MILCON requirements into a single priority list and funds the most urgent needs of the Total Air Force within budget constraints. After “must pay” requirements are funded, we utilize a MILCON scoring methodology to fund remaining urgent requirements. Urgency of need takes precedence over “fair share.”

However, the Air National Guard (ANG) portion of this budget request is proportionate to the ANG’s share of the overall Air Force plant replacement value (PRV). The same is true for the Air Force Reserve. The table below shows the breakout.

Air reserve component	PRV share (percent)	Fiscal year 2003 MILCON budget share (percent)
Air National Guard .....	7.9	7.3
Air Force Reserve .....	3.8	4.4

DYESS AFB—MILITARY FAMILY HOUSING

*Question.* Last November, the Air Force provided a brief on the future of Dyess AFB. In that brief, the Service indicated that the next MILCON for Dyess would be in fiscal year 2004. The plan was to build 164 units of MFH for \$14 million. While it appears the Air Force moved the project up by a year, the number of MFH units the Air Force plans to buy for \$14.8 million has now fallen to only 85. This does not appear to be a good value. Why did this happen?

*Answer.* The differences in scope between last year and this year are due to the different unit size and a more accurate estimate of associated support costs (site preparation, utilities, streets and roads, etc.). Starting with the fiscal year 2003 program, the Air Force implements new size standards which more closely approximate the size of homes constructed in the local community.

QUESTIONS SUBMITTED TO BRIGADIER GENERAL DAVID A. BRUBAKER

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

CURRENT MISSION

*Question.* General Brubaker, the Air Guard has been given the responsibility for executing Operation Noble Eagle. Can you explain whether that added responsibility has had any impact on your infrastructure needs?

*Answer.* Operation Noble Eagle has had a significant impact on the ANG infrastructure requirements in a number of ways. We have spent approximately \$29.5 Million from our Sustainment, Restoration, and Modernization (SRM) account in the effort. Alert facilities at numerous locations were in disrepair prior to 9–11. Aircraft alert facilities were shut down and placed in a caretaker status in the early 1990’s, or these aircraft alert facilities were re-used to meet other facility shortfalls. The

SRM funds were used to make the alert aircraft facilities habitable, and to bring the facilities up to current standards.

—Temporary trailers were leased to provide alert crew quarters to support these missions: F-15/F-16 fighters, KC-135 tankers and C-130 airlift aircraft.

—Temporary alert aircraft shelters were constructed at Air National Guard locations where alert shelters did not exist or where the number of alert shelters were insufficient for the mission.

—The estimated cost to provide a long term permanent fix for Noble Eagle requirements, and eliminate the temporary shelters and leased trailers will require approximately \$100 Million in the Military Construction (MILCON) Program.

*Question.* General Brubaker, do you need any additional MILCON funding to meet those needs? If so, what do you need?

*Answer.* The estimated cost to provide a long term permanent fix for Noble Eagle requirements, and eliminate the temporary shelters and leased trailers will require approximately \$100 million in the Military Construction Program. The Air National Guard's most urgent requirements are identified in the future year defense program and the 10543 report.

#### CONCLUSION OF HEARINGS

Senator FEINSTEIN. I think that completes our hearing for the day and hearing is recessed.

[Whereupon, at 3:48 p.m., Tuesday, March 19, the hearings were concluded, and the subcommittees was recessed, to reconvene subject to the call of the Chair.]



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