

**MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2013**

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**HEARINGS**

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

ON

**S. 3215/H.R. 5854**

MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION, THE DEPARTMENT OF VETERANS AFFAIRS, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2013, AND FOR OTHER PURPOSES

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**Department of Defense  
Department of Veterans Affairs**

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# **MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2013**

THURSDAY, MARCH 15, 2012

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

The subcommittee met at 10:03 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Inouye, Landrieu, Reed, Nelson, Murkowski, Blunt, and Coats.

## **DEPARTMENT OF VETERANS AFFAIRS**

**STATEMENT OF HON. ERIC K. SHINSEKI, SECRETARY**

### **ACCOMPANIED BY:**

**HON. ROBERT A. PETZEL, M.D., UNDER SECRETARY FOR HEALTH  
ALLISON HICKEY, UNDER SECRETARY FOR BENEFITS**

**STEVE L. MURO, UNDER SECRETARY FOR MEMORIAL AFFAIRS**

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**W. TODD GRAMS, EXECUTIVE IN CHARGE FOR THE OFFICE OF  
MANAGEMENT AND CHIEF FINANCIAL OFFICER**

### **OPENING STATEMENT OF SENATOR TIM JOHNSON**

Senator JOHNSON. Good morning. This hearing will come to order. We meet today to review the President's fiscal year 2013 budget request and fiscal year 2014 advance appropriation request for the Department of Veterans Affairs (VA).

Secretary Shinseki, I welcome you and your colleagues, and I thank you for appearing before our subcommittee.

Before we begin, I want to acknowledge the temporary absence of my friend and ranking member, Senator Mark Kirk. Senator Kirk has been a great partner as we try to provide the VA with the necessary funds and oversight to transform the VA into a modern 21st century department. In fact, I'm told that when his staff met with him very recently, his first question was, "What progress has the VA and DOD made on electronic health records?" I look forward to Senator Kirk's speedy return so that we can continue to work together for our Nation's vets.

In order to reserve the majority of time for the questions, I'm going to keep my opening statement short. The overall discretionary budget request for the VA totals \$61 billion, \$2.5 billion over the fiscal year 2012 enacted level. Additionally, the submis-

sion includes \$54.5 billion in fiscal year 2014 advance appropriations for VA medical care.

Mr. Secretary, since taking the reins at the VA, you have made speeding up the disability claims process a top priority. The amount of time a vet has to wait to have his disability claim processed is one of the top complaints most elected officials hear from vets. Over the past 5 years, this subcommittee has given the Department all that it has asked for and more to assist in breaking through this logjam.

Your budget this year requests an additional \$145 million for Veterans Benefits Administration (VBA) and \$128 million for the Veterans Benefits Management System, better known as the paperless claims processing system. I'm eager to hear where the VA is regarding deployment of the new paperless system and how these investments are speeding up the delivery of benefits.

The budget request also includes \$169 million for the development of the integrated Electronic Health Record (iEHR). This new system, being developed jointly with the Department of Defense (DOD), is envisioned to modernize the existing electronic health record systems at both the VA and the military services.

While I am very pleased to see the VA and DOD working together to develop a system that will allow the two Departments to share electronic health information, I remain concerned about the lack of details accompanying the budget request. I will have specific questions about iEHR development and other topics during the question rounds.

Again Mr. Secretary, welcome and thank you for appearing before the subcommittee today. I understand that yours will be the only opening statement. Your full statement will be included in the record, so please feel free to summarize your remarks. General Shinseki, please proceed.

#### SUMMARY STATEMENT OF HON. ERIC K. SHINSEKI

Secretary SHINSEKI. Thank you, Mr. Chairman.

Chairman Johnson, Senator Murkowski, other distinguished members of the subcommittee, thank you for this opportunity to present the President's 2013 budget and 2014 advance appropriations request for the Department of Veterans Affairs.

Let me take a moment, Mr. Chairman, also, to note the absence of Ranking Member Mark Kirk and to convey to him, on behalf of the VA, our best wishes for his speedy recovery.

I would also like to acknowledge in the room today veterans service organizations that always work very closely with us and have been helpful in developing, resourcing, and improving the programs that we provide to better serve and care for veterans, for their families, and for survivors.

I would note that this subcommittee has been unwavering in its support for our Nation's veterans. And I say that now, having worked through this budget process three times, and having been before you. The President has clearly demonstrated his priority for the requirements for this Department, and you have supported those requests each time we've been here.

With these 2013 budget and 2014 advance appropriations requests, the President once again firmly demonstrates his respect

and sense of obligation for our Nation's 22 million veterans. I thank the members for your longstanding commitment to veterans and seek, again, your support for these requests.

If I might, let me introduce VA leaders who are joining me here at the witness table. From your right going to the left, Roger Baker, Assistant Secretary for Information and Technology; then Mr. Todd Grams, our Executive in Charge of the Office of Management, also our Chief Financial Officer; to my right, Dr. Randy Petzel, Under Secretary for Health; to his right, General Allison Hickey, Under Secretary for Benefits; and finally, the Hon. Steve Muro, Under Secretary for Memorial Affairs.

And Mr. Chairman, thank you for allowing me to have my written statement submitted for the record.

An important transition is underway, and VA must anticipate its outcomes. Our troops have already departed Iraq, and their numbers in Afghanistan are expected to decline. VA's history suggests that VA's requirements, for veterans who need our care and services, will continue to grow long after the last combatant leaves Afghanistan, perhaps for another decade or more.

In the next 5 years, more than 1 million veterans are expected to leave military service. Through September 2011, of the approximately 1.4 million veterans who deployed to and returned from Afghanistan and Iraq, some 67 percent have used at least one VA benefit or service, a far higher percentage than previous generations.

The President's 2013 VA budget request of \$140.3 billion provides \$64 billion in discretionary funding and \$76.3 billion in mandatory funds. Our discretionary budget request represents an increase of \$2.7 billion or 4.5 percent over the 2012 enacted level.

This request would allow VA to fulfill the requirements of our mission: Healthcare for 8.8 million enrolled veterans, compensation and pension benefits for nearly 4.2 million veterans, life insurance covering 7.1 million Active Duty servicemembers and enrolled veterans at a 95-percent customer satisfaction rating, educational assistance for over 1 million veterans and family members on over 6,500 campuses, home mortgages that guarantee over 1.5 million servicemember and veteran loans with the Nation's lowest foreclosure rate, burial honors for nearly 120,000 heroes and eligible family members in our 131 national cemeteries befitting their service to our Nation.

The 2013 budget request builds momentum in our three priorities—and you've heard me talk about these in past budget testimonies—increasing access to care, benefits, and services; eliminating the claims backlog; and ending veteran homelessness.

Access—the 2013 budget request balances capital requirements with operating needs. It allows VA to continue improving access by opening new or improved facilities closer to where veterans live and providing telehealth, telemedicine, including in veterans' homes; by also fundamentally transforming veterans' access to benefits through a new electronic tool called the Veterans Relationship Management System; by collaborating with DOD to turn the current Transition Assistance Program called TAP into an outcomes-based training and education program that fully prepares depart-

ing servicemembers for the next phase of their lives; and then, finally, by better serving rural and women veterans.

Of the 1 million veterans who are expected to leave the military over the next 5 years, we are expecting that at least 600,000 of them will likely seek VA care, benefits, and services.

Regarding the backlog, from what we can see today, fiscal year 2013 is likely to be the first year in which our claims production exceeds the number of incoming claims. The paperless initiative we have been developing over the past 2 years is critical to increasing the quality of our claims decisions and the speed with which we are able to process them. Processing speed and quality will eliminate the backlog.

Your support of our information technology (IT) priorities in the past, very helpful, has been essential to delivering benefits, healthcare, and memorial services to our veterans. We approach the tipping point in ending the backlog in disability claims. Stability in IT funding is key to eliminating that backlog.

Finally on homelessness, from January 2010 to January 2011, alone, the estimated number of homeless veterans declined by 12 percent. We have momentum here, but more momentum is needed to end veteran homelessness in 2015.

We are building a dynamic homeless veterans registry which contains over 400,000 names of current and formerly homeless veterans. And in the years ahead, this information will allow us to see, to track, to understand, and most importantly, to prevent veterans from falling into homelessness, and this budget supports that plan.

#### PREPARED STATEMENT

We are committed to the responsible use of the resources you provide. And again, thank you for this opportunity to appear before this subcommittee. We look forward to your questions.

[The statement follows:]

#### PREPARED STATEMENT OF HON. ERIC K. SHINSEKI

Chairman Johnson, distinguished members of the Senate Appropriations Committee, Subcommittee on Military Construction, Veterans Affairs and Related Agencies: Thank you for the opportunity to present the President's 2013 budget and 2014 advance appropriations requests for the Department of Veterans Affairs (VA). For the past three budget requests, the Congress has supported the very high priority that the President has placed on funding for programs that provide care and benefits for our Nation's 22 million veterans and their families. This submission seeks your support of the President's continued high priority support for veterans who have earned this Nation's respect and the benefits and services we provide.

We meet at an historic moment for our Nation's Armed Forces, as they turn the page on a decade of war. Recently, the President outlined a major shift in the Nation's strategic military objectives—with a goal of a more agile, more versatile, more responsive military focused on the future. The President also outlined another important objective—keeping faith with those who serve as they depart the military and return to civilian life. As these newest veterans return home, we must anticipate their transitions by readying the care, the benefits, and the job opportunities they have earned and they will need to smoothly and successfully make this transition.

The President's 2013 budget for VA requests \$140.3 billion—comprised of \$64 billion in discretionary funds, including medical care collections, and \$76.3 billion in mandatory funds. The discretionary budget request represents an increase of \$2.7 billion, or 4.5 percent, over the 2012 enacted level. Our 2013 budget will allow the Department to operate the largest integrated healthcare system in the country, with more than 8.8 million veterans enrolled to receive healthcare; the eighth largest life



insurance provider covering both Active Duty members as well as enrolled veterans; a sizeable education assistance program serving over 1 million participants; a home mortgage service that guarantees over 1.5 million veterans' home loans with the lowest foreclosure rate in the Nation; and the largest national cemetery system that continues to lead the country as a high-performing organization—for the fourth time in a 10-year period besting the Nation's top corporations and other Federal agencies in an independent survey of customer satisfaction. In 2013, VA national cemeteries will inter about 120,000 veterans or their family members.

The Department of Veterans Affairs fulfills its obligation to veterans, their families, and survivors of the fallen by living a set of core values that define who we are as an organization: "I CARE"—integrity, commitment, advocacy, respect, and excellence—cannot be converted into dollars in a budget. But veterans trust that we will live these values, every day, in our medical facilities, our benefits offices, and our national cemeteries. And where we find evidence of a lack of commitment to our values, we will aggressively correct them by re-training employees or, where required, removal. We provide the very best in high quality and safe care and compassionate services, delivered by more than 316,000 employees, who are supported by the generosity of 140,000 volunteers.

#### STEWARDSHIP OF RESOURCES

Safeguarding the resources—people, money, time—entrusted to us by the Congress, managing them effectively and deploying them judiciously, is a fundamental duty at VA. Effective stewardship requires an unflagging commitment to apply budgetary resources efficiently, using clear accounting rules and procedures, to safeguard, train, motivate, and hold our workforce accountable; and to assure the proper use of time in serving veterans on behalf of the American people.

During the audit of the Department's fiscal year 2010 financial statement, VA's independent auditor certified that we had remediated all three of our remaining material weaknesses in financial management, which had been carried forward for over a decade. In terms of internal controls and fiscal integrity, this was a major accomplishment. We have also dramatically reduced the number of significant financial deficiencies since 2008, from 16 to 2.

Another example of VA's effective stewardship of resources is the Project Management Accountability System (PMAS) developed by our Office of Information Technology. PMAS requires information technology (IT) projects to establish milestones to deliver new functionality to its customers every 6 months. Now entering its third year, PMAS continues to instill accountability and discipline in our IT organization. In 2011, PMAS achieved successful delivery of 89 percent of all IT project milestones. VA managed 101 IT projects during the year, establishing a total of 237 milestones and successfully executing 212 of them. Of the 25 IT projects that missed their delivery milestone date, more than half delivered within the next 14 days. Ensuring IT projects meet established milestones means that savings and delivery of solutions are achieved throughout development, and that veterans reap improvements sooner. By implementing PMAS, we have achieved at least \$200 million in cost avoidance by stopping or improving the management of 45 projects.

VA's stewardship of resources continues with the expansion of our ASPIRE dashboard to the Veterans Benefits Administration (VBA). Originally established in 2010 for the Veterans Health Administration (VHA), ASPIRE publicly provides quality goals and performance measures of VA healthcare. The success of this approach was reflected in its contribution to VHA's receipt of the Annual Leadership Award from the American College of Medical Quality. On June 30, 2011, VBA established an ASPIRE Web site at <http://www.vba.va.gov/reports/aspiremap.asp> for aspirational goals and monthly progress for 46 performance metrics across six business lines. The new effort expands the Department's commitment to unprecedented public transparency by sharing performance and productivity data in the delivery of veterans' benefits, including compensation, pension, vocational rehabilitation and employment, education, home loans, and insurance.

Through the effective management of our acquisition resources, VA achieves positive results for veteran-owned small businesses. VA leads the Federal Government in contracting with service-disabled, veteran-owned small businesses (SDVOSB). In 2011, more than 18 percent of all VA procurements were awarded to SDVOSBs, exceeding our internal goal of 10 percent and far exceeding the Governmentwide goal of 3 percent.

Finally, VA's stewardship achieved savings in several other areas across the Department. The National Cemetery Administration (NCA) assumed responsibility in 2009 for processing First Notices of Death to terminate compensation benefits to deceased veterans. This allows the timely notification to next-of-kin of potential sur-

vivor benefits. Since that time, NCA has avoided possible collection action by discontinuing \$100.3 million in benefit payments. In addition, we implemented the use of Medicare pricing methodologies at VHA to pay for certain outpatient services in 2011, resulting in savings of over \$160 million without negatively impacting veteran care and with improved consistency in billing and payment.

#### VETERANS JOB CORPS

In his State of the Union address, President Obama called for a new Veterans Job Corps initiative to help our returning veterans find pathways to civilian employment. The budget includes \$1 billion to develop a Veterans Job Corps conservation program that will put up to 20,000 veterans back to work over the next 5 years protecting and rebuilding America. Veterans will restore our great outdoors by providing visitor programs, restoring habitat, protecting cultural resources, eradicating invasive species, and operating facilities. Additionally, veterans will help make a significant dent in the deferred maintenance of our Federal, State, local, and tribal lands including jobs that will repair and rehabilitate trails, roads, levees, recreation facilities, and other assets. The program will serve all veterans, but will have a particular focus on post-9/11 veterans.

#### MULTI-YEAR PLAN FOR MEDICAL CARE BUDGET

Under the Veterans Health Care Budget Reform and Transparency Act of 2009, which we are grateful to Congress for passing; VA submits its medical care budget that includes an advance appropriations request in each budget submission. This legislation requires VA to plan its medical care budget using a multi-year approach. This approach ensures that VA requirements are reviewed and updated based on the most recent data available and actual program experience.

The 2013 budget request for VA medical care appropriations is \$52.7 billion, an increase of 4.1 percent over the 2012 enacted appropriation of \$50.6 billion. This request is an increase of \$165 million above the 2013 advance appropriations enacted by Congress in 2011. Based on updated 2013 estimates largely derived from the Enrollee Health Care Projection Model, the requested amount would also allow VA to increase funding in programs to eliminate veteran homelessness, fully fund the implementation of the Caregivers and Veterans Omnibus Health Services Act, support activation requirements for new or replacement medical facilities, and invest in strategic initiatives to improve the quality and accessibility of VA healthcare programs. Our multi-year budget plan continues to assume \$500 million in unobligated balances from 2012 that will carryover and remain available for obligation in 2013—consistent with the 2012 budget submitted to Congress.

The 2014 request for medical care advance appropriations is \$54.5 billion, an increase of \$1.8 billion, or 3.3 percent, over the 2013 budget request.

#### PRIORITY GOALS

Our Nation is in a period of transition. As the tide of war recedes, we have the opportunity, and the responsibility, to anticipate the needs of returning veterans. History shows that the costs of war will continue to grow in VA for a decade or more after the operational missions in Iraq and Afghanistan have ended. In the next 5 years, another 1 million veterans are expected to leave military service. Our data shows that the newest of our country's veterans are relying on VA at unprecedented levels. Through September 30, 2011, of the approximately 1.4 million living veterans who were deployed overseas to support Operation Enduring Freedom and Operation Iraqi Freedom, at least 67 percent have used some VA benefit or service.

VA's three priorities—to expand access to benefits and services, eliminate the claims backlog, and end veteran homelessness—anticipate these changes and identify the performance levels required to meet emerging needs. The 2013 budget builds upon our multi-year effort to achieve VA's priority goals through effective, efficient, and accountable program implementation.

#### EXPANDING ACCESS TO BENEFITS AND SERVICES

Expanding access for veterans is much more than boosting the number of veterans walking in the front door of a VA facility. Access is a three-pronged effort that encompasses VA's facilities, programs, and technology. Today, expanding access includes taking the facility to the veteran—be it virtually through telehealth, by sending mobile vet centers to rural areas where services are sparse, or by using social media sites like Facebook, Twitter, and YouTube to connect veterans to VA benefits and facilities. Expanding access also means finding new ways to break down artificial barriers so that veterans are aware of and can gain access to VA services and

benefits. Technology is the great enabler of all VA efforts. IT is not a siloed segment of the budget, providing just computers and monitors, but rather the vehicle by which VA is able to extend the reach of its healthcare to rural America, process benefits more quickly, and provide enhanced service to veterans and their families.

The 2013 budget request includes \$119.4 million for the Veterans Relationship Management (VRM) initiative, which is fundamentally transforming veterans' access to VA benefits and services by empowering VA clients with new self-service tools. VA has already made major strides under this initiative. VRM established a single queue for VBA's National Call Centers ensuring calls are routed to the next available agent, regardless of geography. Call-recording functionality was implemented that allows agents to review calls for technical accuracy and client contact behaviors. VA recently deployed "Virtual Hold ASAP call-back" technology. During periods of high call volumes, callers can leave their name and phone number instead of waiting on hold for the next available operator, and the system automatically calls them back in turn. The Virtual Hold system has made nearly 600,000 return calls since November 2011. The acceptance rate for callers is 46 percent, exceeding the industry standard of 30 percent, and our successful re-connect rate is 92 percent. Since launching Virtual Hold, the National Call Centers have seen a 15-percent reduction in the dropped-call rate. In December 2011, VA deployed "Virtual Hold scheduled call-back" technology, which allows callers to make an appointment with us to call them at a specific time. Since deployment, over 185,000 scheduled call-backs have already been processed.

In December, VA deployed a pilot of its new "unified desktop" technology. This initiative will provide National Call Center agents with a single, unified view of VA clients' military, demographic, and contact information and their benefits eligibility and claims status through one integrated application, versus the current process that requires VA agents to access up to 13 different applications. This will help ensure our veterans receive comprehensive and accurate responses.

Key to expansion of access is the eBenefits portal—one of our critical VRM initiatives. eBenefits is a VA/DOD initiative that consolidates information regarding benefits and services and includes a suite of online self-service capabilities for enrollment/application and utilization of benefits and services. eBenefits enrollment now exceeds 1.2 million users, and VA expects enrollment to exceed 2.5 million by the end of 2013. VA continues to expand the capabilities available through the eBenefits portal. Users can check the status of a claim or appeal, review the history of VA payments, request and download military personnel records, generate letters to verify their eligibility for veterans' hiring preferences, secure a certificate of eligibility for a VA home loan, and numerous other benefit actions. In 2012, servicemembers will complete their servicemembers' Group Life Insurance applications and transactions through eBenefits. Also, 2012 enhancements will allow veterans to view their scheduled VA medical appointments, file benefits claims online in a "turbo claim" like approach, and upload supporting claims information that feeds our paperless claims process. In 2013, funding supports enhanced self-service tools for the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) and VetSuccess programs, as well as the veterans online application for enrolling in VA healthcare.

VA and the Department of Defense (DOD) have broken new ground in the development and implementation of the Integrated Disability Evaluation System (IDES). This system supporting the transition of wounded, ill, and injured servicemembers is fully operational and available to servicemembers as of October 1, 2011. Because of the complexity of these cases, the Veterans Benefits Administration devotes four times the level of staffing resources to processing IDES cases than claims from other veterans. VA has reduced its claims processing time in IDES from 186 days in February 2011 to 104 days in December 2011. The 2013 budget requests an additional \$13.2 million and 90 FTE to support IDES enhancements.

The DOD/VA team is further developing programs to enhance the transition of all servicemembers to veteran status. Together we are transforming the current Transition Assistance Program (TAP) from a series of discrete efforts to one that uses an outcome-based approach. This approach will be more integrated and, once complete, will be mapped to the lifecycle of every servicemember, from recruitment through separation or retirement. In July 2011, VBA launched online TAP courseware, which provides the capability for servicemembers to complete the course without attending the classroom session. VA and DOD also are collaborating on a policy for implementing mandatory TAP participation.

VA will improve access to VA services by opening new or improved facilities closer to where veterans live. The 2013 medical care budget request includes \$792 million to open new and renovated healthcare facilities, including resources to support the activation of four new hospitals in Orlando, Florida; Las Vegas, Nevada; New Orle-

ans, Louisiana; and Denver, Colorado. These new VA medical centers are projected to serve 1.2 million enrolled veterans when they are operational. This budget also includes an initiative to establish a national cemetery presence in eight rural areas where the veteran population is less than 25,000 within a 75-mile service area. In addition to expanding access at fixed locations, VA is deploying an additional 20 mobile vet centers in 2012 to increase access to readjustment counseling services for veterans and their families in rural and underserved communities across the country. These new specialty vehicles will expand the existing fleet of 50 mobile vet centers already in service by 40 percent. In 2011, mobile vet centers participated in more than 3,600 Federal, State, and locally sponsored veteran-related events. More than 190,000 veterans and family members made over 1.3 million visits to VA vet centers in 2011.

The Board of Veterans Appeals (BVA) leverages video conference technology to increase the capability of, and access to, video hearings to provide veterans with more options for a hearing regarding their appeal. The VA is currently upgrading this video conference technology both at BVA and at VBA regional offices. In 2011, the number of video hearings increased from 3,979 to 4,355 or 9.4 percent. The Board is also working with VBA and VHA to allow video hearings to be held from more locations in the field, which will be more convenient for veterans. Initially, the expanded video capability will be used to reduce the backlog of hearings and the time veterans have to wait for them.

We are working harder than ever to reach out to women veterans. Women represent about 8 percent of the total veteran population. In recent years, the number of women veterans seeking healthcare has grown rapidly and it will continue to grow as more women enter military service. Women comprise nearly 15 percent of today's Active Duty military forces and 18 percent of National Guard and Reserves. For the estimated 337,000 women veterans currently using the VA healthcare system, VA is improving their access to services and treatment facilities. The 2013 budget includes \$403 million for the gender-specific healthcare needs of women veterans, an increase of 17.5 percent over the 2012 level.

VHA regularly updates its standards for improving and measuring veterans' access to medical care programs. In 2010, VHA implemented new wait time measures that assess performance meeting the new standard of providing medical appointments within 14 days of the desired date, replacing the previous 30-day desired-date standard. In 2011, 89 percent of medical care appointments for new patients occurred within 14 days of the desired date, an increase of 5 percentage points over the 2010 level of 84 percent. The President's request for 2013 ensures we are able to continue to improve our performance in providing this service.

Access improvements are central to VHA's new patient-aligned care teams (PACT) model. VA views appointments as a partnership. We are implementing a national initiative to reduce costly no-show appointments. Also, veterans can manage appointments by visiting MyHealtheVet Web site, where they can view all of their pending appointments. In another effort to help veterans make and keep appointments, VA is implementing a pilot program that offers child care to eligible veterans seeking medical appointments at three VA medical centers in 2012 and 2013. The first of these facilities, the Buffalo VAMC, began providing services in October 2011. Each pilot site will be operated onsite by licensed childcare providers. Drop-in services will be offered free of charge to veterans who are eligible for VA care and who are visiting a medical facility for an appointment.

VA is taking full advantage of technology to expand access to its medical centers. In 2008, VA established a presence on Facebook with a single Veterans Health Administration (VHA) page. In 2009, VA established the Post-9/11 GI Bill Facebook page to raise awareness about the implementation of this new benefit program. With over 39,000 subscribers (or fans), this page serves as our primary real-time tool to communicate GI Bill news and directly interact with our clients. VA also launched a general VBA benefits page, which describes all of our services. VBA posts to its followers 7 days a week and is followed in 18 different countries and 15 different languages. In June 2011, VA outlined a Department-wide social media policy that provides guidelines for communicating with VA online. By November 2011, VA had established Facebook pages for all 152 of its medical centers. This event marks an important milestone in our effort to transform how the Department communicates with veterans and provides them access to healthcare and benefits. By leveraging Facebook, VA continues to embrace transparency and engage veterans in a two-way conversation. VA currently has over 345,000 combined Facebook fans. As of January 2012, the Department's main Facebook page has over 154,000 fans and its medical centers have a combined following of over 69,000.

## ELIMINATING THE CLAIMS BACKLOG

To transform VA for the benefit of veterans, we must streamline the claims processing system and eliminate the claims backlog. We are vigorously pursuing a claims transformation plan that will adopt near-term innovations and break down stubborn obstacles to providing veterans the benefits they have earned.

As we pursue a multi-focused approach to eliminate the claims backlog, workload in our disability compensation and pension programs continues to rise. VA has experienced a 48-percent increase in claims receipts since 2008, and we expect that the incoming claims volume will continue to increase by 4.2 percent in 2013, to 1,250,000 claims from 1,200,000 in 2012. At the same time, veterans are claiming many more disabilities, with Iraq and Afghanistan veterans claiming an average of 8.5 disabilities per claim—more than double the number of disabilities claimed by veterans of earlier eras. As more than 1 million troops leave service over the next 5 years, we expect our claims workload to continue to rise for the foreseeable future. In 2013, our goal is to ensure that no more than 40 percent of the compensation and pension claims in the pending inventory are more than 125 days old. While too many veterans will still be waiting too long for the benefits they have earned, it does represent a significant improvement in performance over the 2012 estimate of 60 percent of claims more than 125 days old, demonstrating that we are on the right path.

VA is attacking the claims backlog through an aggressive transformation plan that includes initiatives focused on the people, processes, and technology that will eliminate the backlog. We are implementing a new standardized operating model in all our regional offices beginning this year that incorporates a case-management approach to claims processing. It establishes distinct processing lanes based on the complexity and priority of the claims and assigns employees to the lanes based on their experience and skill levels. Integrated, cross-functional teams work claims from start to finish, facilitating the quick flow of completed claims and allowing for informal clarification of claims processing issues to minimize rework and reduce processing time. More easily rated claims move quickly through the system, and the quality of our decisions improves by assigning our more experienced and skilled employees to the more complex claims. The new operating model also establishes an intake processing center at every regional office, adding a formalized process for triaging mail and enabling more timely and accurate distribution of claims to the production staff in their appropriate lanes.

VA is increasing the expertise of our workforce and the quality of our decisions through national training standards that prepare claims processors to work faster and at a higher quality level. Our training and technology skills programs will continue to deliver the knowledge and expertise our employees need to succeed in a 21st century workplace. We are establishing dedicated teams of quality review specialists at each regional office. These teams will evaluate decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. Personnel trained by our national quality assurance staff comprise the quality review teams to assure local reviews are consistently conducted according to national standards.

Using design teams, VBA is conducting rapid development and testing of process changes, automated processing tools, and innovative workplace incentive programs. The first design team developed a method to simplify rating decisions and decision notification letters that was implemented nationwide in December 2011. This new decision notification process streamlines and standardizes the development and communication of claims decisions. This initiative also includes a new employee job-aid that uses rules-based programming to assist decisionmakers in assigning an accurate service-connected evaluation. VBA's Implementation Center, established at VBA headquarters as a program management office, streamlines the process of innovation to ensure that new ideas are approved through a governance process. This allows us to focus on initiatives that will achieve the greatest gains.

VA continues to promote the Fully Developed Claims (FDC) program. We believe utilization of the FDC program will significantly increase as a result of the public release last month of 68 more disability benefits questionnaires (DBQs), bringing the total number of DBQs publicly available to 71. DBQs are templates that solicit the medical information necessary to evaluate the level of disability for a particular medical condition. Currently used by Veterans Health Administration examiners, the release of these DBQs to the public will allow veterans to take them to their private physicians, facilitating submission of a complete claims package for expedited processing. VA plans an aggressive communications strategy surrounding the release of these DBQs that will promote the FDC program. We also continue to

work with the VSO community to identify ways to boost FDC program participation and better inform and serve veterans and their advocates.

This year VA is also beginning national implementation of our new paperless processing system, the Veterans Benefits Management System (VBMS). We are implementing VBMS using a phased approach that will have all regional offices on the new system by the end of 2013. We will continue to add and expand VBMS functionality throughout this process. Establishment of a digital, near-paperless environment will allow for greater exchange of information and increased transparency to veterans, our workforce, and stakeholders. Increased use of state-of-the-art technology plays a major role in enabling VA to eliminate the claims backlog and redirect capacity to better serve veterans and their families. Our strategy includes active stakeholder participation (veterans service officers, State Departments of Veterans Affairs, county veterans service officers, and Department of Defense) to provide digitally ready electronic files and claims pre-scanned through online claims submission using the eBenefits Web portal. VBA has aggressively promoted the value of eBenefits and the ease of enrolling into the system. The 2013 budget invests \$128 million in VBMS.

#### ENDING VETERAN HOMELESSNESS

The administration is committed to ending homelessness among veterans by 2015. Between January 2010 and January 2011 homelessness declined by 12 percent, keeping VA on track to meet the goal of ending veteran homelessness in 2015. The VA's homeless veteran registry is populated with over 400,000 names of current and formerly homeless veterans who have utilized VA's Homeless Programs—allowing us to better see the scope of the issues so we can more effectively address them.

In the 2013 budget, VA is requesting \$1.352 billion for programs that will prevent and treat veteran homelessness. This represents an increase of \$333 million, or 33 percent over the 2012 level. This budget will support our long-range plan to eliminate veteran homelessness by reducing the number of homeless veterans to 35,000 in 2013 by emphasizing rescue and prevention.

To get veterans off the streets and into stable environments, VA's Grant and Per Diem Program awards grants to community-based organizations that provide transitional housing and support services. VA's goal is to serve 32,000 homeless veterans in this program in 2013. Transitional housing is also provided through the Healthcare for Homeless Veterans program. Permanent housing is achieved with Housing Choice vouchers in the Department of Housing and Urban Development (HUD)-VA Supportive Housing (HUD-VASH) Program, and by 2013 VA plans to provide case management support for the nearly 58,000 HUD Housing Choice vouchers available to assist our most needy homeless veterans.

Culminating 2 years of work to end homelessness among veterans, the Building Utilization Review and Repurposing (BURR) initiative helped identify unused and underused buildings and land at existing VA property with the potential for repurposing to veteran housing. The BURR initiative supports VA's goal of ending veteran homelessness by identifying excess VA property that can be repurposed to provide safe and affordable housing for veterans and their families. As a result of BURR, VA began developing housing opportunities at 34 nationwide locations for homeless or at-risk veterans and their families using its enhanced use lease (EUL) authority (now expired). The housing opportunities developed through BURR will add approximately 4,100 units of affordable and supportive housing to the projects already in operation or under construction, for an estimated total of 5,400 units.

Although the Department's enhanced use lease authority has expired, the administration will work with Congress to develop future legislative authorities to enable the Department to further repurpose the properties identified by the BURR process. Beyond reducing homelessness among our veterans, additional opportunities identified through BURR may include housing for veterans returning from Iraq and Afghanistan, assisted living for elderly veterans, and other possible uses that will enhance benefits and services to veterans and their families.

Of all claimants served by the Veterans Benefits Administration (VBA), homeless veterans represent our most vulnerable population and require specialized care and services. The 2013 budget requests \$21 million for the Homeless Veterans Outreach Coordinator (HVOC) initiative, which would provide an additional 200 coordinators nationwide to expedite disability claims; acquire housing and prevent veterans from losing their homes; expedite access to vocational training and job opportunities; and resolve legal issues at regional justice courts. These new case managers would significantly improve outcomes on behalf of the Nation's homeless veterans. For example, the initiative would improve the timeliness of disability claims decisions for

homeless and at-risk veterans by reducing the claims processing times by nearly 40 percent between 2011 and 2015.

In 2011, VHA hired 366 (or 90 percent of 407 total positions) homeless or formerly homeless veterans as vocational rehabilitation specialists to provide individualized supported employment services to unemployed homeless veterans through the Homeless Veterans Supported Employment Program. Recent initiatives to increase employment of veterans in Federal and other public sector jobs will help to reduce homelessness and also ensure their families are supported. On January 18, 2012, VA hosted a career fair for veterans in Washington, DC. Over 4,000 veterans attended this event to explore and apply for thousands of public and private sector job opportunities.

The VA also helps veterans obtain employment with education and training assistance. The National Cemetery Administration (NCA) is helping to provide employment opportunities for homeless veterans through a new, paid apprenticeship training program serving veterans who are homeless or at risk of homelessness. The program will be based on current NCA training requirements for positions such as cemetery caretakers and cemetery representatives. Veterans who successfully complete the program at national cemeteries will be guaranteed full-time permanent employment at a national cemetery or may choose to pursue employment in the private sector. The Veterans Retraining Assistance Program is a joint effort with VA and the Department of Labor to provide 12 months of retraining assistance. The program is limited to 54,000 participants from October 1, 2012, through March 31, 2014. Education and training assistance are preventive programs.

Other preventive services programs include the Supportive Services for Veteran Families, which provides rapid case management and financial assistance, coordinated with community and mainstream resources, to promote housing stability. In time, VA will transition its homeless efforts primarily to prevention. Through coordinated partnerships with other Federal and local partners and providers, VA will assist at-risk veterans in maintaining housing, accessing supportive services that promote housing stability, and identifying the resources to rapidly re-house veterans and their dependents if they should fall into homelessness. This shift to increased preventive efforts will require us to be much more knowledgeable about the causes of veterans' homelessness, about the details of our current homeless and at-risk veteran populations, and about creating action plans that serve veterans at the individual level.

#### MEDICAL CARE PROGRAM

The 2013 budget requests \$52.7 billion for healthcare services to treat over 6.33 million unique patients, an increase of 1.1 percent over the 2012 estimate. Of those unique patients, 4.4 million veterans are in priority groups 1–6, an increase of more than 64,000 or 1.5 percent. Additionally, VA anticipates treating over 610,000 veterans from the conflicts in Iraq and Afghanistan, an increase of over 53,000 patients, or 9.6 percent, over the 2012 level.

##### *Medical Care in Rural Areas*

The delivery of healthcare in rural areas faces major challenges, including a shortage of healthcare resources and specialty providers. In 2011, we obligated \$18.8 billion to provide healthcare to veterans who live in rural areas. Some 3.6 million veterans enrolled in the VA healthcare system live in rural or highly rural areas of the country; this represents about 42 percent of all enrolled veterans. For that reason, VA will continue to emphasize rural health in our budget planning, including addressing the needs of Native American veterans. The 2013 budget continues to invest in special programs designed to improve access and the quality of care for veterans residing in rural areas. For example, in the remote, sparsely populated areas of Montana, Utah, Wyoming, and Colorado, VA has supported the development and expansion of a network-wide operational telehealth infrastructure that supports a virtual intensive care unit, tele-mental health services, and primary care and specialty care to 67 fixed and mobile sites. Again, IT investment is the foundation of our work in all of these areas.

In rural areas with larger populations, funding supports the opening of new rural clinics, such as the one located in Newport, Oregon, which serves over 1,200 veterans. This clinic is a unique partnership between VA and the local Lincoln County government. The county government provides clinical space, equipment, and supplies, while VA funds the salaries for the primary care and mental health providers.

##### *Mental Healthcare*

The budget requests \$6.2 billion for mental health programs, for an increase of \$312 million over the 2012 level of \$5.9 billion. VA is increasing outreach opportuni-

ties to connect with and treat veterans and their families in new, innovative ways. In April 2011, VA launched the first in a series of mobile smartphone applications, the PTSD Coach. It provides information about PTSD, self-assessment and symptom management tools, and information on how to get help. VA developed this technology in collaboration with DOD and with input from veterans, who let the development team know what they did and did not want in the application (app). As of the end of 2011, the app had just over 41,000 downloads in 57 countries. In addition, VA is developing PTSD Family Coach that will complement the Coaching into Care National Call Center, which provides support to family members of veterans.

In 2011, VA also launched Make the Connection, a national public awareness campaign for veterans and their family members to connect with other veterans to share common experiences, and ultimately to connect them with information and resources to help with the challenges that can occur when transitioning from military service to civilian society. This is an important effort in breaking down the stigma associated with mental health issues and treatment. The campaign's central focus is a Web site, [www.MakeTheConnection.net](http://www.MakeTheConnection.net), featuring numerous veterans who have shared their experiences, challenges, and triumphs. It offers a place where veterans and their families can view the candid, personal testimonials of other veterans who have dealt with and are working through a variety of common life experiences, day-to-day symptoms, and mental health conditions. The Web site also connects veterans and their family members with services and resources they may need.

#### *Long-Term Medical Care*

As the veteran population ages, VA will expand its provision of both institutional and non-institutional long-term care services. These services are designed not just for the elderly, but for veterans of all ages who have a serious chronic disease or disability requiring ongoing care and support, including those returning from Iraq and Afghanistan suffering from traumatic injuries. Veterans can receive long-term care services at home, at VA medical centers, or in the community. In 2013, the long-term care budget request is \$7.2 billion. VA will continue to provide long-term care in the least restrictive and most clinically appropriate settings by providing more non-institutional care closer to where veterans live. This budget supports an increase of 6 percent in the average daily census in non-institutional long-term care programs in 2013, resulting in a total average daily census of approximately 120,100.

#### MEDICAL RESEARCH

Medical research is being supported with \$583 million in direct appropriations in 2013, an increase of nearly \$2 million above the 2012 level. In addition, approximately \$1.3 billion in funding support for medical research will be received from VA's medical care program and through Federal and non-Federal grants. Projects funded in 2013 will support fundamentally new directions for VA research. Specifically, research efforts will be focused on supporting development of new models of care, improving social reintegration following traumatic brain injury, reducing suicide, evaluating the effectiveness of complementary and alternative medicine, developing blood tests to assist in the diagnosis of post-traumatic stress disorder and mild traumatic brain injury, and advancing genomic medicine.

The 2013 budget continues support for the Million Veteran Program (MVP), an unprecedented research program that advances the promises of genomic science. The MVP will establish a database, used only by authorized researchers in a secure manner, to conduct health and wellness studies to determine which genetic variations are associated with particular health issues. The pilot phase of MVP was launched in 2011. Surveys were sent to 17,483 veterans and approximately 20 percent of those then completed a study visit and provided a small blood sample. By the end of 2013, the goal is to enroll at least 150,000 participants in the program. Like with so much of VA research, the impact will be felt not just through improved care for veterans but for all Americans, as well.

#### VETERANS BENEFITS ADMINISTRATION

The 2013 budget request for the general operating expenses of the Veterans Benefits Administration (VBA) is \$2.2 billion, an increase of \$145 million, or 7.2 percent, over the 2012 enacted level. With the support of Congress, we have made great strides in implementing our comprehensive plan to transform the disability claims process. This budget sustains our investments in people, processes, and technology in order to eliminate the claims backlog by 2015. In addition, this budget request includes funding to support the administration of other VBA business lines.



#### *Post-9/11 and Other Education Programs*

The Post-9/11 GI Bill program provides every returning servicemember with the opportunity to obtain a college education. As expected, the Post-9/11 GI Bill program has become the most used education benefit that VA offers. Just as with the original GI Bill, today's program provides veterans with tools that will help them contribute to an economically vibrant and strong America. In 2013, VA estimates that 606,300 individuals will participate in this benefit program. The timeliness and accuracy of processing Post-9/11 GI Bill claims continues to improve. From 2010 to 2011, VA processing times for original and supplemental claims improved by 15 days (from 39 to 24 days) and 4 days (from 16 to 12 days), respectively. Over the last 2 years, VA has successfully deployed a new IT system to support processing of Post-9/11 GI Bill education claims. With improved automation tools in place, VA will be able to begin reducing education benefit processing staff in 2013.

#### *Vocational Rehabilitation and Employment*

The Vocational Rehabilitation and Employment (VR&E) program is designed to assist disabled servicemembers in their transition to civilian life and obtaining employment. The budget request for 2013 is \$233.4 million or a 14.2-percent increase from 2012. The number of participants in the program increased to 107,925 in 2011 and is expected to grow to over 130,000 by 2013.

VA is also expanding VR&E counseling services available at IDES sites to assist servicemembers with disabilities in jumpstarting their transition to civilian employment. In 2012, VA will assign 110 additional counselors to the largest IDES sites, serving an additional 12,000 wounded, ill, and injured servicemembers. Funds requested in 2013 will support further expansion, adding 90 more counselors to the program.

In 2009, VA established a pilot program called VetSuccess on Campus to provide outreach and supportive services to veterans during their transition from the military to college, ensuring that their health, education, and benefit needs are met. By the end of 2012, the program will be operational on 28 campuses. The 2013 budget includes \$8.8 million to expand the program to a total of 80 campuses serving approximately 80,000 veterans.

#### NATIONAL CEMETERY ADMINISTRATION

VA honors our fallen soldiers with final resting places that serve as lasting tributes to commemorate their service and sacrifice to our Nation. The 2013 budget includes \$258 million in operations and maintenance funding for the National Cemetery Administration (NCA). In 2013, NCA estimates that interments will increase by 1,500 (1.3 percent) over 2012. Cemetery maintenance workload will also continue to increase in 2013 over the 2012 levels: The number of gravesites maintained will increase by 82,000 (2.5 percent) and the number of developed acres maintained will increase by 138 (1.6 percent).

The 2013 budget will allow VA to provide more than 89.6 percent of the Veteran population, or 19.1 million veterans, a burial option within 75 miles of their residence by keeping existing national cemeteries open, establishing new State veterans cemeteries, as well as increasing access points in both urban and rural areas. VA's first grant to establish a veterans cemetery on tribal trust land, as authorized in Public Law 109-461, was approved on August 15, 2011. This cemetery will provide a burial option to approximately 4,036 unserved Rosebud Sioux Tribe veterans and their families residing on the Rosebud Indian Reservation near Mission, South Dakota.

NCA provides an unprecedented level of customer service, which has been achieved by always striving for new ways to meet the burial needs of veterans. In 2011, NCA initiated an independent study of emerging burial practices including "green" burial techniques that may be appropriate and feasible for planning purposes. The study will also include a survey of veterans to ascertain their preferences and expectations for new burial options. The completed study will provide comprehensive information and analysis for leadership consideration of new burial options.

#### CAPITAL INFRASTRUCTURE

A total of \$1.14 billion is requested in 2013 for VA's major and minor construction programs, an increase of 6.3 percent over the 2012 enacted level. VA is also proposing legislation in 2013 that would enhance the ability of the Department to collaborate with other Federal Departments and Agencies, including the Department of Defense (DOD) on joint capital projects. This legislative proposal would allow appropriated funds to be transferred among Federal agencies to effectively plan and

design joint projects when determined to be cost-effective and improve service delivery to veterans and servicemembers.

#### *Major Construction*

The major construction request in 2013 is \$532 million in new budget authority. The major construction request includes funding for the next phase of construction for four medical facility projects in Seattle, Washington; Dallas, Texas; Palo Alto, California; and St. Louis (Jefferson Barracks), Missouri. Additionally, funds are provided to remove asbestos from Department-owned buildings, improve facility security, remediate hazardous waste, fund land acquisitions for national cemeteries, and support other construction related activities.

#### *Minor Construction*

In 2013, the minor construction request is \$608 million. It would provide for constructing, altering, extending, and improving VA facilities, including planning, assessment of needs, architectural and engineering services, and site acquisition and disposition. It also includes \$58 million to NCA for land acquisition, gravesite expansions, and columbaria projects. NCA projects include irrigation and drainage improvements, renovation and repair of buildings, and roadway repairs.

### INFORMATION TECHNOLOGY

The 2013 budget requests \$3.327 billion for information technology (IT), an increase of \$216 million over the 2012 enacted level of \$3.111 billion. Veterans and their families are highly dependent upon the effective and efficient use of IT to deliver benefits and services. In this day and age, every doctor, nurse, dentist, claims processor, cemetery interment scheduler, and administrative employee in the VA cannot do his or her jobs without adequate IT support. Approximately 80 percent of the IT budget supports the direct delivery of healthcare and benefits to veterans and their families.

We have made dramatic changes in the way IT projects are planned and managed at the VA. As described earlier in this testimony, the Project Management Accountability System (PMAS) has reduced risks by instituting effective monitoring and oversight capabilities and by establishing clear lines of accountability. Additionally, we have strengthened security standards in software development and established an Identity Access Management program that allows VA to increase online services for veterans.

The IT infrastructure supports over 300,000 employees and about 10 million veterans and family members who use VA programs, making it one of the largest consolidated IT organizations in the world. This budget request includes nearly \$1.8 billion for the operation and maintenance of the IT infrastructure, the backbone of VA. A sound and reliable infrastructure is critical to support the VA workforce and all of our facilities nationwide in the effective and efficient delivery of healthcare and benefits to veterans. It is also critical that we support new facility activations, our major transformational initiatives, and the increased usage of VA services while maintaining a secure IT environment to protect veteran sensitive information.

Improving services for veterans and their beneficiaries requires using advanced technologies. For example, VA will continue to utilize MyHealtheVet to improve access to information on appointments, lab tests and results, and reduce adverse reactions to medications. The 2013 budget continues an investment strategy of funding the development of new technologies that will have the greatest benefit for veterans.

The delivery of high-quality medical care to an increasing number of veterans is highly dependent upon adequate IT funding. VA's health IT investments have, and will continue, to greatly improve the delivery of medical care with regards to quality, patient safety and cost effectiveness. This includes transformation of mental health service delivery through IT-enabled self-help, providing data and IT analytical tools for VA's research community, and creating an open exchange for collaboration and innovation in the development of clinical software solutions. Additionally, initiatives focused on "care at a distance" are heavily reliant on technology and require a robust IT infrastructure.

The 2013 budget request for integrated Electronic Health Record (iEHR) is \$169 million. The iEHR is a joint initiative with DOD to modernize and integrate electronic health records for all veterans to a single common platform. We must take full advantage of this historic opportunity to deliver maximum value through joint investments in health IT. When DOD and VA healthcare providers begin accessing a common set of health records, iEHR will enhance quality, safety, and accessibility of healthcare—setting the stage for more efficient, cost-effective healthcare systems. In 2013, we plan to leverage open source development to foster innovation and speed delivery for a pharmacy and immunization solution.

An integral part of iEHR is the Virtual Lifetime Electronic Record (VLER), which is enabling VA transformation. VLER creates information interoperability between DOD, VA, and the private sector to promote better, faster, and safer healthcare and benefits delivery for veterans. The 2013 budget will ensure continued delivery of enhanced clinical and benefits information connections and build increased capability to support women's healthcare. Additionally, we will develop a modern memorial affairs system for the dynamic mapping of gravesite locations. The 2013 budget request for VLER is \$52.9 million.

In addition, the 2013 budget requests \$92 million in the IT appropriation for VBMS. As noted earlier, the VBMS initiative is the cornerstone of VA's claims transformation strategy. It is a comprehensive solution that integrates a business transformation strategy to address people and processes with a paperless claims processing system. Achieving paperless claims processing will result in higher quality, greater consistency, and faster claims decisions. Nationwide deployment of VBMS is on target to begin in 2012 with completion in 2013.

This budget also includes funding to transform the delivery of veterans' benefits. The 2013 IT budget requests \$111 million for the Veterans Relationship Management (VRM) initiative. We will use this funding to improve communications between veterans and VA that occur through multiple channels—phone, Web, mail, social media, and mobile apps. It will also provide new tools and processes that increase the speed, accuracy, and efficiency of information exchange, including the development of self-service technology-enabled interactions to provide access to information and the ability to execute transactions at the place and time convenient to the veteran. In 2013, veterans will see enhanced self-service tools for the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) and VetSuccess programs, as well as the veterans online application for enrolling in VA healthcare.

#### LEGISLATIVE PROGRAM

VA has outlined in this budget a strong legislative program that will advance our mission to end veteran homelessness and help wounded warriors by improving our system of grants for home alterations so veterans can better manage disabilities and live independently. Our legislative proposals would also make numerous other common-sense changes that improve our programs, including provisions that will reduce payment complexities for both our student veterans and the schools using the Post-9/11 GI Bill.

#### SUMMARY

VA is the second largest Federal department with over 316,000 employees. Our workforce includes physicians, nurses, counselors, claims processors, cemetery groundskeepers, statisticians, engineers, IT specialists, police, and educators. They serve veterans at our hospitals, community-based outpatient clinics, vet centers, mobile vet centers, claims processing centers, and cemeteries. Through the resources provided in the President's 2013 budget, VA is enabled to continue improving the quality of life for our Nation's veterans and their families and to completing the transformation of the Department that we began in 2009. Thanks to the President's leadership and the solid support of all members of the Congress, we have made huge strides in our journey to provide all generations of veterans the best possible care and benefits that they earned through selfless service to the Nation. We are committed to continue that journey, even as the numbers of veterans will increase significantly in the coming years, through the responsible use of the resources provided in the 2013 budget and 2014 advance appropriations requests.

Senator NELSON. Before I start on my questions, I want to recognize the chairman of the full committee first for any statement or questions he might have.

Senator Inouye.

#### CONSTRUCTION

Senator INOUE. Thank you very much, Mr. Chairman.

Mr. Secretary, my first question relates to the Department's construction budget. Would you please explain the construction account's various parts and why the Department chose to fund it in this manner?

Secretary SHINSEKI. Certainly, Mr. Chairman. This budget that we provide strikes the right balance between our capital requirements in construction and our operating needs. And overall, this balance between major, minor construction, and nonrecurring maintenance programs, and even leasing programs are part of the equation. But for the purposes of this budget line, major, minor, and nonrecurring maintenance programs, overall, remain stable.

This year, in 2013, we've placed emphasis on minor construction, which we've increased by 26 percent. But on major construction, the emphasis is on completing prior appropriated projects by the Congress for which we have been provided authority. And those projects provide for healthcare, memorial, and benefits delivery services.

The reason we are stressing minor construction dollars in 2013 is it's particularly helpful for us at this time to have money that touches more veterans; impacts a wider range of VA medical centers; corrects more seismic, safety, and security issues in less time; very agile; and with money that we can get out there and hospital directors can employ. So we've placed our emphasis on minor construction.

Major construction, as I said is the Department being fiscally responsible, and focusing on completing ongoing projects that you've already authorized. And we need to do that by addressing about \$6 billion in ongoing, partially funded projects.

For nonrecurring maintenance, our request will fund the design of about 181 new nonrecurring maintenance projects that ultimately result in an estimated \$780 million in construction. For 2012 and 2013, our focus for nonrecurring maintenance has been on safety, security, and equally importantly, correcting the seismic issues that have been out there for some time.

Since 2008, VA has obligated about \$7.2 billion in nonrecurring maintenance projects to address these priorities. And I think you can see where our great activity has been in nonrecurring maintenance and now in minor. Major construction—we continue to execute the plan you've authorized.

#### INFORMATION TECHNOLOGY BUDGET

Senator INOUE. Mr. Secretary, are you planning to use part of the IT budget resources on the iEHR? In addition, could you please let us know what its status is and what portion of the IT budget will go towards the iEHR?

Secretary SHINSEKI. Mr. Chairman, I'm happy to provide that update. I'm going to call, at a point, on Secretary Baker to provide the details of the program. I would just say that this is one of those projects that I have worked for 3 years now, first with Secretary Gates and now with Secretary Panetta.

There is agreement between the Secretaries that a single, joint, common electronic health record, a platform that is open in architecture and nonproprietary in design, is what both Departments are going to develop together. We have that agreement. It's taken a bit of work, and now we're in the process of building that.

Let me turn to Secretary Baker to provide the details of where we are.

Mr. BAKER. Thank you, Secretary Shinseki.

Senator, to give you a succinct answer, about \$169 million of the 2013 budget will go directly to the iEHR and building that. For 2012, we have currently 23 ongoing projects in the iEHR, much of which is to take the budget that we have spent in the past on medical and move it towards the single joint record with DOD. We have staffed the office, we have hired the director, and we're moving out on those 23 projects. So I think we're making good progress.

The key thing here is the Secretaries' attention. Both Departments understand that the answer is yes to the joint electronic health record system at this point, and we're just defining how yes becomes reality.

Secretary SHINSEKI. Mr. Chairman, if I might just close out on that point, in the past, this subcommittee has been particularly supportive on our IT priorities. And I thank you for that support, and I seek your support again on this issue.

As I say, the electronic health record, all by itself, is important because it provides the seamlessness that we've been after so that a youngster serving in uniform coming to the VA doesn't go through this records drill, and that we have, in effect, all that we need. It will create this seamlessness that serves us in many other ways so that we get on with the business of also dealing with the disability claims, making that a more efficient process because we have the information we need. So the IT here is crucial to at least these two administrations, and the leadership here is provided by Secretary Baker.

#### VA/DOD COLLABORATION

Senator INOUE. A final question, Mr. Secretary. You somehow alluded to this. I know you have been working with the Secretary of Defense on creating a seamless transition between DOD and VA. Would you please elaborate on the progress being made on the collaborative effort?

Secretary SHINSEKI. Mr. Chairman, this is one of those areas in which in the past 3 years, both Secretaries have devoted considerable thought and energy to, and that is developing a relationship between the two Departments that acknowledges the obvious. Very little of what we do in VA originates in VA. Much of what we end up working on originates in DOD, and so this relationship at the secretarial level permeates down through our organizations, all the levels, where collaborative work goes on to work on important issues like the iEHR, but also creating the conditions that our paperless processing of disability claims has facilitated.

Beyond that, we are looking at how we can better transition and assist with the transition of servicemembers leaving the military as they prepare for the next phase of their lives. Transition Assistance Program—we have met jointly in task forces to put together what we think is a good program for ensuring that when the uniform comes off, every servicemember is on a vector that will take them to success in the next phase of their lives. All of that planning and detail work is underway, and at some point we look forward to the opportunity to share the details of the plan with the subcommittee.

Senator INOUE. Thank you very much.

Thank you, Mr. Chairman.

Senator JOHNSON. Thank you.

## MEDICAL CARE BUDGET

Mr. Secretary, I understand you have updated your fiscal year 2013 budget estimate for medical care and found \$2 billion in savings which you have redirected to other initiatives and priorities. Given the tight fiscal environment, why are you asking this subcommittee for an additional \$165 million over what the Congress provided to the VA in the 2013 advance appropriations?

Secretary SHINSEKI. Mr. Chairman, thanks for that question. As we go through the budgeting process, because we are a 2-year cycle, we look out as far as we can, and the initial budget estimate is what it is. Then as we get closer to the submission of a budget, those numbers adjust and refine. Sometimes there are changes to it, and they're usually minor increases or reductions.

So each year we run our actuarial projections for the budget estimate, and the advance appropriation request attempts to incorporate the most recent data. In the case of our last run last spring, the model did show an adjustment, a downward reduction of about \$2 billion. Those monies were reinvested in programs that were funded, but more funding would have been helpful in strengthening the programs. And these programs, I would point out, were things like caregivers, improved mental health, expanded access for veterans, homelessness, and activations of our medical facilities.

Following these reinvestments, Mr. Chairman, we found that we still required another \$165 million to meet healthcare requirements of our veterans in 2013, and that's the reason that request is in the budget. We believe that we should apply the \$165 million to meet the intent of the Caregivers Act, also to open new facilities on time, and then to fully fund our efforts to end veteran homelessness.

## COST-BENEFIT ANALYSIS

Senator JOHNSON. Secretary Shinseki, as you know from our correspondence and conversations with you, I have concerns about the proposal that the VA announced in December for the Black Hills Healthcare System. In response to the South Dakota delegation's January 4 letter, you said that the VA is currently conducting a cost comparison between new construction and a full renovation of the existing domiciliary building.

This information is essential, and I found it odd that the cost-benefit analysis wasn't completed as the Black Hills proposal was formed. When does the VA anticipate completing this analysis, and how will the results shape the proposal?

Secretary SHINSEKI. I'm going to ask Dr. Petzel to provide an update here.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Johnson, I can't explain why the estimate was not included originally. But we are in the process now of doing a cost-benefit analysis and a comparison of those two alternatives. We will not proceed with the proposal until that's finished and until we've had our interactions with the subcommittee and with you over what that shows.

Senator JOHNSON. I'm grateful that you agreed to extend the comment period for the stakeholders to offer feedback and counter proposals. I see the VA Committee has been formed in Hot Springs,

and the community is diligently working on forming a counter proposal to offer to the VA. Can you provide assurances that this proposal will receive all due consideration?

Secretary SHINSEKI. Certainly, Mr. Chairman. I can give you that assurance. This proposal was intended to begin a dialog on the future of how we provide safe, high-quality, accessible healthcare to veterans in this rural part of the country. We've conducted 14 community briefings now. We are willing to continue having those discussions, and that's part of the reason that we've extended the comment period to the end of April. I can assure you we'll take a very good look at the proposal and a dialog continues.

#### VA/IHS MEMORANDUM OF UNDERSTANDING

Senator JOHNSON. Mr. Secretary, on March 5, 2012, the VA and the Indian Health Service (IHS) sent a letter to tribal leaders informing them of a draft agreement that outlines how VA will reimburse IHS and the tribes for care they provide to American Indian and Alaska Native vets who are eligible for VA healthcare. Better collaboration between the VA and IHS is essential to ensuring that vets that live on reservations or in tribal villages do not fall through the cracks and receive the benefits to which they are entitled.

Can you please describe what this draft agreement encompasses, how the VA plans to make sure that the tribes have been consulted, and when a reimbursement agreement will be finalized?

Secretary SHINSEKI. Mr. Chairman, I'm going to call on Dr. Petzel to answer the specifics here. But in general, let me just say that ensuring that our Native American and Alaska Native veterans have access to high-quality and safe healthcare the way any veteran living elsewhere would have has been a particular interest of mine. It is part of the reason that I visited Alaska and visited South Dakota, been to Montana, and been to Guam to get a sense of the rural aspects of what we face. This dialog that you're referring to is part of the effort to get clarity on how we can work together to achieve what for both of us ought to be joint objectives.

Dr. Petzel.

Dr. PETZEL. Thank you, Mr. Secretary.

The agreement to date has made very good progress. First of all, we've agreed on what sort of services are going to be provided, at least initially, and that's direct care, that are associated with the benefits that one might get if they were getting their care at the VA.

The second thing is we've agreed on the eligibility criteria, that is, all veterans who are enrolled with the VA healthcare system would be eligible to receive care in an IHS or tribal facility.

Third, we've decided upon how we're going to deal with pharmaceuticals and medications. We're going to use the VA's mail-out pharmacy program, which is a very efficient way of providing medication. And, in fact, we're looking at the IHS adopting our mail-out pharmacy program for all of its patients and all of its clients.

And then finally, we've come to an agreement about payment methodologies, how the reimbursement is actually going to occur. There are still some issues that we need to work our way through. But in the meantime, we are going to begin the demonstration

projects to prove, if you will, these concepts that we've described, and they will be both with IHS facilities and with tribal facilities across the country. In fact, it's a likely possibility that this will be in Alaska and this will be in South Dakota where we've already begun some negotiations with the tribes.

Senator JOHNSON. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I'm pleased to hear that we are making a little bit of progress on these memorandums of agreement. You mentioned the demonstration, and I understand that there is an individual memorandum of agreement with the tribal facilities there in Ketchikan with the Ketchikan Indian community. As the first one in the State, we would certainly encourage the Department to work to facilitate other such agreements. I think that they will be important, and I appreciate that.

Mr. Secretary, thank you for your leadership and that of your team. We greatly appreciate it.

I will tell you, Mr. Chairman, I've had the opportunity to be on many committees where we have interaction with our Secretary of the VA.

And Mr. Secretary, I am just particularly pleased with the very personal attention and initiative that you have placed on some of the issues that face our veterans in Alaska. You have given me your commitment to work on the Closer to Home Initiative, and we have seen some real progress in that.

You've given me your commitment to work on our backlog, and we have seen some forward progress. You've given me your commitment to work to better integrate what happens within the VA with IHS, and I understand how difficult that has been. But in that area, too, we are making some incremental progress. So I appreciate the good work that you have done for Alaska's veterans, and I look forward to continuing to work with you.

On the issue of the Care Closer to Home, I had asked that there be a report to the subcommittee, to Congress, in implementing this initiative. And we have seen a 38-percent reduction in the number of veterans who are tasked to travel outside of the State for care. It's gone down from 545 in 2010 to 336 in 2011. That's good progress, we think.

But as we had an opportunity to discuss, there are still many who are sent outside, whether it's to Seattle or to other VA facilities, when there is care and specialists that are available within the State of Alaska. Orthopedics is one area. It represented more than 10 percent of the referrals outside, even though there's clearly many specialists available in the State. Cardiology is also another area where nearly 10 percent of the referrals went outside and where we have good quality care in the State.

Can you speak to where you see the trends going in terms of numbers of referrals outside and the VA's goal for further reducing these referrals in the outlying years?

#### REFERRALS

Secretary SHINSEKI. Senator, I would just say that we have over-all intent here, and that is to deliver high-quality, safe care as close to home as possible. And where we see all those factors being



met, that is what we set out to do. We wanted to get a first start and sort of feel our way into what were the possibilities here, and I think we have demonstrated that. My numbers say we've reduced it by about 43 percent, so we've gotten good momentum.

I'll just assure you we'll continue to look at this. We know what the intent here is, and where all those considerations are balanced, we'll decide in favor of the veteran being closer to home. And I'll call on Dr. Petzel if he's got any more specifics.

Dr. PETZEL. Thank you, Mr. Secretary.

Just to elaborate a little bit, there are three or four entities that could provide the care that you're describing, Senator. The IHS has some absolutely phenomenally good facilities surrounding Anchorage and Fairbanks. Particularly, we're hoping that this memorandum of understanding that we have will not only provide for care for veterans in IHS facilities in a general sense, but we also want to set up separate sharing agreements so we can get the specialty care for veterans that are non-Native in those facilities. That's one.

Two is that there are excellent private facilities. We've had some difficulty in coming to agreements with the private facilities, but we are continuing to pursue that.

And then finally, there's the Air Force. There are opportunities for us to share with the Air Force that we need to capitalize. And from the DOD, Dr. Jonathan Woodson and I are going to be traveling to Alaska, probably in May, to specifically explore what we can be doing with the Air Force.

I want to just reiterate what the Secretary said. We do not want to be sending people down to Seattle, which is a 3- to 5-hour ride in a plane, for care that can be delivered at a good price in the community. That is our goal.

Senator MURKOWSKI. I appreciate that. I think it's important that we be looking to the various alternatives that do exist, as you point out, the military, on the private side, and the very credible IHS facilities that we have out there.

I think it is important to recognize, though, that when we talk about flying outside, that is a 3-hour flight, 3 hours and 15 minutes, from Anchorage. But for many of our veterans who live in the rural outlying areas, it's also a 3-hour flight. It might be a full day trip to get from a small village to a hub village to Anchorage. So it's not just closer to home in the sense that we're not going to send outside the State, but I've also asked for an assessment as to how we can deliver that care closest to home.

And so when we have the opportunities with these sharing arrangements with the IHS facilities, with the clinics that are in the village, to provide for a level of care, this is where this becomes so important, because whether it's 3½ hours to Seattle, or whether it's 3½ hours from Aleknagik to Anchorage, it still requires the veteran to leave their home. It still requires them to be in a big city with no family, with high expenses for transportation and lodging while they're there.

So, again, we start the conversation by talking about the memorandums of agreement that are out there with IHS. And again, I think that this is one area where we can focus on, where we can

truly make a difference in ensuring that good quality care that is affordable and reasonable is provided to our veterans near home.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Nelson.

#### OMAHA VA HOSPITAL

Senator NELSON. Thank you, Mr. Chairman.

Thank you, Secretary Shinseki and the members of your VA support system. The commitment that was made back in fiscal year 2011 in that budget, the request for the Omaha VA Hospital, has been and continues to be very good news for the thousands of veterans in Nebraska and western Iowa. The \$56 million enacted in fiscal year 2011 addressed the needs of the Omaha VA Hospital by providing plan and design money for what will be a much needed 21st century healthcare facility.

And I understand that the plan and design of this facility is about 40 percent complete and is still on track to conclude this fall with construction to begin in fiscal year 2014. I think it's true—and I've often said it—that we need to be as good at taking care of our veterans as we are at creating them. And your commitment to improving the Omaha VA Hospital is just another example that caring for America's veterans remains one of the Nation's highest priorities and one of your personal priorities as well, and we all appreciate that very much.

Can you speak to why the new Omaha VA Hospital facility continues to be a priority for the Department and why it's imperative as improving the care for our veterans? And I know Dr. Petzel has had a great deal of involvement in this as well and would welcome his comments as well.

Secretary Shinseki.

Secretary SHINSEKI. Let me call on Dr. Petzel to provide the details here, and then I'll close out.

Senator NELSON. OK.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Nelson, I was involved in the beginning when I was a network director, as you know, in that area in the initial planning of and decisions about building that hospital. Presently, we're in the second of three design phases. The schematic designs have been completed. We're doing what is called design development right now with the \$56 million that was there for advance planning.

And now that that has been finished, i.e., the design development, we're going to begin the process of developing the construction documents. They would be finished sometime in 2013, which would mean that the earliest that funding for construction might occur would be in 2014. And of course, that's going to depend on what the 2014 budget looks like. But again, just to reiterate what the Secretary has said and what you have said, this is a priority for us and for the Omaha veterans.

Senator NELSON. Thank you.

Secretary SHINSEKI. Senator, I would just say you are familiar with what we are going to do, in essence, to replace much of the campus. What is useful there is going to be retained. But I know from my staff, who have visited, that heating, air conditioning, and

electrical work are all very old and needed to be replaced for safety issues, if nothing else. It is a major project that we're committed to in terms of assuring that veterans in Nebraska and in the region have high-quality, safe access to healthcare.

#### VETERAN CEMETERIES

Senator NELSON. And Congress needs to be a partner in this in making certain that the funding is available. That's why I say we need to be as good at caring for our veterans as we are at creating them. And so I hope that that will continue to be on track.

Secretary Shinseki, one of the most difficult things to talk about is the end of life issues and finding a resting place for our veterans when that time comes. One year ago, you gave us the status of the Sarpy County National Cemetery, and you mentioned there were two sites at the top of your list that were being reviewed and that you had funding to purchase, design, and conduct the required studies.

Can you comment on the current status of the Sarpy County, Mr. Secretary? For example, has the site been selected? Is there something you can tell us about that yet, or does it remain a bit of a non-disclosed fact?

Secretary SHINSEKI. Now, let me call on Secretary Muro to provide an update here.

Mr. MURO. Thank you, Mr. Secretary.

Thank you for that question, Senator Nelson. Unfortunately, I can't give you the name of the location, but we are down to one site. We should have by the end of this month the deed and the sale confirmed, and we'll move forward to do the deed, or the transfer of the deed. We've already agreed on the price. Once we have the sale price set, then we'll come to the Secretary and sign off on it. Then we'll be able to advertise which site it is. It's a beautiful site. I've been on it. It will serve our veterans there for many years.

#### SEAMLESS INTEGRATION

Senator NELSON. I appreciate the work that you've all done to get this accomplished. I know it's a site selection process and that there are details that, obviously, had to be worked out, and confidentiality was important. But I know my veterans back home are very interested, because they ask me when they come in to see me, "Where is it going to be?" And it's been a little awkward to say, "Well, I know it is. I just don't know where it is." So it'll be nice to have that fully disclosed. I appreciate very much what you've been doing.

We've had quite a bit of discussion this morning already on how to have seamless integration from Active Duty, Guard, and Reserve, into the VA system, and much work has already been accomplished. I know much remains to be done.

Do we have some idea of a timeline? We don't want this to be the never-ending story, and I know you don't, either. But sometimes if we have some focus on when there might be an ending point to where you see integration at least beginning—and then is there a midpoint where there would be improvement? And then is there any idea of, time-wise, finality to where we can say we have an integrating system?

Secretary SHINSEKI. Secretary Baker.

Mr. BAKER. Thank you, Senator.

At their last meeting, the two Secretaries agreed that within 2 years, we would install the initial version of the iEHR in two facilities shared between DOD and VA. That's a challenge that we welcome. It means that we'll be moving out in certain aspects of that. We have projected the whole project to take between 4 and 6 years. It is a large-scale system.

Senator NELSON. I know it is.

Mr. BAKER. Today, we serve about 15 million servicemembers and veterans between the two Departments, and we're talking about changing the underlying IT system there. On the topic of completely done, I would just observe that we have continually updated the Veterans Health Information Systems and Technology Architecture system known as VistA, since its introduction in the 1980s. So these systems, to stay up with modern healthcare and to ensure that we are running the best IT system at every hospital, require continued evolution.

The thing we're doing different this time from the past is we have strong involvement of the private sector. So we'll be continually looking at what the best private sector approach is to providing these types of systems and these types of packages and incorporating that as well.

Senator NELSON. I was going to suggest that. I'm glad you are, because, obviously, when it comes to processing claims, there are private sector examples that are investing considerable amounts of money on new technology and improving techniques for claim processing, which would be good to get the benefit of their experience without having to pay for the costs of achieving it yourself.

Mr. BAKER. Senator, two things to assure you of there are as we build our claims processing system, we're involving what's called commercial-off-the-shelf (COTS) software, or a private sector piece. They're the fundamentals of it. Because what we do at VBA is different from DOD there are unique parts of the process; for each there is what you'd call custom code or customization that goes into that. So it is a large-scale project unto itself.

We've also gone out, Secretary Hickey and I, and looked at other systems to make certain we're getting any lessons learned we can from other insurance organizations and folks that do business with the VA right now. They're doing the same sort of things and we want to make certain that we're not going off and recreating the wheel, if you will, but learning as much as we can from what the private sector has already done in this area.

Senator NELSON. I certainly appreciate and applaud the work that you're doing. When we passed the Wounded Warriors Act a few years ago, one of the most important points of it was to make certain we were achieving something seamless so that people don't have to start from the very beginning at the end of their uniformed days. And so I appreciate what you are already accomplishing and encourage you to continue to stay the course. And if you can meet those deadlines, maybe you can maybe even advance them with a little bit of help.

So, thank you, Mr. Chairman.

Senator JOHNSON. Senator Reed.

## INFORMATION TECHNOLOGY BUDGET

Senator REED. Thank you very much, Mr. Chairman.

Secretary Shinseki and your colleagues, thank you for your great service to veterans. General Shinseki, thank you for your great service in the Army, and I think you qualify not only as a head of VA but a recipient of VA programs as a disabled veteran. So you've seen it from both sides of the equation.

You have made in your budget submissions IT a central part. My colleagues have reflected the importance of it by the questions they've posed on IT. And let me just follow up—there are so many different ways that this affects the operation of the VA in terms of medical records. One other operation is the paperless disability claims processing. I thank you for starting a pilot program in the Providence regional office.

The question, I think, is giving you an opportunity just to expand—what would be the impact in all these areas or the most important impact if we were not to fully fund your request for IT?

Secretary SHINSEKI. Senator, thanks for that question. Three years ago, we began this journey on ending the backlog, and we've worked mighty hard at it. I'd just tell you that in that first year, we put 900,000 claims decisions out the door, but we got 1 million-plus claims in.

The following year, we put 1 million claims decisions out the door, and we got 1.2 million in. Last year, another—second year in a row, 1 million claims decisions going out the door, and 1.3 million, I think, coming in, which tells you that the backlog is not static. We are constantly getting claims decisions out. The challenge is the number of claims that continue to override our ability to manually process.

And so we're at the tipping point. We spent the last 2 years developing this paperless tool that, in the hands of folks who have been manually putting out 1 million decisions a year, is going to give them what they don't have right now, and that's the ability to leverage both speed and quality in making more and better of these decisions. And this is that paperless tool called the Veterans Benefits Management System (VBMS).

We increased the IT budget by 6.9 percent for 2013 in order to ensure that VBMS would be fully fielded. In that increase is also the electronic health record we've been talking about. And so I used the comment in my opening remarks, we're at a tipping point, where we need to just nudge this over and see the benefit of the last 2 years of hard work and investment on the part of folks that have been doing manual work at a tremendous rate and also building the electronic tool that they see as their opportunity to dominate the numbers here.

And we're at that tipping point in 2013, and it would be very important for us not to miss that opportunity to deliver to veterans what they've been, at least, talking to this Secretary about for the last 3 years, and that's to get control over this claims backlog.

Senator REED. The issues of integrated health records have been raised, the issues of an integrated disability evaluation system, the IT connection. And I wonder if you or Dr. Petzel have any addi-

tional comments you feel would be necessary for the record in either of these.

Dr. PETZEL. Thank you very much, Senator.

Thank you, Mr. Secretary. I just want to make a point about the importance of IT, in general, to the work that we do in health. Virtually nothing any longer that's done in healthcare can be done without good IT support. Whether it's improving the connectivity you have with your patients by using telehealth, text messaging, the telephone, telemedicine, or taking care of patients in the clinic setting or in the hospital, IT is absolutely essential.

I use the phrase—and I get kidded about it by the Secretary now and again—that it's like the bloodstream in the human body. I mean, you can't function, obviously, without your bloodstream. We cannot do healthcare without adequate IT, and we are on the cutting edge, and we want to remain there. It's a very important perspective from our point of view.

Just one other thing about the iEHR that's fundamentally important, particularly from our point of view. Everything that happens that we take care of virtually is a result of something that may have gone on during the service. And having those service records available, being able to view them instantly, et cetera, would be a wonderful step forward.

#### FUTURE VETERANS HEALTHCARE

Senator REED. Thank you very much, doctor.

Secretary SHINSEKI. Senator, if I could just close—

Senator REED. Yes, sir.

Secretary SHINSEKI [continuing]. I said we've worked IT very hard in the last 3 years, and we can usually talk about it in terms of these various projects. But I think there's another metric I would like to point out to you.

When we arrived 3 years ago, I think we executed our IT budget in terms of deliverables on projects that we invested in at about 30 percent. OK, because I think the industry average is about 32 percent. But we weren't getting the return on investment that we needed to very quickly leverage IT.

Today, with Secretary Baker's leadership here and imposing a program management accountability system on our IT programs, if you're off budget or you're behind schedule, you're going to have a discussion. And if you miss those more than once, you're likely not to continue your project.

Today, we execute 89 percent of our IT projects. And so I am very confident that when we talk about VBMS or the paperless disability claims process and this electronic health record, we have a good bit of experience to leverage here on how we do this.

Senator REED. Thank you, Mr. Secretary.

My time is rapidly expiring, so let me just pose a question, and I'll communicate it in writing, too. And that is one of the realities here is we have some remarkable young men and women who have been grievously injured in Iraq and Afghanistan. They are in their twenties, many of them. They will eventually and quite quickly get into the VA system, which means that we are probably looking at 50 years of support, 50 years of commitment. And at this juncture

in time, everyone is standing up shoulder to shoulder, and we're going to do this.

What are you doing—again, I don't want to deprive Senator Coats of his time. But you could think about this, and then I'll ask for a written response. What is in your budget that is going to assure these young men and women that 50 years from now, 40 years from now, they and their families are going to get the same kind of, not only support, but respect that they're getting today, which they justifiably assume? It's a big question, and I don't want to take away from the Senator's—

Secretary SHINSEKI. Mr. Chairman, may I give about a 10-second response here?

Senator REED. Yes, sir.

Secretary SHINSEKI. What I would say is, Senator, we are very much focused on that. And I would say that that was the President's charge to me when he asked me to take this job. One, make things better today for veterans, but transform the Department so that in the 21st century, down the road, veterans are going to continue to benefit from the programs, the processes, the disciplines you put in place today. And I'll provide a more complete written response.

Senator REED. And we'll get you a better question, and we'll ask for a complete response, and thank you.

And thank you, Senator Coats.

Senator JOHNSON. Senator Coats.

#### FORT WAYNE HEALTHCARE CENTER

Senator COATS. Thank you, Mr. Chairman.

Senator Reed, no problem there. That's a question for all of us to address and to ensure that we enable the Veterans Department to provide that kind of ongoing care that's going to be necessary.

I say General Shinseki. I say that because I want to commend you for your time of service in uniform and the leadership that you provided. I thought it was exceptional, and I thank you for that. And I thank you for continuing now in a different uniform but still looking out for our soldiers and sailors and airmen and marines in the way that you have and the kind of leadership you're bringing to the VA. So thank you very much for that.

I like to use these appropriations hearings to talk about the larger issues and the macro subjects. How do we continue to provide essential services from the Federal Government, given the budget constraints that we have? For me, national security and taking care of our veterans rises to a higher level than a lot of programs. And normally, I ask people, how can you do more with less? And of course, that applies to the VA also, but—bringing efficiencies.

But it doesn't apply from the standpoint that it's on an equal par with a lot of other functions that perhaps could—in other departments that can be done better outside the Federal role. Clearly, this is a Federal role, and we owe our members of the service the very best that we can provide them. But having said that, the work that you're doing to bring the efficiencies and effectiveness to the organization and prepare for the future is important, and I commend you for doing all that.

Now, if I could just turn to a parochial question for a minute—first of all, thank you for coming by my office to help discuss and work through this Fort Wayne situation with the veterans hospital there. This started way back in 2003. I haven't been in the Congress. I'm just sort of picking up the baton here from my predecessors.

In 2009, the VA issued a letter, basically, and I quote, "VA proposes to deliver quality comprehensive inpatient care by partnering with the local community hospitals, healthcare systems in Fort Wayne and South Bend, Indiana, and to construct, 'a new primary and specialty care facility,' a healthcare center that would double the size of the existing clinic, adding many services not currently available."

Now, as you know, the situation is much different than that. We're looking at a mental healthcare facility that will be a 27,000 square foot annex, as opposed to a 220,000 square foot center for extensive outpatient services. You and I have discussed this. I'm just wondering for the record if you could give some sense of what has changed and why the decision was made to so dramatically alter what the commitment was back in 2009.

Secretary SHINSEKI. Let me call on Dr. Petzel, and then I'll close out.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Coats, you described it accurately in terms of what has happened. There was a proposal for a healthcare center, an HCC, that was reevaluated, and based upon that reevaluation, it was decided that the better alternative would be to renovate some of the space that was in the Fort Wayne campus, to use some of the facilities in the community, and to build a new 27,000 square foot mental health facility. That was based upon the evaluation of the demographics, where people went for care, how many veterans there were in the area.

Rest assured that we are committed in Fort Wayne, as well as across the country, to providing the care that veterans in that community needed and need. That will be done with a robust ambulatory care center. That will be done by using some of the facilities that exist now and buying those, again, in the community that we need to. But our commitment is to provide the same level if not a better level of care to the residents that use the Fort Wayne facility now.

Secretary SHINSEKI. Senator, just to close out, I think we're planning on this summer going to solicitation, and then early in 2012, February timeframe, spring timeframe, to have a lease award with delivery of an outpatient clinic of significant capability in the 2014 timeframe.

#### HOMELESS HOUSING PROGRAM

Senator COATS. I thank you for that, and I want you to know I'm more than willing to work with you to help achieve the goals. There are budget constraints that have caused decisions to be made elsewhere. But I think what we want to make sure is that we give those veterans every full measure of service that they need, and to the extent we can work together to do that, I want to continue to do so.



And then just real quickly, in my remaining time, the homeless housing program that's underway there—could you just give me a little bit of update in terms of where the VA stands with that project? I've heard from several who have submitted bids, and they haven't heard back. I'm just curious as to where we are in that review process and what the time table might be for that.

Secretary SHINSEKI. I believe the folks who are interested in the bidding process are looking for the SSVF program, Supportive Services to Veterans' Families, and that is in the process now. The bids are being received. We will probably go to a decision this summer and announce prior to the start of the next fiscal year where the grants were assigned.

We have put about \$100 million on the table for what I call our partners, about 600 of them throughout the various communities, who are doing the front line work of engaging the homeless, including homeless veterans, and finding shelter, bringing them to our attention as we work on this program. So the bids are being received, and then we'll go through a scoring process sometime before the end of the summer.

Senator COATS. OK. Thank you. My time has expired.

Thanks, Mr. Chairman.

Senator JOHNSON. Senator Landrieu.

#### MEDICAL FACILITIES

Senator LANDRIEU. Thank you, Mr. Chairman.

And, General Shinseki, welcome, and I'm sorry I couldn't be here earlier. I had several prior commitments. But I've reviewed your testimony, and I want to first thank you for your extraordinary service. And I know this is a real heartfelt passion of yours, to help our veterans—after your distinguished service on many battlefields to come back and help our veterans, to help the United States keep our commitment to honor their service, and—to our veterans and to their families.

So I really appreciate the hard work that you do, and I thank you, particularly, for your focus on the rebuilding of the New Orleans hospital that was significantly damaged beyond repair in Katrina and the flooding that ensued and your continued commitment to work with a variety of partners in New Orleans and in Louisiana to rebuild that medical complex. And I think things are coming along pretty well there, and I'd like a comment in a minute.

But the real question I want to ask you—because this is not coming along very well, and I need your insight. In addition to the hospital in New Orleans that's under construction, you and your agency committed to build two clinics, one in Lafayette, Louisiana, and one in Lake Charles. And in fact, this subcommittee, under the leadership of this chairman, allocated the funding to do so. And we were all quite encouraged with the—Gracie Specks, who is our new leader—regional leader in Alexandria.

And just recently, Mr. Chairman, we received a letter that both of these clinics are going to now be delayed because of some errors that were made in the solicitation for bid.

Could you please tell us how these errors were made, what your understanding is? And is there anything that you can do to get

these two projects, which have the money, have been noted as a priority, back on track?

Secretary SHINSEKI. Senator, you have my assurance that we are all hands on deck looking at both these projects. I'm as disappointed as you are with what happened here. On the one hand, we can take a big project like a new hospital in New Orleans and execute that with great precision, and then we just missed these two, Lake Charles and Lafayette. It got off to a bad contracting start and was discovered later, and now we are correcting that. But we are focused as I said, all of us focused, on this to get this as quickly executable as we can so that we keep our promise to the veterans in both of those parishes.

Senator LANDRIEU. But so that I can answer the many questions that are coming in from constituents and, of course, organizations, the error was, in fact, on your side or on the veterans side. It wasn't on our side, was it?

Secretary SHINSEKI. The error was made in our contracting process, and so—

Senator LANDRIEU. Is there anything that this subcommittee can do or this Congress to give you any latitude to expedite or to move around this? Because the veterans have been, of course, waiting for a long time, and this is just—that's one question.

The second is if we don't move around or find an expedited way, what is your timeframe? What does the new timeframe look like?

Secretary SHINSEKI. I'll turn to Dr. Petzel for the timeframe. I would just say, Senator, we're doing everything we can to get this moving. And if assistance is required, I'll be certainly prepared to come to the subcommittee for that kind of help.

This is a contracting issue right now. And so there's a process we have to go through. Let me call on Dr. Petzel.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Landrieu, just a couple of points. One is that we're centralizing the solicitation of and the execution of this contract to Washington and our real property so we can be absolutely certain that, number one, it's done right, and, number two, that it's done as quickly as possible.

The solicitation right now is expected to go out shortly, during 2012, and we hope that by this time in 2013 we'll have a lease award. And, of course, this is basically a year's delay in the process that you'd been told we were going to be able to follow previously. But we will do absolutely everything that we can here in Washington and out there to get this done as quickly as we can. If there's any possibility of shaving weeks or months off of it, we will take advantage of that.

#### DISABILITY APPEALS

Senator LANDRIEU. OK. I really appreciate that commitment, and I will send that on. But I also want to just reiterate again if there's anything that you need this subcommittee or the Congress to do or change, given what was done, please let us know, because I think the chairman would be willing, understanding the details here, to make some adjustments if there is a necessity for that.

And the final question—I'm sorry. I have 1½ minutes left. The other question I have—and I thank you very much for that, and I'll

relay that to our folks at home. The other is have you all testified this morning about the lines and the wait time for disability appeals? Are those lines growing? Is the time expanding? Are we contracting either the days or months or years that people have to wait? Or how many veterans are actually in line?

Do we have any way to measure that? Because I've been getting a few complaints from veterans at home about their appeals taking literally years to be processed.

Secretary SHINSEKI. Secretary Hickey?

Ms. HICKEY. Senator Landrieu, thank you for your question. I will tell you that of the 1,032,000 claims that we did last year, on average, there's about 11.2 percent of them that we receive a notice of disagreement on. We resolve about half of those before they ever even make it into the appeals process, largely because a veteran brings another new piece of information and we're able to work that.

But an important thing for us all to know is that we, right now, as part of our transformation plan, have a design team. That's our governance process that looks at how to improve processes, working specifically on the appeals management process. And we're testing it in Houston right now, literally today. We started it the first of this month. And if it proves successful, we have the opportunity to cut that time in half.

Senator LANDRIEU. And what does your time show it is now for the half that you can't resolve before they go to appeal?

Ms. HICKEY. It's typically in a couple of years period of time, ma'am. Yes, ma'am.

Senator LANDRIEU. And Mr. Chairman, I just think you have been wonderful, and I think this subcommittee has been very generous. And I think this administration has been trying to put more resources to this effort. But we have got to try to find a way to cut this down. I just think it's not right to ask our veterans to wait sometimes 3 and 4 years for a resolution of their case.

But anyway, thank you, and I'm going to be focusing with you on this through this year.

Thank you.

Ms. HICKEY. Yes, ma'am.

Senator JOHNSON. Senator Blunt.

#### ST. LOUIS MEDICAL CENTER

Senator BLUNT. Thank you, Chairman.

And I want to agree, particularly, with the last point that Senator Landrieu made about this waiting time. Whatever we can do about that should be done. I was pleased to see the President's budget request has an increase in this budget, as you and I talked about, Mr. Secretary, when you were kind enough to come by the office the other day.

I've got three Missouri specific questions.

One, Dr. Petzel, last year when you were here, we talked about—and on a couple of other occasions—the St. Louis Veterans Hospital, which was really going through some significant changes at the time. I wonder if you've got an update on that.

Dr. PETZEL. Thank you, Senator. We've made tremendous progress, I think, and I hope that you've had some contact and I

know you have with the people there. We're very pleased with the leadership. I think that Ms. Nelson has really taken hold of the problems.

Number one is that we're in the process of redoing this general processing unit. That should be, I think, opening up in the summer of 2013, perhaps earlier. There are also a series of other projects that are occurring to provide ease of access and improved care.

The things that I'm most pleased with are what has gone on internally: The atmosphere of openness that Ms. Nelson has created; the fact that people feel free to be able to raise concerns, et cetera, and that those things will be listened to and dealt with; and then the improvement in the quality of care. The measures that we follow indicate that there's been tremendous progress in improving the general quality of care. I think now, when we look at patient satisfaction and employee satisfaction at St. Louis, it's been tremendously improved.

Senator BLUNT. And facility update—that continues?

Dr. PETZEL. Absolutely.

#### JEFFERSON BARRACKS CEMETERY

Senator BLUNT. OK. Thank you.

On Jefferson Barracks Cemetery, my understanding is that within this decade, we'd run out of space there. Of course, that's one of our oldest military cemeteries anywhere in the country. It's been used for 200 years now. And I'd like to hear any thoughts you have on expansion, and then I'd like to keep updated on any discussions you're having with the county. I'm talking to the county executive, Mr. Dooley, about this, as well. I understand one of the options is the Sylvan Springs Park, all or part of that, as an addition to the cemetery. I think there's another park close that serves the community.

The Jefferson Barracks Cemetery is just such an integral part of who we have always been as a Nation and how we've treated our veterans. Do you have any thoughts on what needs to happen there?

Secretary SHINSEKI. We sure do. Let me call on Secretary Muro here to provide an update.

Senator BLUNT. Good.

Mr. MURO. Thank you, Secretary.

Thank you, Senator, for that question.

Senator BLUNT. Is your mike on?

Mr. MURO. Yes, it is. I'll try and speak up some more so you can hear.

We just completed construction and are in the final phase of the inspection of the expansion that's going to take us out to 2019, and we recently installed new crypts and a columbarium. Actually, the columbarium will take us out to 2030. We are working with the Veterans Health Administration (VHA) to transfer additional land for another expansion of the cemetery, plus we are working with the county on that park to try to get that. We can keep you up to date on it.

Senator BLUNT. But you have some options in addition to parts of the county park property?

Mr. MURO. Yes, we do. Adjacent to where our expansion is now, we have other parcels that VHA will be transferring to us in the future.

Senator BLUNT. And you see no problems with that happening?

Mr. MURO. I don't. I think NCA and VHA have worked together on that transfer, so it shouldn't be a problem.

Secretary SHINSEKI. Now, this land is part of the healthcare campus.

Mr. MURO. Right.

Secretary SHINSEKI. Maybe as much as 30 acres we are looking at.

Senator BLUNT. That would be a great solution to this, I would think, for a significant amount of time, if you've got that kind of space.

Mr. MURO. Right.

#### OUTPATIENT CLINIC

Senator BLUNT. All right. Good. The other thing I wanted to discuss was our clinic in Mt. Vernon, Missouri. There's a discussion in the 10-year plan of community-based outpatient clinics of opening clinics in both Springfield and Joplin. But concern that the Mt. Vernon clinic, that's between the two, might be closed.

It's one thing to close that clinic if these other two clinics are actually built. It would be a different matter, I think, if either one of them didn't happen. While Mt. Vernon is not a very big community, it's centrally located, and there are lots of veterans in our State, specifically in that part of the State.

Can somebody give me an update on that? I'm not sure I'd said I was going to ask this. So, if you can, that would be good—if not, I'd be happy to have an update later.

Secretary SHINSEKI. I'm not current on it. Let me call on Dr. Petzel.

Senator BLUNT. OK.

Dr. PETZEL. Actually, Senator, I'm not current on it, either. But we can easily find out what the plan is, and we'll get back to you post haste.

Senator BLUNT. That would be good if you did, and how those three projects would come together at some point would make a big difference. But that outpatient clinic in Mt. Vernon now serves lots of people, and I would hate to get halfway through a plan and find out that the other half of the plan wasn't going to occur.

So if you can get back to me on how all three of those discussions are going and your confidence level on all of them, that would be helpful. And it's fine to respond to me at a later date.

Secretary SHINSEKI. Certainly.

Senator BLUNT. Not very much later, but later than today.

Secretary SHINSEKI. We'll do that.

Senator BLUNT. OK. Thank you.

Senator BLUNT. Thank you, Mr. Chairman. Thank you for the time.

Senator JOHNSON. I have one more question.

Mr. Secretary, the VA and DOD have agreed to work together on the development of a new iEHR system to be managed by a joint DOD-VA interagency program office. Three years ago, VA estab-

lished the Project Management Accountability System (PMAS) to set accountability standards and to monitor the development of its projects.

As you mentioned in your written testimony, this system has achieved at least \$200 million in cost avoidance by either canceling or improving the management of 45 projects. With iEHR being run by the joint interagency program office and not the VA, how can we be assured that the PMAS accountability standards and project milestones will continue to be enforced?

Secretary SHINSEKI. Mr. Chairman, thanks for that very, very important question. I'm going to call on Secretary Baker to describe the process that's underway here. But we are very much confident in our PMAS system. It's served us well, and we will ensure that this will be a perspective we bring to the discussions with DOD.

Secretary Baker.

Mr. BAKER. Thank you, Senator. The DOD has agreed that we need to use the principles of PMAS to deliver the iEHR. And I really appreciate you noting our success in this area. As the Secretary said, we've delivered 89 percent of our milestones in 2011. Most critically, that delivers new functionality for veterans, the new GI Bill system, delivering on the VBMS system, and many things in healthcare.

And it's part of our approach to ensure that every IT \$1 that you appropriate to us is well spent for veterans. I can assure you that every \$1 of VA funds spent on the iEHR will be managed under PMAS. We will certify those in our letters to you. And, as I said, DOD and VA have agreed that that's the way that we'll manage the iEHR.

Now, there are some regulatory things relative to what DOD has to do as they manage their programs under DOD 5000 that causes a little bit of a wrestle in there. But we're working through those and attempting to make certain that we use the strong success of PMAS to help us ensure the success of the iEHR.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. I would like to thank Secretary Shinseki and those accompanying him for appearing before this subcommittee today. We look forward to working with you this year.

For the information of members, questions for the record should be submitted by the close of business on March 23.

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

#### QUESTIONS SUBMITTED TO HON. ERIC K. SHINSEKI

#### QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

##### CLAIMS BACKLOG: TIMELY PROCESSED CLAIMS

*Question.* In fiscal year 2013, the VA is requesting \$2.16 billion for VBA's administrative costs and claims processors. The subcommittee has consistently supported the Department in efforts to reduce not only the claims wait time, but also the claims backlog by providing all, and in some cases, more money than was requested. Yet the number of days a vet must wait to have a claim processed is still unacceptably high.

I know that you have made this one of the VA's top priorities, but when can we expect the process to become more efficient? More importantly, when will vets in our home States start seeing more timely processed claims?

Answer. VA shares the sense of urgency evident in your question and is doing all it can to expedite the claims process for our veterans. VA is committed to—and actively pursuing—comprehensive improvements to the processes and systems veterans use to access our benefits and services. The Veterans Benefits Administration (VBA) has developed a comprehensive transformation plan that we are currently implementing. The plan includes a series of integrated people, process, and technology initiatives designed to improve veterans' access to benefits and services, eliminate the claims backlog, and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015.

Before reviewing VA's progress in implementing the transformation plan, it is important to understand the complex factors that have contributed to the growth in the disability claims workload and its impact on the timeliness of claims processing. In August 2010, VA published its final regulation establishing new presumptions of service connection for three disabilities associated with agent orange exposure: Ischemic heart disease, Parkinson's disease, and hairy cell and other chronic B-cell leukemias. As a result of these new presumptions, VA devoted significant resources in fiscal year 2011 to processing approximately 231,000 claims received for these three disabilities. VA's 13 resource centers were dedicated exclusively to readjudicating over 90,000 previously denied claims for these three conditions. This readjudication is required by the order of the U.S. District Court for the Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs*, 712 F. Supp. 1404, 1409 (N.D. Cal. 1989).

Additionally, over 50,000 claims received after the decision to establish the new presumptive conditions was announced, but before the effective date of the final regulation implementing the decision, were also subject to *Nehmer* review. As a result of these *Nehmer* reviews, VA has as of June 19 awarded more than \$3.6 billion in retroactive benefits for the three new presumptive conditions to nearly 131,000 veterans and their survivors.

The complexity of the *Nehmer* claims processing significantly reduced decision output throughout fiscal year 2011. Although VBA is nearing completion of the *Nehmer* workload, a residual impact on claims processing timeliness continues into this fiscal year. While the focus on processing these complex claims slowed the processing of other veterans' claims, this decision was the right thing to do for Vietnam veterans and their survivors, who in many cases have waited years to receive the benefits they earned through their service and sacrifice.

There are a number of other factors that significantly contribute to VA's dramatically increasing claims inventory. They include:

- Growing Claims Volume*.—Over the last 4 years, annual disability claims receipts, representing all generations of veterans, increased 48 percent, from 888,000 in 2008 to 1.3 million in 2011.
- VA anticipates receiving 1.2 million claims in 2012 and 1.25 million claims in 2013.
- Greater Claims Complexity*.—Veterans now claim greater numbers of disabilities—and the nature of the disabilities (e.g., post-traumatic stress disorder, combat injuries, diabetes and its complications, and environmental diseases) is becoming increasingly more complex.
- Last year, veterans who served in Iraq and Afghanistan identified an average of 8.5 disabilities per claim package.
- Veterans of earlier eras identified far fewer disabilities per claim package (e.g., World War II veterans claimed 2.5 disabilities and gulf war veterans claimed 4.3 disabilities).

Even with the unprecedented workload increases, VA has achieved a 15-percent increase in output over the last 4 years, completing over 1 million disability claims in each of the past 2 years. VA plans to process a record 1.4 million compensation claims in 2013, with increasing production levels to continue each year as VA aggressively works to transform the delivery of benefits and services.

This year VBA is beginning national implementation of its new operating model and paperless and rules-based processing system, the Veterans Benefits Management System (VBMS). VBMS is a comprehensive solution that integrates a business transformation strategy with a paperless claims processing system resulting in higher quality, greater consistency, and faster claims decisions. VBMS will move VBA's internal, paper-based process to an automated system that integrates streamlined claims processes, rules-based processing, and Web-based technology. The new operating model and VBMS are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of

2013. We will continue to add and expand VBMS functionality throughout this process. The fiscal year 2013 budget submission includes \$128 million for VBMS.

Earlier this year, VBA implemented three nationwide transformational initiatives that will result in meaningful improvements in the service we provide to our clients. They include:

- Disability benefits questionnaires to change the way medical evidence is collected. Veterans now have the option of having their private physicians complete a standardized form that provides the medical information necessary to process their claims, avoiding the need for a VA examination. These questionnaires have the potential to reduce processing time and improve quality.
- Simplified notification letters streamline and standardize the communication of claims decisions and increase decision output. Veterans receive one simplified notification letter in which the substance of the decision, including a summary of the evidence considered and the reason for the decision are rendered in a single document. This initiative also includes a new employee job-aid that uses rules-based programming to assist decisionmakers in assigning an accurate service-connected evaluation.
- Dedicated teams of quality review specialists at each regional office. These teams are evaluating decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. The quality review teams are comprised of personnel trained by our national quality assurance Statistical Technical Accuracy Review (STAR) staff to assure local reviews are consistently conducted according to national STAR standards.

These transformational initiatives are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of 2013. We will continue to add and expand VBMS functionality throughout this process.

The new operating model includes the following components:

- Intake Processing Center.*—Enabling quick, accurate claims triage (getting the right claim, in the right lane, the first time).
- Segmented Lanes.*—Improves the speed, accuracy, and consistency of claims decisions by organizing claims processing work into distinct categories, or lanes, based on the amount of time it takes to process the claim.
- Cross-Functional Teams.*—Reducing rework time, increasing staffing flexibility, and better balancing workload by facilitating a case-management approach to completing claims.

VA is making the investments necessary to transform VA to meet the needs of our veterans and their families. We would welcome the opportunity to provide a briefing on VBA's transformation progress at your convenience.

#### CLAIMS PROCESS: ACCURACY AND QUALITY

*Question.* While VA should be very focused on speeding up the process, I do not believe it should neglect accuracy and quality of claims processed. How is the VA's transformation of the claims process taking into account quality, and how do you currently evaluate a claims processor's performance?

*Answer.* VA agrees. As discussed in the response to question 1, the people, process, and technology initiatives included in VBA's transformation plan (including the new rules-based and paperless claims processing system, our new operating model, quality review teams, disability benefits questionnaires, and redesigned processes such as simplified notification letters) will help VA achieve our goals for timely and accurate benefits delivery. In addition, the national-level Challenge training provides a standardized curriculum for all new claims processors to help ensure high quality and productivity. Challenge training is an 8-week training program for new rating veteran services representatives that provides classroom instruction and supervised case work that allows for immediate feedback on their review. Veteran service representatives go through a 4-week training program that will provide each student with the skills necessary to complete the development phase of the claims process.

VBA has negotiated national performance standards with our labor partners for all claims processors (i.e., veterans service representatives, rating veterans service representatives, and decision review officers). These standards include performance elements that measure quality of work, productivity, and customer service.

#### VETERANS BENEFITS MANAGEMENT SYSTEM

*Question.* Part of your strategy deals with modernizing the VA and developing a paperless claims processing IT system. As you mentioned in your testimony, the sys-



tem, known as the Veterans Benefits Management System (VBMS) is currently being tested and is expected to begin deployment this year. Has the VA developed clear criteria to determine whether the pilot has met the goals of the project? If so, what do you anticipate the impact of the nation-wide rollout will be on improving the timeliness of the claims processed, and when do you believe we will see tangible results?

Answer. The fiscal year 2013 budget includes \$128 million to support VBMS development and deployment. VBA has developed an evaluation plan with clear criteria for each phased deployment of VBMS, which stated specific goals and metrics for determining success. The overarching goal for VBMS phase 1 (November 2010–May 2011) was the development and testing of software, and ensuring claims could be processed in an electronic environment. The criteria for success were the ability to enter claims into an electronic system and the ability to process the claims to completion.

The goal for VBMS phase 2 (May 2011–November 2011) was to further strengthen the capability for VA to process veterans' claims in an electronic environment by expanding the functionality developed in phase 1 and increasing the number of sites, users, claims, and claim types. The criterion for success was the ability to process multiple claim types with increased system usage.

In August 2011, VA identified several transformation initiatives focused on integrating people, process, and technology. These transformation initiatives are designed to enable the strategic vision for improved benefits delivery. VBMS is a component of the technology solution which will enable disability compensation claims to be completed within VA's goal of 125 days, at 98-percent accuracy by the end of 2015.

National deployment of VBMS began in July 2012 and will follow a prescribed deployment schedule, which integrates with VA's overall business transformation efforts. During the period immediately following VBMS national deployment, VA expects minimal timeliness improvements as regional offices adjust to new processes and a new system. However, regional offices will see tangible results as they work through their existing inventory of paper-based claims and transition to an electronic environment complemented by improved business processes.

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#### QUESTION SUBMITTED BY SENATOR JACK REED

##### BUDGET: SUPPORT VETERANS WITH SERVICES AND BENEFITS

*Question.* One of the realities we face as a result of more than 10 years of fighting in Iraq and Afghanistan is that we now have some remarkable young men and women, many of them in their twenties, who have been grievously injured. They'll enter the VA system, and may need many decades of support. We have to be prepared to honor our commitment to care for these veterans.

How does your budget assure these young men and women that many years from now they and their families will get the same kind of support, respect, and care that they're getting today? How are we planning and investing in programs now to make sure we don't fall short in the future?

Answer. The VA is committed to providing veterans and other eligible beneficiaries timely access to high-quality health services. VA's healthcare mission covers the continuum of care providing inpatient and outpatient services, including pharmacy, prosthetics, and mental health; long-term care in both institutional and non-institutional settings; and other healthcare programs, such as CHAMPVA and readjustment counseling. To meet VA's focuses, this budget provides the resources required to fund the following initiatives: Ending homelessness among our Nation's veterans, creating new models of patient-centered care, expanding healthcare access, improving mental health, improving the quality of healthcare, and establishing world-class health informatics capability.

VA's budget development process requires VA to submit its medical care budget for 2 years in each budget submission under the Veterans Health Care Budget Reform and Transparency Act of 2009 (Public Law 111–81). This allows the administration to review the initial advance appropriations request during the development of the next budget. As part of this process, VA produces budget estimates for more than 80 percent of its medical program using a sophisticated actuarial model that estimates the healthcare services requirements for enrolled veterans. Each year VA updates the model estimates to incorporate VA's most recent data on healthcare utilization rates, actual program experience, and other factors, such as economic trends in unemployment and inflation. The model also incorporates data and estimates of the population of eligible and enrolled veterans by age, gender, and geographic loca-

tion. By updating the model's inputs and revisiting the assumptions that underlie the actuarial projections each year, VA is able to produce budget and workload (i.e., enrollees) estimates that not only reflect the projected medical demands of currently enrolled veterans, but also incorporates the projected demands of veterans in future years.

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QUESTIONS SUBMITTED BY SENATOR MARK KIRK  
INFORMATION TECHNOLOGY

*iEHR Budget Request*

*Question.* Mr. Secretary, the VA agreed in March 2011, along with the Department of Defense, to develop an integrated Electronic Health Record (iEHR) for use by both Departments. Last year, the Department of Veterans Affairs was given \$73.42 million to begin development on the integrated Electronic Health Record. In 2013, you are requesting \$169 million to continue the development of this joint program.

Are you on track to spend all of last year's appropriation for this program, and if not, do you still need the \$169 million requested this year?

*Answer.* Yes, the Integrated Program Office is on plan to spend all of last year's appropriation. The President's 2013 budget request is critically important to ensuring continued progress toward developing the iEHR.

*Electronic Service Bus Contract*

*Question.* What are the financial and scheduling impacts of the recent set back regarding the electronic service bus's contract? When do you expect the contract will be re-awarded?

*Answer.* The DOD/VA IPO has assessed the impact of the contract stop on the development of iEHR enterprise service bus and determined that impact will be minimal. With that said, the contract has now been re-awarded. Specific information regarding the financial implications of the cancellation of the initial contract award cannot be released at this time due to potential legal issues related to the termination of the contract.

CLAIMS PROCESSING: MEETING GOALS AND ACCURACY RATE

*Question.* Mr. Secretary, claims processing is a recurring concern for this subcommittee, and in spite of additional personnel and funding committed to fixing this problem, the backlog continues to grow. This subcommittee is interested in the Department's roll out of the Veterans Benefits Management System, its expected impact on the current claims backlog, and the outcome of ongoing pilot programs. In your 2013 request, you are asking for \$2.2 billion for claims processing, which is \$146 million above the 2012 enacted level.

Would you provide us with an update as to how the Department is doing in meeting the goals of all claims receiving a quality decision, with a high accuracy rate of 98 percent, in no more than 125 days?

*Answer.* As we replied to Chairman Johnson and Senator McConnell, VA shares the sense of urgency evident in your question and is doing all it can to expedite the claims process for our veterans. VA is committed to—and actively pursuing—comprehensive improvements to the processes and systems veterans use to access our benefits and services. VBA has developed a comprehensive transformation plan that includes a series of rigorously integrated people, process, and technology initiatives designed to improve veterans' access to benefits and services, eliminate the claims backlog, and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015.

Before reviewing VA's progress in implementing the transformation plan, it is important to understand the complex factors that have contributed to the growth in the disability claims workload and the impact of that growth on the timeliness of claims processing. In August 2010, VA published its final regulation establishing new presumptions of service connection for three disabilities associated with agent orange exposure: Ischemic heart disease, Parkinson's disease, and hairy cell and other chronic B-cell leukemias. As a result of these new presumptions, VA devoted significant resources in fiscal year 2011 to processing approximately 231,000 claims received for these three disabilities. VA's 13 resource centers were dedicated exclusively to readjudicating over 90,000 previously denied claims for these three conditions. This readjudication is required by the order of the U.S. District Court for the Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs*, 712 F. Supp. 1404, 1409 (N.D. Cal. 1989).

Additionally, over 50,000 claims received after the decision to establish the new presumptive conditions was announced, but before the effective date of the final regulation implementing the decision, were also subject to *Nehmer* review. As a result of these *Nehmer* reviews, VA has as of June 19 awarded more than \$3.6 billion in retroactive benefits for the three new presumptive conditions to nearly 131,000 veterans and their survivors. The complexity of the *Nehmer* claims processing significantly reduced decision output throughout fiscal year 2011.

Although VBA is nearing completion of the *Nehmer* workload, a residual impact on claims processing timeliness continues into this fiscal year. While the focus on processing these complex claims slowed the processing of other veterans' claims, this decision was the right thing to do for Vietnam veterans and their survivors, who in many cases have waited years to receive the benefits they earned through their service and sacrifice.

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These transformational initiatives are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of 2013. We will continue to add and expand VBMS functionality throughout this process.

The new operating model includes the following components:

- Intake Processing Center.*—Enabling quick, accurate claims triage (getting the right claim, in the right lane, the first time).
- Segmented Lanes.*—Improves the speed, accuracy, and consistency of claims decisions by organizing claims processing work into distinct categories, or lanes, based on the amount of time it takes to process the claim.
- Cross-Functional Teams.*—Reducing rework time, increasing staffing flexibility, and better balancing workload by facilitating a case-management approach to completing claims.

VA is making the investments necessary to transform VA to meet the needs of our veterans and their families. We would welcome the opportunity to provide a briefing on VBA's transformation progress at your convenience.

#### NON-RECURRING MAINTENANCE CUTS

*Question.* Mr. Secretary, within your construction request non-recurring maintenance (NRM) continues its downward trend. For 2013, you received \$710.5 million in advance appropriations, \$158.3 million less than your current estimate for 2012 and \$1.3 billion less than the 2011 actual expenditures. You request only \$464.6 million in your advance appropriation for 2014.

With such cuts to the non-recurring maintenance accounts, how do you expect to maintain your Department's facilities at their optimal level?

*Answer.* The non-recurring maintenance (NRM) requirements are considered each year as part of the SCIP. This process integrates capital requirements that are funded from three separate appropriations (the major construction appropriation, minor construction appropriation, and NRM in the medical facilities appropriation). It produces a balanced capital investment strategy.

VA does an engineering-based review of the condition of all of its buildings on a rotating basis every 3 years. This results in the development of VISN-level projects that are annually reviewed and ranked for the overall capital investment process. VA sets the funding level of the NRM program as part of the determination for the overall budget during the final deliberation process.

Developed first in the fiscal year 2012 budget process, SCIP is a VA-wide planning tool to evaluate and prioritize capital infrastructure needs for the current budget cycle and for future years. SCIP quantifies the infrastructure gaps that must be addressed for VA to meet its long-term strategic capital targets. These targets include providing access to veterans, ensuring the safety and security of veterans and VA employees, and leveraging current physical resources to benefit veterans.

VA has dedicated approximately 30 percent for NRM projects in the 2013 capital budget request. The 2013 NRM request is \$710 million. The \$464.6 million for fiscal year 2014 represents the initial fiscal year 2014 advance appropriation request, which will be updated, as appropriate, with the submission of the 2014 President's budget submission in February 2013. Within the spending targets established in the President's 2013 budget request, VA's allocation for capital projects, including NRM projects, is one that:

- Emphasizes completing prior appropriated projects that provide healthcare, memorial, and benefits delivery services to veterans;
- Impacts more VAMCs and corrects more seismic, safety, and security issues in less time through a focus on minor construction projects;
- Completes a large number of grandfathered projects, attacking and reducing the capital backlog; and
- Recognizes the importance of alternative strategies to traditional capital approaches to meet overall needs, such as telemedicine, extended hours, mobile clinics, and fee basis contract care.

VA will continue to update this plan in order to capture changes in the environment, including evolving veteran demographics, newly emerging medical technology, advances in modern healthcare delivery and construction technology, and increased use of non-capital means (when appropriate) in a continuous effort to better serve veterans, their families, and their survivors.

#### VETERANS JOBS CORPS

##### *Timeline for Authorization Language*

*Question.* In his State of the Union address, the President announced the creation of a Veterans Jobs Corps program. Congress has not yet seen any suggested bill lan-

guage from the White House or from your Department on this new program. The President estimates this program will cost \$1 billion over 5 years.

What is your timeline for working with Congress to create the legislation required to authorize this program?

Answer. VA officials briefed staff from VA's authorization committees in March and April on the Veterans Job Corps initiative. In addition, legislation has been introduced by House and Senate congressional members that include provisions that align with components of the administration's proposal. Those bills can serve as a focus of discussion. VA looks forward to continuing to work with Congress on this proposal.

#### *Impact in Future Budgets*

*Question.* The administration has stated the funding for this new program will come from mandatory accounts, and therefore will not cut into the discretionary budget you have already put together for 2013. At a time when our discretionary spending is restrained, how you are working with the administration to ensure the creation of such a program will not impact other important accounts in future budgets?

Answer. The Veterans Job Corps initiative, which requires legislative authorization and funding from Congress, would provide employment opportunities for veterans from all eras, but focus on post-9/11 veterans VA, in consultation with a Federal Steering Committee composed of policy officials representing implementing Federal agencies, will select projects for funding based on selected criteria. The projects will be implemented through contracts to businesses, cooperative agreements and grants to non-Federal entities, and by directly hiring a small number of veterans for positions. VA will serve as the lead for the Federal Steering Committee, which will be composed of policy officials representing implementing Federal agencies, including United States Department of Agriculture (USDA), the Department of Interior (DOI), National Oceanic and Atmospheric Administration (NOAA) at Department of Commerce, and the Department of Defense (DOD) Army Corps of Engineers (ACOE).

In September the administration put forward the American Jobs Act together with a plan for deficit reduction that had a net savings of \$4 trillion. The administration is willing to work with Congress to draw on that list to find a mutually acceptable funding source for options. Although VA will lead the Federal Steering Committee, funding for the initiative will not come from VA's budget.

#### *Program Redundancy*

*Question.* Is the Department working to ensure this new program is not creating unnecessary redundancy, as you already have on-going programs which provide job training and job placement for veterans?

Answer. As proposed, VA would coordinate the Veterans Job Corps (VJC) initiative through a Federal Steering Committee that would evaluate competing proposals from implementing Federal agencies. VA would be authorized to transfer funding to those agencies for approved projects.

VA is working to ensure the VJC does not create any redundancies with other VA benefit programs. The VJC will complement VA's existing educational and training benefits and vocational rehabilitation and employment programs. VA plans to use it to strengthen and enhance current veterans benefits and services in a number of areas.

#### ENHANCED USE LEASE

#### *Additional Authority*

*Question.* Mr. Secretary, I understand the Department is facing a situation where you may have excess capacity at many sites. Last year this subcommittee endorsed the administration's effort to dispose of unneeded Federal real estate. I believe the Department should use every avenue available to manage its real estate portfolio at an optimal level. Enhanced use leasing is one way for the Department to leverage your underutilized assets in support of the Department's mission.

If you had additional enhanced use lease (EUL) authority would you be able to encourage private sector development on current excess properties?

Answer. Yes. The Department's EUL authority expired on December 31, 2011, and has not been reauthorized by Congress. There were projects that could not be awarded prior to the December 31, 2011, expiration date representing housing facilities, mixed-use developments, and campus realignments and other mission compatible developments. All of these potential EUL projects would repurpose as many as 210 buildings on more than 1,000 acres of land.

VA remains committed to this important program and will continue to seek the authority to effectively leverage and manage its inventory of underutilized properties. The administration will work with the Congress to develop future legislative authorities to enable the Department to further repurpose its underutilized properties using similar third-party development public-private partnerships. VA anticipates submitting a revised proposal that will enhance benefits and services to veterans and their families in the near future.

*Better Manage Real Estate*

*Question.* What does the Department need from this subcommittee to better manage your real estate?

*Answer.* On December 31, 2011, VA's EUL authority expired; however, VA remains committed to this important program and continues to seek the authority to effectively leverage and manage its inventory of underutilized properties.

The expiration of this authority limits VA's ability to reduce underutilized/vacant inventory and also limits its ability to realize operational and maintenance cost savings that would result from the reduced inventory. As a direct result of the EUL program, VA has repurposed more than 6 million square feet of property. Reauthorization of this valuable tool is critical to continued success in managing our real property portfolio.

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QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

VETERAN POPULATION

*Question.* The VA estimates that over a million current Active Duty military personnel will return as veterans over the next 5 years. Successfully accommodating this large influx of veterans into the VA system is of deep concern to my constituents and to me. What specific steps are the VA taking in this regard?

*Answer.* Veteran healthcare delivery needs are assessed based on the VA Enrollee Health Care Projection Model (EHCPM) projections and on criteria such as existing and planned points of service (both VA and non-VA), access standards, market penetration, cost effectiveness, waiting times, and other unique factors (such as whether rural or minority veterans will be particularly benefited) using the VHA Health Care Planning Model (HCPM). The HCPM provides a standard 10-step study methodology to proactively evaluate the comprehensive healthcare needs of veterans in Veterans Integrated Service Network (VISN) markets, and develop strategies to meet those needs. The HCPM uses a live portal for systematic data analysis and data entry. The appropriate data sources are built into the portal to maximize the time VISNs spend in analysis versus data gathering. Healthcare delivery plans resulting from the assessment identify the mix of services to be provided, the sites and modalities for delivering services, and inform space requirements for capital planning.

VA is also pursuing a goal to process disability claims in fewer than 125 days with 98-percent accuracy by the end of 2015. Efforts underway to accomplish these goals will position VA to proactively adapt to the projected influx in servicemembers and veterans disability benefit claims. VA is building and deploying new electronic systems and technological solutions that support decreased processing times while increasing quality, such as the Veterans Benefits Management System, eBenefits, and the Veterans Lifetime Electronic Record to decrease the time it takes to obtain claims-supporting documentation.

Streamlining claims forms and application processes ensures returning servicemembers and veterans experience transparency in the claims process. When combined, these efforts expand VA's outreach opportunities and provide servicemembers with improved access to electronic claims records.

VA is taking steps to eliminate the claims backlog by developing solutions that reduce processing times through programs such as the fully developed claims program, fast track, and disability benefits questionnaires. VA's pre-discharge programs, Benefits Delivery at Discharge and Quick Start, are also undergoing enhancements, while VA and DOD continue to refine the Integrated Disability Evaluation System. VA continues to pilot new programs focused on decreasing claims processing times with innovative ideas like cross-functional teams, which increase claim development speed and accuracy by creating a team structure that encourages internal knowledge-sharing. A core element of VA's preparation for the influx of claims is the new operating model and paperless and rules-based processing system, the Veterans Benefits Management System (VBMS). The fiscal year 2013 budget submission includes \$128 million for VBMS.

## MENTAL HEALTH

*Question.* I have heard from Vietnam War-era veterans who are concerned that they are being neglected by post-traumatic stress disorder (PTSD) specialists and are instead being discharged to primary care specialists for their mental health needs. I would like reassurance from the VA that it will be accommodating the mental health needs of our pre-9/11 veterans as well as those who have recently returned from overseas.

*Answer.* VA is committed to providing the highest quality mental healthcare to veterans of all eras of service and recognizes that it is never too late to receive evidence-based treatment for conditions such as PTSD.

VA is in the midst of a transformation to the Patient Centered Medical Home model, known as the Patient Aligned Care Team (PACT). The team provides primary care services and, in addition to primary care providers, includes a broader group of professionals such as mental health clinicians. This interdisciplinary care team model links treatment planning and delivery of treatment for all of the veteran's problems, rather than separating PTSD care from the overall clinical understanding and care of the veteran.

The Primary Care-Mental Health Integration (PCMHI) staff provides onsite mental health expertise to the rest of the team. This support includes consultative advice, patient follow-up, and direct clinical care. Many veterans receive all of their mental healthcare within the PACT by mental health professionals. Others are referred into specialty mental healthcare if they have need of more intensive or specialized care.

Many veterans who have been effectively treated in specialty mental health clinics and whose symptoms have stabilized can be returned to the care of the PACT, with the continued support of the mental health experts in the PCMHI program.

In addition to PACT, VA is pioneering the use of telemedicine to insure quality treatment resources reach rural and highly rural veterans. Many of these veterans are Vietnam-era veterans. More than half of the 49,000 patients currently using the telemedicine program are receiving mental health services for conditions such as PTSD and depression.

The Uniform Mental Health Services Handbook (UMHSH) requires all facilities to provide evidence-based therapies for PTSD in outpatient settings and requires a PTSD Clinical Team (PCT) or PTSD specialists. However, specialty treatment for PTSD is not limited to the PCT. VA has trained over 4,400 clinicians in specialty PTSD treatments. Many of these clinicians provide treatment in general mental health clinics or in primary care, working in tandem with PCMHI clinics.

VA continues outreach efforts to veterans of all deployments. For example, the Make the Connection campaign, [www.maketheconnection.net](http://www.maketheconnection.net), has a feature that allows veterans to personalize their experience on the site by specifying the era in which they served. For example, a visitor to the site can specify: "male, Vietnam War, Army, exposed to combat." These filters will produce resources for needs most often associated with this cohort of veterans including videos of same era veterans speaking to common problems, conditions, and routes to care.

## MEDICAL STAFF

*Question.* I have been informed that no new medical staff have been hired to meet the increasing demands on the VA medical clinic in Owensboro, Kentucky. Are there any plans to add additional staff or offer rotating, specialized medical services at the clinic? If not, why not?

*Answer.* The Owensboro, Kentucky, community-based outpatient clinic (CBOC) is in compliance with staffing guidelines for a CBOC caring for 2,676 veterans, when a third primary care physician came on board in early June 2012. With the new physician, current staffing includes three primary care providers, a nurse manager, a dietician, four registered nurses, four licensed practical nurses, three medical support assistants, a full-time social worker and part-time psychiatrist.

## LEXINGTON, KENTUCKY CONSTRUCTION

*Question.* Please provide me with an update on plans for the VA outpatient clinic and nursing home in Lexington, Kentucky.

*Answer. Description of Project.*—The proposal is to construct a new healthcare facility on the Leestown campus to replace the 85-plus-year-old structures. This would provide the space, parking, and modern facilities to do the following:

- Move and consolidate many specialty services to the new location on the Leestown campus, allowing the downtown campus, adjacent to the University of Kentucky Medical Center, to focus on the inpatient needs of its patient base.

This decompression of the inpatient campus would allow VA to continue the conversion of multi-patient rooms to private rooms. This initiative is a proven strategy toward reducing infection rates and improving patient satisfaction scores by increasing patient privacy and reducing noise levels.

- Replace the current community living center (CLC) with modern space, equipped with private, home-like rooms for veterans needing nursing home care.
- Replace the current residential rehabilitation beds with modern space similar to CLC.
- Stagger hiring of additional personnel to provide the services needed (estimated at 40 FTE per year growth for the next 10 years).
- Re-utilize the historic buildings on the campus for other, more appropriate uses, such as enhanced use lease arrangement or addressing veteran homelessness.

Notification to Congress was made for the Lexington, Kentucky Clinical Realignment Project to use advanced planning funds in the fiscal year 2013 budget (see volume 4, page 6–3). The planning funds will first be used for development of a comprehensive master plan. VA awarded the architect/engineer contract for master planning efforts in June 2012. Funding for the project will be considered in a future budget.

#### LOUISVILLE, KENTUCKY CONSTRUCTION

*Question.* Please provide me with an updated timeline for the final site selection, ground breaking and construction phases for the new Robley Rex VA Medical Center in Louisville, Kentucky.

*Answer.* The following information is current as of June 28, 2012. The public meeting for VA's programmatic environmental assessment (PEA) for the selection of a site for the new Louisville VAMC took place on April 18, in Louisville, Kentucky. The meeting was held at a middle school located within the immediate vicinity of the top-preferred site, Brownsboro Road. Approximately 200–250 people attended the meeting, including staff from congressional members' offices, and the local media. The attendees were briefed on National Environmental Policy Act (NEPA) findings for both preferred site options and had an opportunity to provide comments and questions. The public comment period ended April 29.

VA completed its environmental due diligence by issuing the final programmatic environmental assessment (PEA) and finding of no significant impact (FONSI) for the preferred site, Brownsboro Road, on June 15, 2012. VA anticipates executing an offer to sell with the landowner by the end of June 2012. Closing is scheduled to take place in July/August 2012. The ground breaking and construction phases for Louisville are dependent on availability of future construction funding.

#### CLAIMS BACKLOG

*Question.* I consistently hear from Kentucky veterans about the length of time it takes the VA to settle a claim. What steps are the VA taking to reduce the average waiting time for a claim to be settled and generally to reduce the backlog of claims? What, if any, additional legislative authority might the VA need to reduce its turn-around time?

*Answer.* As we replied to Chairman Johnson and Senator Kirk, VA shares the sense of urgency evident in your question and is doing all it can to expedite the claims process for our veterans. VA is committed to—and actively pursuing—comprehensive improvements to the processes and systems veterans use to access our benefits and services. VBA has developed a comprehensive transformation plan that includes a series of rigorously integrated people, process, and technology initiatives designed to improve veterans' access to benefits and services, eliminate the claims backlog, and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015.

Before we discuss our progress in implementing the transformation plan, it is important to understand the complex factors that have contributed to the growth in the disability claims workload and the impact of that growth on the timeliness of claims processing. In August 2010, VA published its final regulation establishing new presumptions of service connection for three disabilities associated with agent orange exposure: Ischemic heart disease, Parkinson's disease, and hairy cell and other chronic B-cell leukemias. As a result of these new presumptions, VA devoted significant resources in fiscal year 2011 to processing approximately 231,000 claims received for these three disabilities. VA's 13 resource centers were dedicated exclusively to readjudicating over 90,000 previously denied claims for these three conditions. This readjudication is required by the order of the U.S. District Court for the



Northern District of California in *Nehmer v. U.S. Department of Veterans Affairs*, 712 F. Supp. 1404, 1409 (N.D. Cal. 1989).

Additionally, over 50,000 claims received after the decision to establish the new presumptive conditions was announced, but before the effective date of the final regulation implementing the decision, were also subject to *Nehmer* review. As a result of these *Nehmer* reviews, VA has as of June 19 awarded more than \$3.6 billion in retroactive benefits for the three new presumptive conditions to nearly 131,000 veterans and their survivors. The complexity of the *Nehmer* claims processing significantly reduced decision output throughout fiscal year 2011.

Although the VBA is nearing completion of the *Nehmer* workload, a residual impact on claims processing timeliness continues into this fiscal year. While the focus on processing these complex claims slowed the processing of other veterans' claims, this decision was the right thing to do for Vietnam veterans and their survivors, who in many cases have waited years to receive the benefits they earned through their service and sacrifice.

There are a number of other factors that significantly contribute to VA's dramatically increasing claims inventory. They include:

- Growing Claims Volume*.—Over the last 4 years, annual disability claims receipts, representing all generations of veterans, increased 48 percent, from 888,000 in 2008 to 1.3 million in 2011.
- We anticipate receiving 1.2 million claims in 2012 and 1.25 million claims in 2013.
- Greater Claims Complexity*.—Veterans now claim greater numbers of disabilities—and the nature of the disabilities (e.g., post-traumatic stress disorder, combat injuries, diabetes and its complications, and environmental diseases) is becoming increasingly more complex.
- Last year, veterans who served in Iraq and Afghanistan identified an average of 8.5 disabilities per claim package.
- Veterans of earlier eras identified far fewer disabilities per claim package (e.g., World War II veterans claimed 2.5 disabilities and gulf war veterans claimed 4.3 disabilities).

Even with the unprecedented workload increases, VA has achieved a 15-percent increase in output over the last 4 years, completing over 1 million disability claims in each of the past 2 years. VA plans to process a record 1.4 million compensation claims in 2013, with increasing production levels to continue each year as VA aggressively works to transform the delivery of benefits and services.

This year VBA is beginning national implementation of its new operating model and paperless and rules-based processing system, the Veterans Benefits Management System (VBMS). VBMS is a comprehensive solution that integrates a business transformation strategy with a paperless claims processing system resulting in higher quality, greater consistency, and faster claims decisions. VBMS will move VBA's internal, paper-based process to an automated system that integrates streamlined claims processes, rules-based processing, and Web-based technology. The new operating model and VBMS are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of 2013. We will continue to add and expand VBMS functionality throughout this process. The fiscal year 2013 budget submission includes \$128 million for VBMS.

Earlier this year, VBA implemented three nationwide transformational initiatives that will also result in meaningful improvements in the service we provide to our clients. They include:

- Disability benefits questionnaires to change the way medical evidence is collected. Veterans now have the option of having their private physicians complete a standardized form that provides the medical information necessary to process their claims, avoiding the need for a VA examination. These questionnaires have the potential to reduce processing time and improve quality.
- Simplified notification letters streamline and standardize the communication of claims decisions and increase decision output. Veterans receive one simplified notification letter in which the substance of the decision, including a summary of the evidence considered and the reason for the decision are rendered in a single document. This initiative also includes a new employee job-aid that uses rules-based programming to assist decisionmakers in assigning an accurate service-connected evaluation.
- Dedicated teams of quality review specialists at each regional office. These teams are evaluating decision accuracy at both the regional office and individual employee levels, and perform in-process reviews to eliminate errors at the earliest possible stage in the claims process. The quality review teams are comprised of personnel trained by our national quality assurance Statistical

Technical Accuracy Review (STAR) staff to assure local reviews are consistently conducted according to national STAR standards.

These transformational initiatives are being deployed using a phased approach that will have all regional offices operating under the new model and using VBMS by the end of 2013. We will continue to add and expand VBMS functionality throughout this process.

The new operating model includes the following components:

- Intake Processing Center.*—Enabling quick, accurate claims triage (getting the right claim, in the right lane, the first time).
- Segmented Lanes.*—Improves the speed, accuracy, and consistency of claims decisions by organizing claims processing work into distinct categories, or lanes, based on the amount of time it takes to process the claim.
- Cross-Functional Teams.*—Reducing rework time, increasing staffing flexibility, and better balancing workload by facilitating a case-management approach to completing claims.

VA is making the investments necessary to transform VA to meet the needs of our veterans and their families. We would welcome the opportunity to provide a briefing on VBA's transformation progress at your convenience.

#### DEPENDENTS INDEMNITY COMPENSATION

*Question.* As I understand it, VA Dependents Indemnity Compensation (DIC) claims had previously been decided at the local and State level, but are now, in the case of Kentucky, decided in Milwaukee, Wisconsin. This has reportedly resulted in much longer wait times for veterans' spouses and dependents to receive their claims. What caused the initial decision to relocate that DIC claims processing office and what steps are the VA taking to reduce the time it takes to make final DIC claims decisions?

*Answer.* In previous studies VA identified that consolidation of field structure can allow VBA to assign the most experienced and productive adjudication officers and directors to consolidated offices; facilitate increased specialization and as-needed expert consultation in deciding complex cases; improve the completeness of claims development, the accuracy and consistency of rating decisions, and the clarity of decision explanations; improve overall adjudicative quality by increasing the pool of experience and expertise in critical technical areas; and facilitate consistency in decisionmaking.

In January 2002, VBA consolidated pension maintenance work at three regional offices—St. Paul, Minnesota; Philadelphia, Pennsylvania; and Milwaukee, Wisconsin. In fiscal year 2004, the pension maintenance centers completed over 200,000 pension maintenance actions. In addition to consolidating pension maintenance, VBA also consolidated in-service dependency and indemnity compensation claims at the Philadelphia regional office. These claims are filed by survivors of servicemembers who die while in military service. VBA consolidated these claims as part of its efforts to provide expedited service to these survivors, including servicemembers who died in Operations Enduring Freedom and Iraqi Freedom.

VBA considers the processing of survivor claims a high priority. The objective of the DIC claims consolidation process is to improve accuracy, timeliness, and administration of these benefits.

In 2011, processing of DIC claims was impacted by the shift in overall VA resources needed to process the approximately 231,000 agent orange presumptive claims affected by the *Nehmer* court decision. This readjudication affected claims processing timeliness in all areas.

In an effort to increase the timeliness with which VBA processes these DIC claims VBA has initiated a targeted review of DIC cases pending nationwide. Field offices are conducting a concentrated review of DIC cases to identify and process cases ready for decision.

VA is also reviewing DIC procedures to maximize operational efficiencies and analyzing performance data to identify areas needing improvement. Additionally, VA is exploring transformational changes that will reduce development and decision time.

#### VETERANS OUTREACH

*Question.* Constituents have communicated to me that the VA has difficulty locating and communicating with veterans who do not have access to computers and the Internet. What efforts has the VA undertaken to reach this group of veterans? Is there legislative authority that could be provided to the VA to improve its performance in this respect?

*Answer.* VBA uses a variety of methods to reach out to veterans and beneficiaries including face-to-face interviews, outreach events, telephone contact (via the Na-

tional Call Centers), printed materials, stand-downs, National Veterans Service Organization conferences, social media, and Web services. Outreach activities are planned and designed to ensure information is provided to the right beneficiary at the right time using the right delivery method.

VA has maximized the use of mass mailings to reach veterans on significant changes in legislation. Examples of these include additions of new presumption conditions for former prisoners of war and agent orange presumptions for Vietnam veterans. VA is currently in the planning stages of determining the feasibility of a direct mailing to a considerable population of veterans and survivors who may be eligible for Aid and Attendance or Housebound benefits.

VA ROs are encouraged to collaborate with VA medical centers, community-based outpatient clinics, vet centers, other Federal partners, and community and local organizations that can facilitate the distribution of information on benefits and services.

VA also partners with Veterans Service Organizations and State and county Department of Veterans Affairs offices to assist with outreach efforts. In addition, VA makes a concentrated effort to partner with faith-based organizations in local communities to reach veterans by conducting panels, seminars, and workshops.

The National Cemetery Administration (NCA) uses a multi-tiered approach to communicate with veterans and their families. Through the annual surveys of next of kin, NCA knows there is a preference for print media, as opposed to electronic or social media, to convey information regarding its benefits. Therefore, NCA has an active outreach program as well as a partnership with funeral directors who act as a liaison with families making burial decisions.

NCA actively participates in both national and local outreach activities. NCA representatives participate in Veteran Service Organization, professional, and other stakeholder conventions and conferences at the national level, including American Legion, VFW, DAV, AARP, and the National Funeral Directors Association (NFDA). Memorial Service Network representatives and national cemetery staff members participate in local outreach events. In 2011, NCA conducted 3,178 local and national outreach events and reached approximately 450,200 people.

To support the partnership with funeral directors, the Under Secretary for Memorial Affairs has participated in an NFDA Webinar and has spoken at the organization's annual conference. NCA is actively developing a funeral director kit that supports NCA's strategic plan to educate and empower veterans and their families through outreach and advocacy. Funeral director kits will use pre-existing content as well as newly developed videos to increase awareness of and access to information about VA national cemeteries and NCA's burial benefits and services. These kits will complement the publications (brochures, fact sheets, newsletters, flyers, local news articles, and television news reports) that NCA currently produces or supports.

VHA uses multiple mechanisms to reach out to veterans. The following are examples of those mechanisms:

- Interagency Health Affairs is reaching out to veterans working in military-heavy career paths through partnerships with their employers. At recent national conferences for border security, law enforcement executives and fire employees, VA educated employers and veterans on VA benefits.
- VA is partnering with Federal and local agencies to educate veterans, their families, and communities on VA benefits; including the Department of Health and Human Services, the Department of Housing and Urban Development, and the Department of Agriculture.
- VA partners with the Yellow Ribbon Reintegration Program (YRRP) a DOD-wide effort to support National Guard and Reserve servicemembers and their families with events featuring information on benefits and referrals throughout the entire deployment cycle (before, during, and after deployments).
- VA reaches veterans at post-deployment health reassessment (PDHRA) events, where staff may conduct briefings, staff table top information displays, enroll veterans in the VA healthcare system and arrange follow-up appointments at VA medical centers and vet centers. The PDHRA is a healthcare screening for all National Guard and Reserve servicemembers returning from deployment.
- VA's participation in Individual Ready Reserve (IRR) Musters to inform IRR reservists of their enhanced VA health and dental benefits and to sign them up for VA healthcare. VA typically mails an application for VA healthcare in advance to those reservists who are not enrolled in VA healthcare. VA works jointly with DOD at these IRR Musters, held year-round throughout the United States, to reach this population.

## PHARMACY

*Question.* Constituents have informed me that many VA pharmacies are short on medical supplies, particularly supplies that assist veterans who are paraplegic or quadriplegic. What can be done to improve the stocking of VA pharmacies to minimize reliance on shipping complications? What can be done to communicate to veterans about when these supplies arrive? Is there legislative authority that could be provided to the VA to improve its performance in this respect?

*Answer.* VA, like its private sector counterparts, is affected by national shortages of pharmaceuticals. This is a national, and in some cases, a global problem that is not limited to VA. VA staff members utilize all the tools at their disposal to mitigate the impact these shortages can have on veterans' drug therapy. For example, in a few cases, VA has had to temporarily reduce the quantities of drugs it supplies for individual prescriptions from 90-day supplies to 30-day supplies until adequate supplies are once again available. In extreme cases of national or global shortages, VA has had to change from using one drug to using another which is not in short supply.

VHA is also aware of instances where it could not provide some medical/surgical supply items in a timely manner due to a lapse in the Federal Government's Federal supply schedule (FSS) contract. In such instances, the shortages of supplies are not believed to be significantly impacted by delays in shipping completed orders. It is believed to be due primarily to delays in acquiring the products via alternate sources of supply when they are no longer on the FSS, which is a simplified, expedited acquisition process. VA takes all reasonable steps to ensure that follow-on FSS contracts are awarded in a timely manner. When product delivery to a patient is delayed and VA records suggest a patient may run out, it is usual practice to contact the patient and work out a substitute product or an emergency delivery.

## MEDICAL EQUIPMENT

*Question.* I am informed by constituents that there is, apparently, a discrepancy as to quality of certain medical equipment that is provided to veterans. I am told this is particularly acute with respect to motorized wheelchairs depending on whether a patient receives a wheelchair through a clinic versus a spinal cord medical center. What accounts for this reported discrepancy? What can be done to fix it? Is there legislative authority that could be provided to the VA to improve its performance in this respect?

*Answer.* Any discrepancies that are perceived to exist with regard to wheelchairs prescribed by a clinic (e.g., physical medicine and rehabilitation) versus a spinal cord injury (SCI) center are likely the result of the severity of disability and medical needs of the veteran; not due to different standards of quality of medical equipment across facilities. Patients with SCI typically require wheelchairs with more advanced options (e.g., motorized, tilt in space, power recline, advanced seating systems) than what may be medically indicated for a non-SCI patient. Individuals will see certain wheelchairs that are uniquely equipped for veterans with SCI or other severe disabilities, but are not medically indicated for other patients.

Medical devices, assistive technologies, and/or adaptive equipment are provided by VA throughout the continuum of care, ranging from specialized regional rehabilitation centers (e.g., SCI, polytrauma, and blind rehabilitation), to comprehensive outpatient clinics at major hospitals, and community-based outpatient clinics. In all clinical settings, each veteran receives a comprehensive clinical evaluation and individualized plan of care. Specific recommendations for medical equipment, when medically indicated, are based upon each veteran's individual needs and prescribed care plan. The veteran's clinical team recommends and orders the appropriate product, and provides the necessary counseling and training to the patient.

VA continually strives to set the professional standard for excellence to ensure that veterans have access to high-quality power wheelchairs that meet or exceed industry standards. VA national contracts for power wheelchairs and scooters require that all products be objectively tested and compliant with Rehabilitation and Engineering Society of North America standards to ensure that devices are reliable with respect to safety, durability, design, and performance. Over 400 VA clinical providers also completed a 16-hour online course on "Fundamentals of Wheelchair Seating and Mobility" recently coordinated by the University of Pittsburgh in collaboration with Paralyzed Veterans of America.

## MENTAL HEALTH VACANCY

*Question.* Constituents have informed me that several important mental health positions at the VA hospital in Lexington, Kentucky, remain unfilled. With many

veterans suffering from post-traumatic stress disorder (PTSD) and traumatic brain injuries (TBI), mental health treatment through the VA is of great importance to our veterans and of deep concern to me. Why have these positions remained unfilled and when do you expect them to be filled?

Answer. On May 11, 2012, Lexington VA Medical Center (VAMC) has 12 mental health (MH) vacancies. These positions include both social workers and psychologists. Eleven of the positions are in some phase of active recruitment. Of these, three positions are pending selection. The remaining two positions have been posted. One position was posted on May 18, 2012, and closed May 29, 2012. The position was filled on June 29, 2012. These positions were modified to meet the needs of our veterans. New position descriptions and advertisements are being developed. Additionally, Lexington VAMC will receive funding to hire an additional 15 MH clinicians and 4 MH support staff. Preparatory work is being accomplished to ensure immediate recruitment of these positions. Mental health and social work leadership are working together to review existing and planned resources and matching those to meet the needs of our veterans.

#### VETERANS INTEGRATED SERVICE NETWORK ALLOCATIONS

*Question.* Veterans in central Kentucky have conveyed to me their concerns that VA facilities in Lexington, Kentucky, are apparently often targeted for funding cuts over regions in other States that are part of the VA's Mid South Healthcare Network (VISN 9). What is being done to ensure that any VISN 9 budgetary constraints do not disproportionately affect facilities in one region over another? What steps is the VA taking to ensure that Lexington, Kentucky's VA facilities receive the proper attention and investment they deserve?

Answer. Since fiscal year 2009, VISN 9 has used the Veterans Equitable Resource Allocation (VERA) model as a budget methodology to distribute funding to VISN 9 medical centers. This model identifies the correct funding level for a facility. The Louisville VAMC has been fully funded at that VERA distribution but the Lexington VAMC has received significantly more than its allocated amount in order to continue its operations. Additional funding is required because Lexington's operational costs have increased over the past several years at a rate above their growth in unique patients. The VERA model ensures that Lexington VAMC receives the proper attention and investment they deserve. Resources are allocated equitably to the networks and spending is focused on the highest priority veterans. Allocations are also adjusted for geographic differences in labor costs.

#### SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 11:24 a.m., Thursday, March 15, the subcommittee was recessed, to reconvene subject to the call of the Chair.]



**MILITARY CONSTRUCTION AND VETERANS  
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2013**

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**TUESDAY, MARCH 27, 2012**

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

The subcommittee met at 10:05 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.  
Present: Senators Johnson, Pryor, Murkowski, and Blunt.

**DEPARTMENT OF DEFENSE**

**OFFICE OF THE SECRETARY OF DEFENSE**

**STATEMENT OF HON. ROBERT F. HALE, UNDER SECRETARY (COMPTROLLER)**

**ACCOMPANIED BY:**

**DR. DOROTHY ROBYN, DEPUTY UNDER SECRETARY FOR INSTALLATIONS AND ENVIRONMENT**

**DR. PETER LAVOY, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR ASIAN AND PACIFIC SECURITY AFFAIRS**

**OPENING STATEMENT OF SENATOR TIM JOHNSON**

Senator JOHNSON. Good morning. This hearing will come to order. I welcome everyone to today's hearing to discuss the President's fiscal year 2013 budget request for military construction (MILCON) and family housing for the Department of Defense (DOD) and the Department of the Army.

Before beginning, I would like to acknowledge the temporary absence of my friend and ranking member, Senator Mark Kirk. I wish him a speedy recovery, and I look forward to his return to this subcommittee. In the interim, you can be sure that I will represent his interests in all matters that come before our subcommittee.

Our first panel today will be DOD Comptroller Bob Hale; Dr. Dorothy Robyn, Deputy Under Secretary of Defense for Installations and Environment; and Dr. Peter Lavoy, Principal Deputy Assistant Secretary of Defense for Asian and Pacific Security Affairs.

Secretary Hale, Dr. Robyn, and Dr. Lavoy, thank you for coming. We look forward to your testimony.

The President's military construction and family housing budget request for fiscal year 2013 totals \$11.2 billion, a plunge of nearly 25 percent from the fiscal year 2012 request. I recognize that this reduction is a result of budget constraints and uncertainty of mili-

tary construction requirements in the face of planned end strength reductions and military realignments.

Nevertheless, I am concerned that MILCON not be the bank for investments in other defense programs, as critical as they might be. Infrastructure is the backbone of our military and a mainstay of support for our troops and our military families. We must give it the priority it requires.

There are a number of issues in the fiscal year 2013 MILCON budget request that compel our attention, including the impact of planned end strength reductions, overseas military realignments, and the proposal for new base realignment and closure (BRAC) rounds in fiscal years 2013 and 2015. The President's new focus on strengthening U.S. military presence in the Pacific is another area that will impact future MILCON, and I hope Dr. Lavoy will be able to give us a preview of that initiative from a MILCON perspective.

I look forward to the testimony of our witnesses on these and other important issues.

Secretary Hale, Dr. Robyn, Dr. Lavoy, thank you again for appearing before our subcommittee. Your prepared statements will be placed in the record, so I encourage you to summarize your remarks to allow for more time for questions.

Secretary Hale, please proceed.

#### SUMMARY STATEMENT OF HON. ROBERT F. HALE

Mr. HALE. Thank you, Mr. Chairman, members of the subcommittee. And Mr. Chairman, I guess I should say thank you for the opportunity to discuss the MILCON portion of the budget.

Let me start with two pieces of introduction, one to express our concern and are glad to hear that Senator Kirk is recovering. We certainly wish him a speedy and complete recovery. Second, I want to thank you, Mr. Chairman, and all the members for your support of the men and women in uniform and also the civilians that support them.

I'll summarize briefly my statement. Consistent with the Budget Control Act, we reduced defense funding for fiscal year 2013 to 2017 by a total of \$259 billion, compared to last year's plan. After these changes, we ask for \$525.4 billion in discretionary budget authority for fiscal year 2013. Adjusted for inflation, that's a 2.5 percent decline, the third consecutive year of real decline in defense budgets.

As we accommodated these reductions, we were guided by a new defense strategy, as you alluded to, Mr. Chairman, and three related principles. I'll briefly discuss the new strategy and these three principles. I'll try to focus on areas of particular concern to military construction.

We will accommodate reduced defense spending in part through more disciplined use of defense resources, trying to stretch our defense dollars. Among the changes is substantial re-phasing of military construction, pushing off projects until we know the nature and location of force cuts, which we just don't yet in a number of cases. We'll also seek administrative savings and streamlining to reduce base support costs.

Our new defense strategy provides some other opportunities for savings. We're planning for a smaller, leaner force, with ground



forces no longer sized for large, prolonged stability operations such as the ones we carried out in Iraq. We're reducing Active Duty end strength by 102,000 between the end of 2012 and the end of fiscal year 2017, and that's mostly about 90 percent in our ground forces, the Army and the Marine Corps.

Another strategic goal involves rebalancing our forces toward the Asia-Pacific and Mideast regions. This will involve increasing our presence in areas like—Singapore and Australia, moves that may eventually have effects on military construction costs.

We're planning investments in high-priority initiatives, including special operations forces, unmanned aerial vehicles, and cybersecurity. We're making judicious reductions in weapons programs, which I won't spend much time on those today.

Finally, we'll continue to support the All-Volunteer Force. However, we propose to slow the growth in selected components of military pay and benefits to gain control over our personnel costs.

So what does all this mean for the dollars in the MILCON and family housing portions of the budget? For fiscal year 2013, we're asking \$11.2 billion for military construction and family housing, including \$9.1 billion for military construction, \$0.5 billion for BRAC expenses, and about \$1.7 billion for family housing.

These are the numbers. I'd like to draw your attention to several specific issues that may be of interest to the subcommittee. During fiscal years 2012 and 2013, we will re-phase military construction, as I mentioned, pushing off projects until we know the nature and location of force cuts. As a result, military construction has been reduced, markedly, by 17 to 63 percent, depending on the military department, between fiscal years 2012 and 2013.

The exception is defense-wide military construction, which grows by about 6 percent between fiscal years 2012 and 2013. Among other things, this growth reflects support for high-priority improvements in hospitals and DOD-dependent schools.

We request new BRAC authority for fiscal years 2013 and 2015 to accommodate in two rounds of BRAC. Given planned force cuts, we know that we need to consolidate our domestic infrastructure, and BRAC is the only effective means to meet that goal. We recognize the political difficulty of providing BRAC authority, but we need your support to help us hold down long-term costs.

We're also working to formulate a new plan to relocate marines from Okinawa to Guam in a manner consistent with our larger Asia-Pacific strategy. The new plan will maintain support for the Futenma relocation facility, but we will delink that facility from the moves of marines off Okinawa. We now plan to move fewer than 5,000 marines to Guam. We're currently discussing the details of the new plan with the Government of Japan, and we'll continue to consult with Congress.

Other initiatives in the Asia-Pacific area include forward deployment of littoral combat ships in Singapore and the rotational presence of U.S. military personnel in Australia. We are still working details with Singapore. But placeholder funds for the deployment to Singapore are included in our Future Years Defense Plan. No military construction funding is currently planned for the United States rotational presence in Australia, but we'll continue environmental studies and facility assessments.

Last, we recently announced reductions in United States troops stationed in Europe. We will remove from Europe an Army headquarters, two heavy combat brigades, an attack air squadron, an air control squadron, and other enablers. Despite these changes, the United States will maintain a strong presence in Europe with greater emphasis on joint exercises and training.

But these changes will lead to reductions in our overseas infrastructure, and we will take those into account. We don't need BRAC for that. We will do that in tandem with our two rounds of BRAC which will be aimed at domestic infrastructure.

#### PREPARED STATEMENT

In conclusion, Mr. Chairman, we believe that our overall budget request, including military construction and family housing, is prudent and balances the needs of the armed forces with the Nation's economic situation. We request your support for our proposals.

That concludes my statement. Dr. Robyn will have an opening statement. Dr. Lavoy will not. But then we will all three be available to answer your questions.

[The statement follows:]

#### PREPARED STATEMENT OF HON. ROBERT F. HALE

Mr. Chairman, members of the subcommittee, thank you for the opportunity to discuss the Military Construction and Family Housing portion of the fiscal year 2013 budget for the Department of Defense.

As always, your support is essential if America's all-volunteer force is to have the infrastructure and facilities needed to ensure our national security and to carry out its missions around the world.

To put the Military Construction and Family Housing requests into context, I will begin with a brief summary of the President's budget for the entire Department—with a focus on the portions of the Defense budget that most affect Military Construction and Family Housing. Then I will highlight a few key financial issues related to facilities.

#### BASE BUDGET AND OVERSEAS CONTINGENCY OPERATIONS REQUESTS

Mr. Chairman, the Department's request for fiscal year 2013 seeks \$525.4 billion in discretionary budget authority. Adjusted for inflation, that is a reduction of 2.5 percent, the third consecutive year of real decline in the Defense budget. In the years beyond fiscal year 2013, the budget will grow modestly, enough to keep up with inflation and in some years a bit more.

In addition, for Overseas Contingency Operations, we are asking for \$88.5 billion in fiscal 2013, a reduction of \$26.6 billion below the fiscal enacted amount of \$115.1 billion in fiscal year 2012. This proposed budget reflects the withdrawal of combat troops from Iraq last December, as well as savings due to operational progress in Afghanistan and the beginning of the transition to Afghan responsibility for their security.

Our overall budget is consistent with the provisions of title I of the Budget Control Act of 2011. However, our request does not assume the sequestration specified in title III. If enacted, the President's budget would provide a basis for halting sequestration, while ensuring the maintenance of a strong national defense.

To reach the base funding requested in this budget, and to be consistent with the Budget Control Act of 2011, we reduced defense funding for fiscal year 2013–2017 by a total of \$259 billion compared to last year's plan. Our budget reductions were shaped by a new strategy for defense and by three key principles related to that strategy:

- More disciplined use of resources;
  - Reductions in forces and investment consistent with the strategy; and
  - Support for the All-Volunteer Force but also a review of military compensation.
- We achieved \$60 billion in savings—about one-quarter of the total required reduction—through more disciplined use of Defense resources. Our proposals include reducing expenses in the Office of the Secretary of Defense and the Defense Agencies,

continued efforts to cut back on IT expenses, and improved buying practices. Of particular interest to this subcommittee, we rephased Military Construction projects in view of planned force structure cuts.

Our new national security strategy provides additional opportunities for savings through force structure reductions. By the end of fiscal year 2017, the Army will eliminate a minimum of eight brigade combat teams, the marines will disestablish six battalions and four tactical air squadrons, the Air Force will eliminate seven tactical air squadrons and a number of mobility aircraft, and the Navy will retire nine ships.

In short, we are planning for a force that is smaller and leaner, with ground forces that are no longer sized for large, prolonged stability operations. We are reducing Active Duty end strength by 102,400 between the end of fiscal year 2012 and the end of fiscal year 2017. These reductions mostly affect ground forces. The new 5-year budget plan calls for an end strength reduction of about 72,000 Army soldiers and about 20,000 marines by fiscal year 2017. This will result in an Army of 490,000 soldiers and a Marine Corps of 182,100 marines. Reductions in the Navy and Air Force will be substantially smaller. By fiscal year 2017, we will also reduce end strength in the Reserve components by 21,500, resulting in a total Reserve force of 825,600, with Navy Reserve and Air Force National Guard components experiencing the greatest Reserve force reductions.

These reductions in force structure require that we consolidate our infrastructure. We are, therefore, asking Congress to authorize two new rounds of the Base Realignment and Closure (BRAC) program, one in fiscal year 2013 and the other in fiscal year 2015.

The Department's shift to a smaller, leaner force increases the need to ensure that our forces are ready and agile. That puts an emphasis on Special Operations forces, which are increasing in size. We will also maintain the current size of our bomber and carrier forces, which can essentially self-deploy. Readiness concerns led us to increase our Operation and Maintenance budget, which will increase by 6 percent in our request even as our overall budget falls by one percent.

Another goal is to rebalance our forces towards the Asia-Pacific and Middle East regions. Of particular interest to this subcommittee, we have made a commitment to enhance U.S. military presence in Australia on a rotational basis and are discussing options to improve security cooperation with the Philippines. We will also forward deploy a number of littoral combat ships in Singapore and three patrol craft in Bahrain. Since we do not expect to fight alone, our fiscal year 2013 budget continues to invest in strong alliances.

We must plan for other investments in high-priority initiatives. That does not mean that we will spend as much as we planned last year, but investments will be substantial even in these difficult times. Specifically, we will invest substantially in our Special Operations forces, unmanned aerial systems, and cybersecurity.

At the same time, we are making judicious reductions in key weapons where those cuts are consistent with our new strategy and good management. Compared with last year's plans, we are reducing funding by \$15.1 billion over the next 5 years for the Joint Strike Fighter, and we are cutting shipbuilding by \$13.1 billion with an emphasis on cutbacks in support ships. We will terminate six weapons programs including the Global Hawk Block 30 program—a program that is no longer cost-effective as a replacement for the U-2 aircraft. Instead we will extend the life of U-2 planes.

Turning to the All-Volunteer Force (AVF), we will continue to support many programs—family support, healthcare, and others—that nurture the AVF. At the same time, we cannot ignore the growth in military pay and benefits—up almost 90 percent since 2001 (about 30 percent more than inflation) while net end strength grew only 3 percent.

Obviously, we need a military compensation system that is commensurate with the stress in military life. That means we cannot simply copy the civilian system. We have to be sure that we have a system that allows us to attract and retain the people we need. And we are committed to ensuring that no one's pay is cut.

However, we found it necessary to slow growth in pay and benefits to avoid overly large cuts in force structure and modernization. We are proposing changes that will save about \$30 billion over the Future Years Defense Plan (FYDP) or slightly more than 10 percent of our \$259 billion savings target.

Our budget for fiscal year 2013 includes a pay raise for the military that is consistent with the Employment Cost Index (ECI). We will propose a raise in 2014 that is consistent with the ECI but, in later years, we will propose raises that are lower in order to control personnel costs. Restricting changes to future years will provide servicemembers and their families with time to plan. Adjustments to pay raises will lead to savings of \$16.5 billion over the FYDP.

For military healthcare, we are proposing increases in TRICARE Prime enrollment fees, using a tiered approach with higher fees for higher ranking retirees earning greater retired pay and lower increases for more-junior retirees earning lower retired pay. That's for Prime, the HMO version of TRICARE. For TRICARE Standard/Extra, which are the fee-for-service options, we will ask Congress to enact a new enrollment fee and higher deductibles. We will also ask for a new enrollment fee in the TRICARE for Life program—for retirees 65 and over—again using a tiered approach. And we will continue to increase pharmacy co-pays, aimed at encouraging people to order by mail and to use generic-brand prescriptions. Medically retired members, their families, and survivors of members deceased while on Active Duty would be exempt from these benefit adjustments.

We are also asking Congress to set up a Military Retirement Modernization Commission that will have the time and staff to look at this complicated area of military compensation and to make recommendations. We envision a process much like those followed by past BRAC commissions. The administration believes in full grandfathering to protect the benefits for current retirees and those serving in the military at the time of enactment.

#### MILITARY CONSTRUCTION AND FAMILY HOUSING

The Military Construction and Family Housing portion of this budget supports the various objectives I just noted. For fiscal year 2013, we are asking for \$11.2 billion for Military Construction and Family Housing.

Of the \$11.2 billion requested, \$9.1 billion is for Military Construction. This request will provide operational and training facilities and supporting infrastructure. It also continues to recapitalize aging facilities—beginning with those with the greatest needs—and to modernize DOD facilities to support the U.S. military and their families, including dependent schools, dorms and barracks, and medical facilities.

The fiscal year 2013 budget includes \$0.5 billion for BRAC-related environmental clean-up and caretaker costs and \$1.7 billion for construction, operation, and maintenance of Government-owned family housing worldwide. This investment will help to provide and maintain quality, affordable housing for U.S. military personnel and their families stationed in locations lacking adequate rental housing.

#### SELECTED ISSUES

I would like to complete my testimony by saying a few words from the Comptroller's standpoint about several specific Military Construction issues.

This budget rephases Military Construction funding for each of the Military Departments. As a result, between fiscal year 2012 and fiscal year 2013, Military Construction funding has been reduced by 17 to 63 percent, depending on the Military Department. We must determine what bases and installations will experience force structure reductions and avoid unneeded Military Construction projects at those facilities. The only exception to this rephasing is in the Defense-wide Military Construction accounts. They grow by about 6 percent, reflecting support for high-priority improvements in hospitals and DOD dependents' schools.

As I mentioned earlier, the Department seeks two new rounds of BRAC in fiscal year 2013 and fiscal year 2015 in order to reduce excess infrastructure. The change in force structure and fiscal constraints make it imperative for the Department to close and realign unnecessary military installations, and we can only do this effectively using BRAC authority. An internal working group is refining the Department's goals for BRAC and deciding how to manage our preparation for BRAC 2013.

Another issue involves the relocation of marines from Okinawa to Guam. Consistent with the DOD strategic goal of rebalancing our global posture, Guam remains an essential part of our larger Asia-Pacific strategy. The United States and Japan have begun official discussions to adjust our current posture plans. This includes reviewing the unit composition and number of marines who will relocate to Guam and delinking progress on the Futenma Replacement Facility (FRF) from the relocation of marines to Guam. However, both countries remain committed to the construction of the FRF. We will continue to consult with Congress as these discussions progress. Pending further definition of our plan, the fiscal year 2013 budget request includes \$51 million for construction of a parking ramp on Andersen Air Force Base and continued planning and design efforts.

Other initiatives in the Asia-Pacific area include the rotational presence of U.S. Marines and Air Force personnel in Australia and forward deployment of littoral combat ships in Singapore. Neither involves infrastructure funding in fiscal year 2013. Funds for the deployment to Singapore are programmed in the FYDP. While no funding request is planned in the FYDP for the United States rotational presence

in Australia, we will continue planning efforts such as environmental studies and facility assessments.

Lastly, we recently announced changes in U.S. troops stationed in Europe. These include inactivation of force structure associated with the Army's V Corps headquarters and two heavy brigades, an A-10 aircraft squadron, an Air Control squadron, and various enablers. These changes notwithstanding, the United States will maintain a strong presence in Europe to support our Article 5 commitments and to meet the full range of 21st century challenges. There will be a greater emphasis on joint exercises and training to enhance interoperability for coalition operations, as well as new capabilities such as missile defense.

#### CONCLUSION

In conclusion, I believe that the fiscal year 2013 budget is prudent, given the needs of the Armed Forces and the Nation's economic situation. The budget supports a reasonable and responsible Military Construction and Family Housing program. I request your support.

Again, Mr. Chairman, members of the subcommittee, thank you for your strong support of the men and women of the Department of Defense. That concludes my statement. I welcome your questions.

Senator JOHNSON. Thank you, Secretary Hale.

Dr. Robyn, please proceed. I understand you were in something of an accident.

#### STATEMENT OF DR. DOROTHY ROBYN

Dr. ROBYN. No. I had committed to speak to 400 military engineers. Unfortunately, they were in Rockville, Maryland. So it was a just-in-time appearance.

Thank you very much, Chairman Johnson and Senator Pryor.

I want to touch on three issues: Our military construction and family housing budget, our request for two new BRAC rounds, and what we're doing in environment and energy. Mr. Hale covered all of the statistics that I had in my opening statement on the MILCON budget, so what I want to do is highlight what we are not asking money for in our MILCON budget, namely, family housing here in the United States. We're not asking money for that because we have now privatized nearly all of our 200,000 units of family housing.

Using the power of the commercial market, we have leveraged a \$3 billion DOD investment to generate \$27 billion worth of high-quality, well-maintained homes, and that has done a lot to improve the quality of life for military families. It's an extraordinary success story, the most successful reform my office has carried out and something we should be looking to do much more broadly, particularly as budgets tighten.

The second issue is BRAC. As Mr. Hale said, we need another BRAC round, ideally two. The math is straightforward. Force reductions produce excess capacity. Excess capacity is a drain on resources. Only through BRAC can we align our infrastructure with our strategy.

It has not gone unobserved that Congress is not terribly enthusiastic about this. So let me try to anticipate a couple of your criticisms.

The first: Can't we close bases in Europe before we have a BRAC round here? Let me say that we have already made significant reductions in our European footprint. In the last 20 years, we have reduced U.S. force presence, as measured by personnel and installation sites, by 80 percent. Just since 2003, we have returned more

than 100 sites in Europe to their respective host nations, and we've reduced personnel by one-third. Between fiscal years 2012 and 2015, the Army alone will close 23 additional sites as previously announced.

With the recently announced force structure changes in Europe, we can do more to consolidate our infrastructure. And we have a BRAC-like process that my office is leading, working closely with the United States European Command (EUCOM) theater commander, his component commanders, and the service leadership here in Washington. But even if we make a significant cut in our footprint in Europe, which we will, we still need a domestic BRAC.

Now, the second criticism is: How can we do another BRAC round when the last one, the 2005 round, doesn't pay off until 2018? And that's a fair question. But let me say that the 2005 round is not the right comparison.

Unlike the first four BRAC rounds, which paid off in a relatively short period of time, the 2005 round was not about savings and eliminating excess capacity. Carried out in a post 9/11 environment, when the Department was at war and the military was growing, it was about transforming installations to better support the war fighter. The Army, in particular, used BRAC 2005 to carry out major transformational initiatives such as the modularization of brigade combat teams.

To quote the Assistant Chief of Staff of Army Installation Management, "the urgency of war drove the Army to leverage BRAC 2005 as the tool to integrate several critical transformational initiatives which, if implemented separately, might have taken decades to complete."

So the 2005 round is not the right comparison. Because the focus was on transforming, as opposed to saving, it's a poor gauge of the savings the Department can achieve through another BRAC round. The prior BRAC rounds, the 1990s rounds, which reduced capacity and paid off in a relatively short period of time, represent a better gauge of such savings.

Finally, let me briefly address what we're doing on the environment and energy. We're requesting \$4 billion for environmental programs, and my statement details our progress and our goals with respect to cleanup and pollution prevention. Separately, I describe our four-part installation energy strategy, which is designed to reduce our energy costs and make our installations more resilient in the event of disruption to the commercial power grid.

Let me highlight one common theme across both energy and the environment in our efforts, and that is technological innovation. Technological innovation has been Department of Defense's comparative advantage for 200 years. Although we tend to talk about technology in the context of weapon systems and combat operations, it is important to harness that advantage for what we are trying to do with respect to both the environment and energy.

Let me give you an example. A decade ago, the two department-wide environmental technology programs, which I oversee, took on a challenge, developing technologies that could discriminate between scrap metal and hazardous unexploded ordnance (UXO), in other words, telling beer cans from bombs. Current cleanup methods lack the ability to do that. Their false positive rate is 99.99 per-

cent. As a result, contractors must dig up hundreds of thousands of metal objects in order to identify and remove just a few pieces of UXO. Because this process is so labor-intensive, it is very expensive, and our estimated bill to clean up known UXO is more than \$14 billion.

The two programs that I oversee, after 10 years of investment, have yielded 10 technologies that can discriminate between UXO and harmless metal objects with a very high degree of reliability. No less important, we are doing live site demonstrations of this technology on an accelerated basis, and we're working with the UXO cleanup firms and State regulators to get them comfortable with what is a fundamentally new approach to UXO cleanup, one that we think can save the Department billions of dollars.

Similarly, the Department's facility energy strategy is attempting to exploit DOD's extraordinary strength as a technological innovator. To illustrate, 3 years ago, my office created the Installation Energy Test Bed run by the same people who solved the UXO problem. The rationale is similar.

In the energy area, as in the environmental area, emerging technologies offer a way to significantly reduce DOD's costs and improve its performance. But because of fundamental market failures, those technologies are very slow to get to market. The valley of death is very deep, if you will.

As the owner of 300,000 buildings, it is in the Defense Department's direct self-interest to help industry overcome the barriers that inhibit innovative technologies in this area in order to get them commercialized and deployed on DOD installations. We do this by using our installations as a distributed test bed to demonstrate and validate the technologies in a real-world integrated building environment. And I could give you lots of wonderful examples. By centralizing the risk and distributing the benefits of new technology to all DOD installations, the test bed can provide a significant return on DOD's investment.

In sum, the two themes I want to hit: Competition and technological innovation. The management of installations and the related energy and environmental issues is one of the most business-like activities the Department of Defense carries out. We should be taking full advantage of market mechanism and competition to do that, and we should be leveraging our extraordinary talent for driving technological change.

#### PREPARED STATEMENT

Thank you very much, and I look forward to your questions.  
[The statement follows:]

#### PREPARED STATEMENT OF DR. DOROTHY ROBYN

Chairman Johnson, Senator Kirk and distinguished members of the subcommittee: Thank you for the opportunity to present the President's fiscal year 2013 budget request for the Department of Defense programs to support installations, facility energy and the environment. My testimony covers four topics: International and domestic basing, including the Department's request for authorization of two new rounds of base realignment and closure; our management of the built environment, including the programs that support military construction, family housing, and sustainment and recapitalization; our strategy for managing facility energy to reduce costs and improve installation energy security; and our management of the

natural environment, including the programs that support environmental conservation and restoration, environmental technology and compatible development.

#### THE GLOBAL PICTURE: INTERNATIONAL AND DOMESTIC BASING

To project power globally, the Department must have the right mix of forces and facilities at strategic locations. My office supports the Department's strategic security objectives by ensuring that decisions about basing of troops and facilities are the product of joint planning and rigorous analysis. We also seek to reduce our installation footprint wherever possible.

#### REBASING MARINES FROM OKINAWA TO GUAM

The United States is rebalancing its global posture to reduce its presence in certain regions and enhance it in others. As the recent United States-Japan joint statement made clear, the United States and Japan are strongly committed to strengthening our robust security alliance, which is dedicated to the security of Japan and to the maintenance of peace and security in the Asia-Pacific region. The United States has conducted a strategic review of its defense posture in Asia in order to achieve a more geographically distributed, operationally resilient and politically sustainable force structure. Japan has welcomed this initiative.

Based on that review, the development of Guam as a strategic hub, with an operational Marine Corps presence including marines relocated from Okinawa, remains an essential part of the Alliance's Asia-Pacific Strategy. The United States and Japan have begun official discussions to adjust our plans as set forth in the 2006 Realignment Roadmap. In particular, we propose to delink the movement of marines to Guam and the resulting land returns south of Kadena from progress by Japan on the Futenma Replacement Facility (FRF) near Camp Schwab. We remain committed to mitigating the impact of U.S. forces on Okinawa and to construction of the FRF as the only viable way forward. That said, we believe the two sides must invest in the Futenma facility in the near-term, to ensure both safety and combat readiness.

The President's fiscal year 2013 budget request includes \$51 million for construction to support the Marine relocation to Guam. Our request includes another \$139.4 million for Guam civilian infrastructure to address population growth there, of which \$106.4 million is for Guam water and wastewater infrastructure capital improvements such as water treatment plant modifications, supply well improvements and provision of backup power at wastewater pump stations.

#### BASE REALIGNMENT AND CLOSURE

After a decade of war the United States is at a strategic turning point. With changes in strategy come changes—in this case reductions—in force structure. Simply stated, the cuts in force structure that we are implementing must be accompanied by cuts in supporting infrastructure, including military bases. Absent a process for closing and realigning bases, the Department will be locked in a status quo configuration that does not match its evolving force structure, doctrine and technology. Given the high cost of our infrastructure, moreover, if we retain bases that we do not need, we will be forced to cut spending on forces, training and modernization.

#### *Overseas Basing Review*

The Department's request for additional rounds of BRAC comes at a time when we are looking aggressively at where we can close bases overseas—particularly in Europe. (Although domestic closures require legislative authority, overseas closures do not.)

We have already made significant reductions in our European footprint. Since 2003, the Department has returned more than 100 sites in Europe to their respective host nations, and we have reduced our personnel by one-third. Between fiscal year 2012 and fiscal year 2015 the Army alone will close 23 additional sites as previously announced.

With the recently announced force structure changes in Europe, we can do more to consolidate our infrastructure with the goal of reducing long-term costs while still supporting our operational requirements and strategic commitments. First, we can reduce the number of discrete installation sites we maintain in Europe. We have more than 300 such sites—ranging from small communications posts to robust Main Operating Bases—of which about 200 house most of our activities. Second, we can eliminate excess support infrastructure such as warehouses, administrative space and housing. The infrastructure located off-base presents a particularly attractive



target for consolidation. Third, we can take advantage of the capacity made excess by force structure changes to accommodate new functions.

My office has undertaken the first step in this process: We are working with the EUCOM theater commander, his component commanders and Service leadership here in Washington to measure the capacity of all of our European installations. This inventory will allow us to analyze how much capacity can be shed and where. With the goal of long-term cost reduction, we will assess the costs and savings of each proposed action and identify those with the highest payback. We anticipate having preliminary options for the Secretary to review by the fall.

*Domestic Basing: The Need for BRAC*

Even a significant reduction of our footprint overseas will not achieve the needed cuts to overall infrastructure—hence our request for a parallel, BRAC process. It makes sense to look at our domestic and overseas bases at the same time, moreover, so that the two reviews can inform one another. The Department took this approach in 2004–2005, and it would be no less useful now given the major strategic realignment underway. Let me briefly summarize the case for BRAC.

First, the same strategic and fiscal factors that compel consolidation overseas require it here. In addition to the global posture shifts discussed above, we are shaping a joint force for the future that, while agile and technologically advanced, will be smaller and leaner across the board. The Army is reducing force levels by 72,000, the Marine Corp is resizing to 182,000 Active Marines, and the Air Force is eliminating approximately 300 aircraft over 5 years. We are also delaying, restructuring and canceling modernization programs. To adjust to these strategic changes, and to eliminate the excess capacity that results from reductions in force structure, the Department will need to close and realign installations in the United States as well as Europe.

Moreover, the overhead cost to maintain, sustain and protect bases is high. In recent years we have spent about \$40 billion a year on facilities construction, sustainment and recapitalization. Other costs associated with operating military installations (e.g., air traffic control, religious services and programs; payroll support; personnel management; morale, welfare, and recreation services; and physical security) have averaged about \$15 billion a year. If we retain bases that are excess to need, we will be forced to cut spending on forces, training and modernization.

Second, the statutory commission process provided by BRAC is the only fair, objective and proven method for eliminating excess domestic infrastructure and reconfiguring what remains. BRAC provides for a sound, thorough and transparent analytical process, based on a 20-year force structure plan developed by the Joint Staff; a comprehensive inventory of installations by the Department to ensure a thorough capacity analysis; and defined selection criteria that place priority on military value. The requirement to look at every installation means DOD must consider a broad range of approaches, not just the existing configuration; and the transparency of the process facilitates independent review by the commission and affected communities. Most important, the requirement that the President and Congress accept or reject the Commission's recommendations on an "all-or-none" basis insulates BRAC from political interference.

Third, the savings from BRAC are real and substantial. Of all the efficiency measures that the Department has undertaken over the years, BRAC is perhaps the most successful and significant. The first four rounds of BRAC (1988, 1991, 1993, and 1995) are producing a total of about \$8 billion in annual recurring savings, and the comparable figure for BRAC 2005 is \$4 billion. This amount (\$12 billion) represents the additional costs that the Department would incur every year for base operating support, personnel and leasing costs had we not had BRAC. These annual savings, or avoided costs, are equivalent to what the Department would spend to buy 300 Apache attack helicopters, 124 F/A–18E/F Super Hornets or four Virginia class submarines.

Understandably, some have questioned the specifics of our savings calculations, and critics have pointed to the 2005 round as evidence that BRAC does not produce the hoped for savings—or at least not in a reasonable timeframe. I will respond to these criticisms in more detail tomorrow when I testify before the House Armed Services Committee's Subcommittee on Readiness, but let me say this here: The 2005 round took place during a period of growth in the military, and it reflected the goals and needs of that time. Because the focus was on transforming installations to better support forces—as opposed to saving money and space—it is a poor gauge of the savings that the Department can achieve through another BRAC round. The prior BRAC rounds—which reduced capacity and paid off in 2 to 3 years—represent a better gauge of the savings potential of future BRAC rounds.

### *Joint Basing*

A significant action under BRAC 2005 that my office has championed is the consolidation of 26 installations into 12 Joint Bases. This action responded to persistent internal and external criticism that base support was duplicative. The Department also felt that joint operation would enhance the military value of Service-unique installations, making them a DOD-wide asset.

The creation of a Joint Base is complex. The commander must merge diverse, service-specific financial systems, management structures, operating procedures, and staffs, so as to jointly manage functions ranging from facilities sustainment to mail delivery to the provision of family support services. Considering the size of many of our installations, such a consolidation is equivalent to the merger of two corporations. As with corporate mergers, moreover, the cultural differences are often the hardest to bridge.

I chair a flag-level group (the Senior Joint Base Working Group, SJBWG) that has met regularly for the last 3 years to oversee the implementation and operation of Joint Bases. The SJBWG created the initial framework for joint basing, including a body of policy guidance (Joint Base Implementation Guidance) and a collaborative governance structure (Joint Management Oversight Structure). Throughout the process, the SJBWG made key strategic decisions.

First, to hold the lead Service accountable, the SJBWG created a comprehensive set of Common Output Level Standards, or COLS. Previous efforts to create Joint Bases had encountered strong resistance because of concerns by one Service that another Service would not provide adequate base support—i.e., that it would adopt a “lowest-common-denominator” approach to installation management. To allay this fear, the SJBWG led an exhaustive effort to define a COLS metric for every relevant aspect of base support—274 COLS in all.<sup>1</sup> Significantly, in every case the SJBWG opted for the highest standard used by any of the Services as the COL standard for Joint Bases. Although this “highest-common-denominator” approach allayed the fears that had doomed joint basing in the past, it did so at a price: Installation support costs for the Joint Bases have gone up by 6 percent on average. However, we expect the savings from consolidation to offset this. Moreover, COLS give the Department a solid basis for estimating and budgeting for installation support requirements—a best practice that we hope to apply to all military bases.

Second, the SJBWG opted to give the Joint Bases a transition period to merge their organizations before asking them to achieve a savings target.<sup>2</sup> This represents a conscious decision by the Services to defer the near term savings from joint basing in order to increase the odds that it will succeed in the long run. It is directly analogous to the Department’s approach to traditional BRAC actions, which often require an up-front investment in order to achieve the long-term savings.

Joint Bases represent a fundamental change in our approach to installation management. Although these bases have been operating for only a short time, we are already beginning to see the expected economies of scale from consolidation. For example, by combining its recycling operations, Joint Base McGuire-Dix-Lakehurst is avoiding \$1 million in facility and equipment costs and \$200,000 a year in contract costs. Less expected, however, is that our Joint Bases are proving to be incubators for innovation, as the commanders, faced with inconsistent Service rules and requirements, adopt new, cross-cutting business processes. For example, at Joint Base San Antonio, the commander standardized security procedures and created a single chain-of-command across the three facilities that make up the installation, thus facilitating cooperation with State and local law enforcers.

I have had the opportunity to meet personally with most of the Joint Base Commanders. They get it. They see “jointness” not just as a more efficient and effective way to support the installation missions on their bases but as a superior way to support the soldiers, sailors, airmen and marines learning to fight together. I strongly believe their ability to transcend traditional practices and develop innovative solutions to long-standing inefficiencies will position us for future, Department-wide reforms.

<sup>1</sup> For example, one COLS metric specifies the maximum height that grass on an installation can reach before it must be cut. In addition to defining the underlying metric (grass height, measured in inches), the SJBWG selected the actual value (standard) for that metric to which the Joint Bases as a whole would be held.

<sup>2</sup> Specifically, Joint Base commanders were given leeway to adjust resources within their portfolios, for fear that premature staff reductions could compromise the design and implementation of their new organizational constructs. Ironically, the Joint Bases have had to function with a large number of civilian vacancies largely because of the Services’ backlog of personnel actions.

## MANAGING OUR BUILT ENVIRONMENT

The President's fiscal year 2013 budget requests \$11.2 billion for Military Construction (MILCON) and Family Housing—a decrease of approximately \$3.5 billion from the fiscal year 2012 budget request. This decrease primarily reflects the declining budget environment and the Services' decision to defer facility investments at locations that may be impacted by changes in force structure.

TABLE 1.—MILCON AND FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2012 VS. FISCAL YEAR 2013

[Dollars in millions]

	Fiscal year 2012 request	Fiscal year 2013 request	Change from fiscal year 2012	
			Funding	Percent
Military Construction .....	12,006.4	8,540.6	(3,465.8)	(29)
Base Realignment and Closure .....	582.3	476.0	(106.3)	(18)
Family Housing .....	1,694.4	1,650.7	(43.7)	(3)
Chemical Demilitarization .....	75.3	151.0	75.7	100
Energy Conservation Investment Program .....	135.0	150.0	15.0	11
NATO Security Investment Program .....	272.6	254.1	(18.5)	(7)
Total .....	14,767.0	11,222.7	(3,544.3)	(24)

## MILITARY CONSTRUCTION

We are requesting \$8.5 billion for “pure” military construction—i.e., exclusive of BRAC and Family Housing. This addresses routine needs for construction at enduring installations here and overseas and for specific programs such as the NATO Security Investment Program and the Energy Conservation Investment Program. In addition, we are targeting three priorities.

First and foremost are the operational missions. Our fiscal year 2013 budget requests \$3.5 billion to support operations and training requirements, including a second Explosives Handling Wharf at Kitsap, Washington; communications facilities in California and Japan that are needed for operations in the Pacific region; specialized facilities for Special Operations forces at various global locations; and range and training facilities for ground forces at several Army installations.

Second, our budget request continues the recapitalization of DOD-owned schools as part of the 21st Century Schools Initiative. We are requesting \$547 million to replace or renovate 11 schools that are in poor or failing condition, primarily at enduring locations overseas. By the end of fiscal year 2018, more than 70 percent of the DOD-owned schools will have been replaced or undergone substantial renovation. The new buildings, intended to be models of sustainability, will provide a modern teaching environment for the children of our military members.

Although it is not part of the military construction budget, the fiscal year 2013 budget also requests \$51 million to construct, renovate, repair or expand schools that, while located on military installations, are operated by Local Education Agencies (LEA). This request represents a third year of funding for LEA schools (Congress set aside \$250 million for LEA schools in fiscal year 2011 and again in fiscal year 2012, in response to concerns about poor conditions and overcapacity). The request is part of DOD's proposed budget for the Office of Economic Adjustment (OEA), which Congress designated to execute the LEA school funding it provided. OEA is working with other parts of the Department and giving priority to those schools with the most serious deficiencies.

Third, the fiscal year 2013 budget request includes \$1 billion for 21 projects to upgrade our medical infrastructure. By modernizing our hospitals and related facilities, we can improve healthcare delivery for our servicemembers and their families, and enhance our efforts to recruit and retain personnel. The fiscal year 2013 request provides the next increment of funding to replace the William Beaumont Army Regional Medical Center in Texas (\$207 million) and the Landstuhl Regional Medical Center in Germany (\$127 million). It also provides for continued improvement of the medical research facilities that support our chemical-biological mission.

## FAMILY AND UNACCOMPANIED HOUSING

The Services rely largely on privatization to provide family housing on U.S. bases. As I have said many times, privatization of family housing—where the Services partner with the private sector to generate housing built to market standards—is

the single most effective reform my office has carried out. Prior to privatization, the Services' chronic underinvestment in their facilities had created a crisis, with almost 200,000 of the Department's family housing units rated "inadequate." Privatization leveraged the power of the commercial market to serve our needs. With an investment of approximately \$3.6 billion, the Services have generated \$29.7 billion in construction to build new and renovate existing family housing units. The Services also transferred responsibility for maintenance, operation and recapitalization for 50 years to (private) entities that have an incentive to maintain the housing so as to attract and retain military tenants. My office works closely with the Office of Management and Budget to ensure that the relevant Federal budget policy continues to support this much-heralded success story.

TABLE 2.—FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2012 VS. FISCAL YEAR 2013  
[Dollars in millions]

	Fiscal year 2012 request	Fiscal year 2013 request	Change from fiscal year 2012	
			Funding	Percent
Family Housing Construction/Improvements .....	372.7	190.6	− 182.1	− 49
Family Housing Operations & Maintenance .....	1,318.2	1,458.3	+ 140.1	+ 11
Family Housing Improvement Fund .....	2.2	1.8	− 0.4	− 18
Homeowners Assistance Program .....	1.3	.....	− 1.3	− 100
Total .....	1,694.4	1,650.7	− 43.7	− 3

Most of the remaining Government-owned family housing is on (enduring) bases overseas. The fiscal year 2013 budget requests \$1.7 billion for government-owned family housing. This allows us to maintain 90 percent of non-Navy, Government-owned family housing in good or fair condition in keeping with the goal we will meet this year; the Navy-owned family housing will not achieve this goal until fiscal year 2017. The request includes \$191 million for construction and improvements of Government-owned family housing and \$1.4 billion to operate and maintain it.

The Department is committed to improving housing for our unaccompanied personnel as well. In recent years, we have made sizable investments in this area to support initiatives such as BRAC, global restationing, force structure modernization and Homeport Ashore—a Navy program to move Sailors from their ships to shore-based housing. The fiscal year 2013 budget request includes \$1.1 billion for 28 construction and renovation projects that will improve living conditions for more than 10,000 unaccompanied personnel. We are also focusing on long-term sustainment of the modernized inventory. My office has worked closely with the Comptroller to establish performance goals for sustaining our permanent party unaccompanied housing. Under these standards, 90 percent of the non-Navy Government-owned housing for unaccompanied personnel must be in good or fair condition by fiscal year 2018; the Navy will not achieve that benchmark until fiscal year 2022.

#### FACILITIES SUSTAINMENT AND RECAPITALIZATION

In addition to investing in new construction, we must maintain, repair, and recapitalize our existing facilities. The Department's Sustainment and Recapitalization programs strive to keep our inventory of facilities mission capable and in good working order. Moreover, by maintaining a consistent level of quality in our facilities, we can improve the productivity and quality of life of our personnel.

TABLE 3.—SUSTAINMENT AND RECAPITALIZATION BUDGET REQUEST, FISCAL YEAR 2012 VS. FISCAL YEAR 2013  
[Dollars in millions]

	Fiscal year 2012 request	Fiscal year 2013 request	Change from fiscal year 2012	
			Funding	Percent
Sustainment (O&M & MilPers) .....	8,835	8,674	(161)	(2)
Recapitalization (O&M, MilCon, MilPers, RDT&E) .....	9,031	5,331	(3,700)	(41)
Total .....	17,866	14,005	(3,861)	(22)

The fiscal year 2013 budget request includes \$8.7 billion for sustainment, which is the single most important investment we make to keep our facilities in good

working condition. Sustainment includes regularly scheduled maintenance and repair and replacement of facility components.

Our policy calls for the Services to fund sustainment at no less than 90 percent of the requirement generated by DOD's Facilities Sustainment Model, which uses industry benchmarks to estimate the annual cost of regularly scheduled maintenance and repair for different types of facilities. Nevertheless, for fiscal year 2013, as was the case in fiscal year 2012, the Navy and Air Force are funding sustainment at only 80 and 82 percent of their requirement, respectively. Thus, our budget request funds sustainment DOD-wide at only 84 percent of the FSM-generated estimate.

The fiscal year 2013 budget requests \$5.3 billion for recapitalization, a reduction of \$2.5 billion from last year. Recapitalization (restoration and modernization) serves to keep the inventory of facilities modern and relevant, extend the service life of individual facilities and restore capability lost due to man-made or natural causes. The reduction in recapitalization funding reflects an overall decrease in both O&M- and MilCon-funded replacement and renovation projects.

A final category of investment (one not shown in the table) is demolition, which allows the Services to eliminate facilities that are excess to need or no longer cost effective to repair. Our fiscal year 2013 budget request includes \$123 million in operations and maintenance funding, which will allow us to demolish 5 million square feet of facilities. With this funding, we will reach our formal goal, established in fiscal year 08, to eliminate over 62 million square feet by fiscal year 2013. We are also working with the Services to identify facilities that could be repurposed—for example, the use of barracks as administrative space.

#### ONGOING INITIATIVES TO REDUCE COSTS

Finally, I would like to mention three ongoing initiatives designed to improve the Department's management of the built environment. The first initiative has to do with the Department's anti-terrorism/force protection (AT) standards, which impose certain minimum requirements on all buildings and add as much as 9 percent to the cost of leased space and new construction. The rest of the Federal Government uses a somewhat different approach, based on the Interagency Security Committee (ISC) standards, which were developed by a 21-agency group led by the Department of Homeland Security and issued in updated form in April 2010. The ISC standards reflect the risk to an individual building, including its size, location, mission criticality and symbolism.

To evaluate the two approaches, my office looked first at leased space. Working closely with the General Services Administration (GSA), which is responsible for incorporating AT standards into its leases, we commissioned an expert analysis that compared the scope, cost and effectiveness of the DOD standards versus the ISC standards for six DOD leases in the National Capital Region. Based on that expert analysis, an internal DOD working group, led by the Office of the Under Secretary of Policy and the Joint Staff, is evaluating the merits of adopting the ISC process for leased space. Once the Department has made a decision on whether to alter DOD's AT standards with respect to leased space, we will pose the same question for on-base buildings.

Second, my office is looking at how to promote innovation and efficiency in the construction industry—in particular, military construction. The U.S. construction industry is plagued by high costs and low productivity growth as a result of low investment in research and development, a fragmented industry structure and other factors. Moreover, some data suggest that the Federal Government's construction costs are higher than those of the private sector for comparable facilities. Finally, the contractual incentives for Federal construction projects lead to a focus on reducing "first costs"—the cost of constructing a building—as opposed to the much larger costs associated with building ownership and operations (life cycle costs).

We are working with the GSA to identify ways that the two largest Federal customers for construction (DOD and GSA) can incentivize behavior on the part of construction firms that will lead to more innovation and lower costs, including life cycle costs. Two areas offer promise. We are looking at accelerating requirements for the use of new technologies, such as building information modeling (BIM), which can improve the efficiency and reduce the cost of the construction process as well as and lead to lower life cycle costs for the buildings themselves. In addition, we are looking at alternative contracting methods, such as ones that reward contractors based on how well they meet the owner's objectives (e.g., optimal energy efficiency).

Third, we are analyzing the effect that investments in energy efficiency and sustainability have on the long-term cost of owning and operating our buildings. Building on past studies, we are working with the National Research Council to under-

stand the impact of the requirement that DOD facilities be built to certain sustainability standards—namely, LEED (Leadership in Energy and Environmental Design) Silver or an equivalent standard and/or the five principles of High Performance Sustainable Buildings, as well as consensus based standards such as the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) 189.1. The study will help us invest smartly in our buildings to reduce the total cost of ownership while increasing mission effectiveness.<sup>3</sup>

#### MANAGING OUR ENERGY USE

Facility energy is important to the Department for two reasons.<sup>4</sup> The first is cost. With more than 300,000 buildings and 2.2 billion square feet of building space, DOD has a footprint three times that of Wal-Mart and six times that of GSA. Our corresponding energy bill is \$4 billion annually—roughly 10 percent of what DOD spends to maintain its installation infrastructure. There are non-monetary costs as well: Although facility energy represents only 20–25 percent of DOD's energy costs, it accounts for nearly 40 percent of our greenhouse gas emissions.

Second, facility energy is key to mission assurance. Our military installations here at home support combat operations more directly than ever before, and they serve as staging platforms for humanitarian and homeland defense missions. DOD installations are almost entirely dependent on a commercial power grid that is vulnerable to disruption due to aging infrastructure, weather related events and (potentially) direct attacks. According to the Defense Science Board, DOD's reliance on a fragile grid to deliver electricity to its bases places critical missions at risk.<sup>5</sup>

The Department's facility energy strategy is designed to reduce costs and improve the energy security of our fixed installations. It has four elements: Reduce the demand for traditional energy through conservation and improved energy efficiency; expand the supply of renewable and other distributed (on-site) generation sources; enhance the energy security of our installations directly (as well as indirectly, through the first two elements); and leverage advanced technology.

#### *Reduce Demand*

First and most important, we are reducing the demand for traditional forms of energy through conservation and improved energy efficiency. The Department's fiscal year 2013 budget includes more than \$1.1 billion for energy conservation investments—up from \$400 million in 2010. Almost all of that funding is designated for energy efficiency improvements to existing buildings.<sup>6</sup>

In addition to their own funding, the Services are using third-party financing tools, such as Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), to improve the energy efficiency of their existing buildings. In response to the President's memo calling on the Federal Government to initiate \$2 billion worth of these performance-based contracts over the next 2 years, the Department has as its own goal to execute roughly \$465 million in ESPCs and UESCs in fiscal year 2012 and \$718 million in fiscal year 2013.

In addition to retrofitting existing buildings, we are taking advantage of new construction to incorporate more energy-efficient designs, material and equipment into our inventory. Currently, all new construction projects must meet the LEED Silver or an equivalent standard and/or comply with the five principles of High Performance Sustainable Buildings. This year my office will issue a new construction code for high-performance, sustainable buildings, which will govern all new construction, major renovations and leased space acquisition. This new code, which will draw on ASHRAE 189.1, will accelerate DOD's move toward efficient, sustainable facilities

<sup>3</sup>The study will also meet the requirement to report to Congress on the return on investment from using consensus standards such as ASHRAE 189.1.

<sup>4</sup>Facility energy refers to the energy (largely electricity) used to operate the buildings on DOD's 500+ fixed military installations in the United States and overseas. It also includes the fuel used by DOD's approximately 200,000 non-tactical vehicles. Facility energy is distinct from operational energy—largely fuel used for mobility (military aircraft, ships and tanks) and by the generators that produce power on our forward operating bases.

<sup>5</sup>"More Fight-Less Fuel," Report of the Defense Science Board Task Force on DOD Energy Strategy, February 2008.

<sup>6</sup>Of the \$1.1 billion, \$968 million is in the Military Components' operations and maintenance accounts, to be used for sustainment and recapitalization projects aimed at energy efficiency, including improved lighting, high-efficiency HVAC systems, double-pane windows, energy management control systems and new roofs. Another \$150 million is for the Energy Conservation Investment Program (ECIP), a MilCon fund that my office distributes to the Services for specific projects (see discussion below). Only about \$35 million of ECIP's budget will go for investments in distributed and renewable energy as opposed to energy efficiency and water conservation.

that cost less to own and operate, leave a smaller environmental footprint and improve employee productivity.

As DOD strives to improve its energy efficiency, accurate, real-time facility energy information is becoming essential. Although we collect a massive amount of data, we lack the standardized processes and integrated systems needed to systematically track, analyze and benchmark our facility energy and water use and the related costs. The absence of usage and cost data reduces the efficiency of our existing facility operations, and it limits our ability to make the right investments in new, efficiency-enhancing technology and tools.

To fill this gap, my office has been leading the development of an Enterprise Energy Information Management system (EEIM) that will collect facility energy data in a systematic way. The EEIM will also provide advanced analytical tools that allow energy professionals at all levels of the Department both to improve existing operations and to identify cost-effective investments.

I will also be issuing an updated policy on the metering of DOD facilities; in addition to lowering the threshold for buildings that must be metered, the policy will address the types of meters that can be used and establish guidelines for determining when advanced meters make financial sense. No less important, the policy will help ensure that installed meters can securely deliver data to the energy professionals in the field. As an example, Naval District Washington has developed an innovative approach that uses a secure network to integrate data on energy usage with information on building management so as to allow for active management of facility energy. We would like to see this approach or one like it deployed throughout the Department.

#### *Expand Supply of On-Site Energy*

Second, DOD is increasing the supply of renewable and other distributed (on-site) sources of energy on our installations. On-site energy is critical to making our bases more energy secure. Together with the kind of smart microgrid and storage technologies discussed below, it allows a military base to maintain its critical operations “off-grid” for weeks or months if necessary.

DOD’s installations are well situated to support solar, wind, geothermal and other forms of distributed energy. In response to a congressional directive, my office commissioned a study of the potential for solar energy development on military installations in the Mojave and Colorado Deserts in California and Nevada. The year-long study looked at seven military bases in California and two in Nevada. It found that, even though 96 percent of the surface area of the nine bases was unsuited for solar development because of military activities, the presence of endangered species and other factors, the solar-compatible area on four of the California bases was nevertheless large enough to support the generation of 7000 megawatts (MW) of solar energy—equivalent to the output of seven nuclear power plants.<sup>7</sup>

The study also confirmed the logic of the approach the Department is already taking for large-scale renewable energy projects—namely, third-party financing. (Third-party financing makes sense because private developers can take advantage of tax incentives that are not available to Federal agencies.) In September, the Army established its Energy Initiatives Task Force to work with the private sector to execute 10+ MW projects at Army installations. The Army hopes to develop around one gigawatt of renewable energy on its installations by 2025, and it has projects underway at Fort Bliss, TX, and White Sands Missile Range, NM. The Navy has used the Title 10 authority in Section 2922a to contract for renewable energy development in California, including a 3 MW landfill gas facility at Marine Corps Air Station Miramar, a 14 MW solar photovoltaic (PV) array at Naval Air Weapons Station China Lake, and a 1 MW solar PV array at Marine Corps Air Ground Combat Center Twentynine Palms. The Air Force is using the title 10 authority in Section 2667 to lease non-excess land for the development of large-scale renewable projects, the first of which is under negotiation at Edwards Air Force Base.

My office is working closely with the Department of Interior (DOI) to identify and overcome impediments to the execution of renewable energy projects on public lands withdrawn for military purposes (many of the sites identified in the ICF study are on “withdrawn land”). Where renewable energy development is compatible with the military mission, these lands offer a significant opportunity to improve our energy security while lowering the cost of energy. However, we must first overcome the pol-

<sup>7</sup> ICF International, Solar Energy Development on Department of Defense Installations in the Mojave and Colorado Deserts (January 2012). <http://www.serd.org/News-and-Events/News-Announcements/Program-News/DOD-study-finds-7-000-megawatts-of-solar-energy-potential-on-DOD-installations-in-Mojave-Desert>

ity and authority challenges posed by this unique construct whereby DOD uses and manages land under the administrative jurisdiction of DOI.

#### *Enhance Security*

The first two elements of our facility energy strategy contribute indirectly to installation energy security; in addition, we are addressing the problem directly. A major focus of my office is smart microgrid technology. Smart microgrids and energy storage offer a more robust and cost effective approach to ensuring installation energy security than the current one—namely, back-up generators and (limited) supplies of on-site fuel. Although microgrid systems are in use today, they are relatively unsophisticated, with limited ability to integrate renewable and other distributed energy sources, little or no energy storage capability, uncontrolled load demands and “dumb” distribution that is subject to excessive losses. By contrast, we envision microgrids as local power networks that can utilize distributed energy, manage local energy supply and demand, and operate seamlessly both in parallel to the grid and in “island” mode.

Advanced microgrids are a “triple play” for DOD’s installations. Such systems will reduce installation energy costs on a day-to-day basis by allowing for load balancing and demand response. They will also facilitate the incorporation of renewable and other on-site energy generation. Most important, the combination of on-site energy and storage, together with the microgrid’s ability to manage local energy supply and demand, will allow an installation to shed non-essential loads and maintain mission-critical loads if the grid goes down.

The Installation Energy Test Bed, discussed below, has funded 10 demonstrations of microgrid and storage technologies to evaluate the benefits and risks of alternative approaches and configurations. Demonstrations are underway at Twentynine Palms, California; Fort Bliss, Texas; Joint Base McGuire-Dix-Lakehurst, New Jersey; Fort Sill, Oklahoma; and several other installations.

Although microgrids will address the grid security problem over time, we are taking steps to address near-term concerns. Together with the Assistant Secretary of Defense for Homeland Defense and Americas’ Security Affairs, I co-chair DOD’s Electric Grid Security Executive Council (EGSEC), which works to improve the security, adequacy and reliability of electricity supplies and related infrastructure key to the continuity of critical defense missions. In addition to working across DOD, the EGSEC works with the Departments of Energy and Homeland Security. The three agencies recently created an Energy Surety Public Private Partnership (ES3P) to work with the private sector. As an initial focus, the ES3P is collaborating with four utilities in the National Capital Region to improve energy security at mission critical facilities.

Finally, my office is updating the DOD Instruction on “Installation Energy Management” (DODI 4170.11), which provides guidance to installation commanders and energy managers on a range of energy security and energy efficiency matters. For example, we are updating the requirements for fuel distribution plans to ensure that emergency generators can operate for a sufficient time.

#### *Leverage Advanced Technology*

As the discussion of microgrids illustrates, one of the ways DOD can lower its energy costs and improve its energy security is by leveraging advanced technology. Technology has been DOD’s comparative advantage for 200 years, as evidenced by the military’s leadership in the development of everything from interchangeable machine made parts for musket production to the Internet. This advantage is no less important when it comes to facility energy.

To leverage advanced technology relevant to facility energy, 3 years ago my office created the Installation Energy Test Bed, as part of the existing Environmental Security Technology Certification Program (ESTCP). The rationale is straightforward. Emerging technologies offer a way to cost effectively reduce DOD’s facility energy demand by a dramatic amount (50 percent in existing buildings and 70 percent in new construction) and provide distributed generation to improve energy security. Absent outside validation, however, these new technologies will not be widely deployed in time for us to meet our energy requirements. Among other problems, the first user bears significant costs but gets the same return as followers. These barriers are particularly problematic for new technologies intended to improve energy efficiency in the retrofit market, which is where DOD has the greatest interest.

As the owner of 300,000 buildings, it is in DOD’s direct self-interest to help firms overcome the barriers that inhibit innovative technologies from being commercialized and/or deployed on DOD installations. We do this by using our installations as a distributed test bed to demonstrate and validate the technologies in a real-



world, integrated building environment.<sup>8</sup> Projects conduct operational testing and assessment of the life cycle costs of new technology while addressing DOD unique security issues. For example, the Test Bed is doing a demonstration of an advanced control system that could increase boiler efficiency by 10 percent; if the technology proves out, DOD can deploy it on thousands of boilers and see a meaningful energy savings. More generally, by centralizing the risk and distributing the benefits of new technology to all DOD installations, the Test Bed can provide a significant return on DOD's investment.

The Test Bed has about 70 projects underway in five broad areas: Advanced microgrid and storage technologies, such as the project at Twentynine Palms; advanced component technologies to improve building energy efficiency, such as advanced lighting controls, high performance cooling systems and technologies for waste heat recovery; advanced building energy management and control technologies; tools and processes for design, assessment and decisionmaking on energy use and management; and on-site energy generation, including waste-to-energy and building integrated systems. (See the next section for additional detail.)

#### *Progress on Goals*

In 2011, the Department made progress in its performance with respect to facility energy and water although it fell short of its statutory and regulatory goals for energy.

- DOD reduced its energy intensity by 2 percent—a meaningful improvement but less than the 3 percent needed to meet the annual goal. Overall, DOD has reduced its energy intensity by 13.3 percent since 2005, compared to the cumulative goal of 18 percent.
- With respect to the renewable energy goal (produce or procure 25 percent of all electricity from renewable sources by 2025), DOD lost ground, going from 9.6 percent to 8.5 percent. The drop was partly the result of a policy decision to buy fewer Renewable Energy Credits.<sup>9</sup> It also reflected a decline in the output of the 270 MW geothermal facility at China Lake.
- DOD continued to reduce its consumption of petroleum, reaching a cumulative reduction of 11.8 percent since 2005—just shy of the 12 percent goal.
- DOD reduced its potable water intensity (measured as consumption per gross square foot) by 10.7 percent from 2007 to 2011—well above the goal of 8 percent.

#### FISCAL YEAR 2013 BUDGET REQUEST

The President's fiscal year 2013 budget request includes funding for the ESTCP Installation Energy Test Bed as well as the Energy Conservation Investment Program (ECIP).

#### INSTALLATION ENERGY TEST BED

The budget request includes \$32 million in fiscal year 2013 for energy technology demonstrations under ESTCP.<sup>10</sup> ESTCP began these demonstrations—now known as the Installation Energy Test Bed—as a \$20 million pilot in 2009. Seeing its value, the Department continued to fund the Test Bed on an annual basis the \$30 million level. Starting this year, we have funded the test bed, as an RDT&E line, across the FYDP. Although a modest investment, the Test Bed is a high leverage program that the Department believes will produce major savings.

ESTCP awards funds based on rigorous competition. The process begins with a solicitation to firms and others to identify emerging technologies that would meet installation needs. The response has been huge: The 2012 solicitation drew 600 proposals from leading companies in the building energy sector, small startups with venture capital funding and the major DOE labs. The proposals are reviewed by teams made up of technical experts from inside and outside of DOD along with Service representatives familiar with the installations' needs; winning proposals are matched up with a Service and an installation at which to demonstrate the tech-

<sup>8</sup>The approach is similar to one that ESTCP has used since 1995 to demonstrate innovative environmental technologies on DOD sites and in doing so help them transition to the commercial market. As discussed in section IV below, ESTCP has a strong track record of reducing DOD's environmental costs.

<sup>9</sup>The purchase of renewable energy credits (RECs) is an alternative to the actual development of renewable energy; DOD has decided to meet the goals by adding supply on its installations as opposed to buying RECs.

<sup>10</sup>As discussed in section IV, we are also requesting \$43.9 million for ESTCP for environmental technology demonstrations. These two demonstration programs appear as separate lines under ESTCP in the fiscal year 2013 budget.

nology. ESTCP has funded about 70 projects, and the fiscal year 2010 projects will begin reporting results this year.

The timing for an Energy Test Bed is ideal—one reason the response from industry has been so strong. The Federal Government has invested significant resources in energy R&D, largely through DOE, and the private sector is making even larger investments as evidenced by the growth of venture capital backing for “cleantech.” As a structured demonstration program linked to the large DOD market, the Test Bed can leverage these resources for the military’s benefit.

#### ENERGY CONSERVATION INVESTMENT PROGRAM

The fiscal year 2013 budget requests \$150 million for ECIP, \$15 million above the fiscal year 2012 appropriation. ECIP has a long history of producing savings for the Services, and we have reoriented the program to give it even greater leverage.

ECIP traditionally has funded small projects that promised a significant payback in reduced energy costs, and the Services relied heavily on it to achieve their energy goals. In keeping with DOD’s focus on energy, last year we began to reshape the role that ECIP plays—from one of funding the Services’ routine energy projects to one of leveraging their now-larger investments in ways that will produce game-changing improvements in energy consumption, costs or security. Two other changes are worth noting. To encourage long-term planning, we are requiring the Services to build a 5-year program of projects that they want to get funded through ECIP. To encourage them to put forward their best ideas, we are replacing formula-funding with competition. In fiscal year 2013, we incorporated competition but guaranteed each service a minimum level of funding. Beginning in fiscal year 2014, we will award the funds based purely on competitive merit.

#### ENVIRONMENTAL MANAGEMENT

The Department has long made it a priority to protect the environment on our installations, not only to preserve irreplaceable resources for future generations, but to ensure that we have the land, water and airspace we need for military readiness. Over the last 10 years, the Department has invested more than \$40 billion in its environmental programs, and our steady level of expenditure has produced quality results. In the President’s fiscal year 2013 budget, we are requesting \$3.97 billion to continue the legacy of excellence in our environmental programs. While this is below the fiscal year 2012 request, the reduction reflects management efficiencies and improved technology rather than any decline in effort.

#### ENVIRONMENTAL PROGRAM BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2012

[Dollars in millions]

	Fiscal year 2012 request	Fiscal year 2013 request	Change from fiscal year 2012	
			Funding	Percent
Environmental Restoration .....	1,467	1,424	– 43	– 2.9
Environmental Compliance .....	1,552	1,449	– 103	– 6.6
Environmental Conservation .....	380	378	– 2	– 0.3
Pollution Prevention .....	104	111	+ 6.4	+ 6.1
Environmental Technology .....	227	220	– 6.9	– 3.0
Legacy BRAC Environmental .....	394	318	– 75.6	– 19.2
BRAC 2005 Environmental .....	127	73	– 54.2	– 42.7
Total .....	4,250	3,974	– 277	– 6.5

#### ENVIRONMENTAL CONSERVATION

In order to maintain access to the land, water and airspace needed to support our mission needs, the Department continues to manage successfully the many threatened and endangered species found on our lands. (Military installations are home to more than 400 threatened and endangered species, about 40 of which are found only on our installations.) DOD develops and implements detailed Installation Integrated Natural Resource Management Plans (INRMPs) in coordination with the U.S. Fish & Wildlife Service (USFWS) and its State counterparts. These plans help us avoid critical habitat designations—thereby maintaining our flexibility to carry out mission activities—while providing equal or greater protection for endangered species.

To preserve mission readiness while complying with the Endangered Species Act, we must prepare for new requirements. The USFWS is required to evaluate 251 “candidate” species for potential listing on the Federal Endangered Species List by 2017. The Services have identified some 60 of these as species sufficiently present on our bases that a listing could impact mission activities. We are establishing a partnership with USFWS to share management and scientific data and discuss natural resource management actions that can benefit these species. We are also working with the Services to ensure they are actively managing the candidate species that pose the greatest risk to mission, including making the appropriate changes to their INRMPs.

In addition to natural resources, the Department is responsible for thousands of archaeological sites, historic buildings and other cultural resources. DOD owns or manages the Nation’s largest inventory of Federal historic properties and continues to use many of these historic properties to meet mission requirements. Use of these properties allows DOD to retain significant cultural resources for future generations. In addition, many older buildings have features that are now considered “green,” such as high ceilings to encourage air circulation, large windows to provide maximum natural light and operational shutters to reduce heat gain.

The Department is requesting \$378 million in fiscal year 2013 for environmental conservation, which includes \$213 million in recurring funds for ongoing activities and \$165 million in non-recurring funds for one-time projects directed at threatened and endangered species, wetland protection, or other natural, cultural and historical resources.

#### ENVIRONMENTAL RESTORATION

The Defense Environmental Restoration Program provides funds for two types of environmental cleanup. The Installation Restoration Program (IRP) manages the cleanup of hazardous substances, pollutants and contaminants—things that cause human health concerns. The Military Munitions Response Program (MMRP) manages the cleanup of unexploded ordnance and discarded military munitions—things that may explode. The cleanup occurs at three types of locations: Active military bases, bases closed through the BRAC process, and other Formerly Used Defense Sites (FUDS).

By the end of 2011, the Department, in cooperation with State agencies and the U.S. Environmental Protection Agency, completed cleanup activities on 78 percent of IRP sites and is now monitoring the results. For MMRP sites, the comparable figure is 40 percent. The Department determines the order of cleanup for both IRP and MMRP sites on the basis of risk: By cleaning up the “worst first,” we reduce our long-term liability and expedite the return of properties to productive reuse.

Our cleanup program is mature enough that we can begin to envision completion. We are approaching 2014, by which time we have committed to have a remedy in place (RIP) or response complete (RC) for every cleanup site. In anticipation of reaching that milestone, we are developing the next major goal for our environmental cleanup program. We have established as goals to achieve RC at 90 percent of our active installations in 2018 and at 95 percent in 2021. The sites that remain will be the most complex ones, and we will need to conduct another review of the cleanup program when we reach that point.

We are requesting \$1.8 billion for fiscal year 2013 to clean up IRP and MMRP sites. This includes \$1.42 billion for “Environmental Restoration,” which encompasses active installations and FUDS sites, \$318 million for “Legacy BRAC Environmental” and \$73 million for “BRAC 2005 Environmental.” While these figures represent reductions from fiscal year 2012, we have not reduced our commitment to the program, as evidenced by our ambitious goals for achieving 95 percent RC over the next decade. Rather, the cut to Environmental Restoration is attributable to program reforms and reorganized oversight of the FUDS program by the Corps of Engineers. In addition, we have temporarily reduced investments in the MMRP portion of our program, anticipating validation of a major new cleanup approach able to detect and characterize unexploded ordnance (see the discussion below). We expect the MMRP request to increase once the new technology is validated and put into wider use. Finally, the BRAC investments are decreasing because we are making progress completing the much smaller number of BRAC sites.

#### POLLUTION PREVENTION

For fiscal year 2013, the DOD is requesting \$110 million for pollution prevention efforts. DOD’s approach to pollution prevention has many elements: Recycling, reducing the use of hazardous materials and developing safer alternatives to them, eliminating the use of ozone-depleting substances, purchasing environmentally pref-

erable products, and ensuring that DOD activities do not adversely impact the nation's air, water and land resources.

DOD is working to incorporate sustainable practices into acquisition and maintenance operations of military systems and into the day-to-day operations of our installations. By designing systems or practices such that waste (hazardous or non-hazardous) is minimized or eliminated, we reduce the overall cost of operations over the long term. For operational systems that are well past the design phase, the pollution prevention program funds initiatives that will, for example, change maintenance practices or find alternatives for toxic substances used to prevent corrosion.

With its limited budget, DOD's pollution prevention program has emphasized cost-effective investments that lower lifecycle costs and improve efficiency. These investments continue to pay dividends. In fiscal year 2011, the Department diverted 4.1 million tons or 64 percent of our solid waste from landfills, avoiding approximately \$148 million in landfill disposal costs. We generated over 4 million tons of construction and demolition debris, diverting more than 77 percent of that debris to reuse and recycle. Additionally, the Department realized a 4-percent reduction in Toxic Release Inventory reportable releases in 2010 compared to 2009.

#### ENVIRONMENTAL COMPLIANCE

Clean water and air are essential to the health and well-being of our communities and ecosystems. The Department continues to maintain a high level of compliance with environmental laws and regulations. For example, the Department provides safe drinking water to the 3.4 million men, women, and children working and living on our military installations. Our fiscal year 2013 budget requests \$1.4 billion for environmental compliance—\$103 million below last year's request. This decrease reflects the fact that the Department has completed many one-time repairs and upgrades to infrastructure, such as hazardous waste storage facilities, underground storage tanks, and waste water treatments facilities.

#### ENVIRONMENTAL TECHNOLOGY

A key part of DOD's approach to meeting its environmental obligations and improving its performance is its pursuit of advances in science and technology. The Department has a long record of success when it comes to developing innovative environmental technologies and getting them transferred out of the laboratory and into actual use—on our installations, in our depots and in the very weapon systems we acquire.

To accomplish this, the Department relies on two closely linked programs—the Strategic Environmental Research and Development Program (SERDP) and the Environmental Security Technology Certification Program (ESTCP). SERDP is DOD's environmental science and technology program; its mission is to address high priority cross-service environmental requirements and develop solutions to the Department's most critical environmental challenges. As one of the only R&D programs aimed at reducing DOD operating costs, SERDP has allowed Department to avoid spending billions of dollars for environmental cleanup, environmental liability and weapons system maintenance. ESTCP's mission is to transition technology out of the lab. It does this by demonstrating the technology in a real-world setting, such as a clean-up site on a military installation or at an aircraft maintenance depot. This "direct technology insertion" has proven key to getting regulators and end users to embrace new technology.

A decade ago, SERDP and ESTCP took on a challenge—developing technologies that could discriminate between scrap metal and hazardous UXO ("beer cans and bombs"). Current clean-up methods lack that ability—their false-positive rate is 99.99 percent. As a result, contractors must dig up hundreds of thousands of metal objects in order to identify and remove just a few pieces of UXO. Because this process is so labor-intensive, it is very expensive: The estimated cost to clean up UXO on known DOD sites is more than \$14 billion. However, as I reported last year, 10 years of investment by SERDP and ESTCP have yielded technologies that can discriminate between UXO and harmless metal objects with a high degree of reliability. This is a remarkable achievement and one that many clean-up experts thought was impossible.

ESTCP has initiated live-site demonstrations to acquire the data needed to validate, gain regulatory approval for and fully transition these technologies into the field. Beginning in fiscal year 2011, we accelerated these demonstrations so that the technology would be ready by 2015, when the Services undertake major UXO clean-up efforts. We have conducted demonstrations on seven sites exhibiting diverse conditions, and the results show that on most sites the new technologies can distinguish the metallic scrap 70–90 percent of the time.

The challenges to implementing new technology go beyond demonstration of technical success, however. For these new UXO technologies to get deployed, our key partners—commercial cleanup firms, State and Federal regulators, and DOD contracting experts—must all be comfortable with what represents a fundamentally new approach to UXO cleanup (e.g., with the current technology, DOD pays contractors for each hole they dig up). Toward that end, my office is engaging with each group to work through its concerns. For example, contractors want to be sure they can recoup their investment in expensive new equipment; and regulators want to provide for management of the residual risk (i.e., any UXO found after the cleanup is complete). The interactions to date have been promising: All of our partners appear committed to adopting the new technologies once we have answered their concerns. State regulators are particularly supportive because they recognize that DOD will be able to clean up UXO sites sooner.

The fiscal year 2013 budget request includes \$65.3 million for SERDP and \$43.9 million for ESTCP for environmental technology demonstrations. (The budget request for ESTCP includes an additional \$32 million for energy technology demonstrations, as discussed in section III above.) Of the \$43.9 million requested for ESTCP environmental technology demonstrations, \$14 million will go to support the UXO live-site technology demonstrations.

The fiscal year 2013 budget request for Environmental Technology overall is \$220 million. In addition to SERDP and ESTCP, this includes funding for the Services' environmental research and development. The Services' investments focus on Service-unique environmental technology requirements and complement the larger, cross-Service SERDP and ESTCP investments. SERDP and ESTCP work closely with the Services to coordinate and leverage their investments.

#### COMPATIBLE DEVELOPMENT

Encroachment is a growing challenge to the military mission, particularly test and training. Sprawl, incompatible land use and other forms of encroachment put the Department's test and training missions at risk and reduce military readiness. For example, lights from developments near installations reduce the effectiveness of night vision training, and land development that destroys endangered species habitat causes those species to move onto less developed military lands, resulting in restrictions on the type, timing and frequency of test and training. I want to highlight three efforts I oversee that are designed to deal with this challenge.

#### READINESS AND ENVIRONMENTAL PROTECTION INITIATIVE

The Readiness and Environmental Protection Initiative (REPI) is a key tool for combating the encroachment that could negatively impact the operations of our bases. Under REPI, the Department partners with conservation organizations and State and local governments to preserve buffer land around our installations and ranges. The preservation of buffer land allows the Department to avoid much more costly alternatives, such as training workarounds or investments to replace existing testing and training capability. Through its unique cost-sharing partnerships, REPI directly leverages the Department's investments one-to-one. In the current real estate market, where property is more affordable and there are a great many willing sellers, REPI is a particularly good investment.

REPI's utility can be enhanced by looking beyond the immediate vicinity of installations and leveraging it across a regional landscape. For example, the airspace in and around Eglin Air Force Base has become increasingly crowded as new missions drive testing and training requirements. To avoid saturating the airspace, the Air Force is looking at the possibility of conducting missions across the entire gulf coast region (lower Alabama, Mississippi and the Florida Panhandle) in an effort called the Gulf Regional Airspace Strategic Initiative (GRASI). REPI can help GRASI achieve its goals by conserving key areas well outside Eglin—effectively expanding the training space available to Eglin and other installations in the region. This strategy will allow the Air Force to expand capacity at a fraction of what it would cost to acquire additional installations and build permanent infrastructure. Further, REPI hopes to take advantage of its unique authority by leveraging funding from environmental organizations that have a similarly ambitious plan to conserve lands in this region, providing an opportunity to meet compatible military and environmental goals at reduced cost for each stakeholder.

The President's fiscal year 2013 budget requests \$50.6 million for REPI.

#### OFFICE OF ECONOMIC ADJUSTMENT'S COMPATIBLE USE PROGRAM

OEA's Compatible Use Program provides direct assistance to communities to help them prevent and/or mitigate development that is incompatible with nearby military

operations. OEA provides technical and financial assistance to State and local governments to undertake a Joint Land Use Study (JLUS) in cooperation with the local military installation.

A JLUS serves as a powerful tool to bring a military installation and the surrounding community together to identify and address compatible use issues, develop a set of compatibility guidelines and implement specific measures to ensure the long-term viability of the military mission. The kinds of implementation measures that come out of a JLUS include: Conservation buffers; aviation easements; the establishment of military influence areas with associated limits on development; the incorporation of sound-attenuation measures into building codes; requirements for disclosure of military activities (e.g., aircraft noise) in real estate transactions; ordinances to limit lighting that would interfere with night vision training; the transfer of development rights; and local development review procedures that ensure military input.

OEA has more than 70 JLUS projects currently underway, and they provide a useful complement to REPI's efforts. For example, through the JLUS process, military and stakeholder communities may identify an issue for which a REPI project may provide resolution.

#### RENEWABLE ENERGY SITING

Although most transmission and renewable energy projects are compatible with the military mission, some can interfere with test, training and operational activities. Until recently, the process by which DOD reviewed projects and handled disputes was opaque, time-consuming and ad hoc, resulting in costly delays. Spurred in part by Congress, DOD created the DOD Siting Clearinghouse to serve as a single point of contact within the Department on this issue and to establish a timely and transparent review process. The goal is to facilitate the siting of energy projects while protecting test, training, and operational assets vital to the national defense.

The results are impressive: To date, the Clearinghouse has overseen the evaluation by technical experts of 506 proposed energy projects; 486 of these projects, or 96 percent, have been cleared, having been found to have little or no impact. These 486 projects represent 24 gigawatts of potential energy from wind, solar and geothermal sources. The 20 projects that have not been cleared are undergoing further study, and we are working with industry, State and local governments, and Federal permitting and regulatory agencies to identify and implement mitigation measures wherever possible.

In addition to reviewing projects, the Clearinghouse has conducted aggressive outreach to energy developers, environmental and conservation groups, State and local governments, and other Federal agencies. By encouraging developers to share project information, we hope to avert potential problems early in the process. We are being proactive as well in looking at regions where renewable projects could threaten valuable test and training ranges.<sup>11</sup> The Clearinghouse is working with DOE, DHS, and the Federal Aviation Administration to model the impact of turbines on surveillance radars, evaluate alternative mitigation technologies, and expedite fielding of validated solutions.

Finally, the Clearinghouse is taking advantage of section 358 of the fiscal year 2011 NDAA, which allows DOD to accept voluntary contributions from developers to pay for mitigation. The Clearinghouse and the Navy recently negotiated an agreement that provides for the developer to pay the cost to mitigate the impact of wind turbines on the precision approach radar on a runway at Naval Air Station (NAS) Kingsville, Texas. The agreement facilitates the continued growth of wind energy generation along the Texas Coastal Plain while providing for the safety of student pilots at NAS Kingsville and NAS Corpus Christi. We believe there will be many other situations in which a developer is willing to pay the relatively small cost of mitigation in order to realize the much larger value of the project; section 358 is an extremely useful, market-based tool that allows us to negotiate those win-win deals.

<sup>11</sup>DOD is conducting a study to identify areas of likely adverse mission impact in the region that is home to China Lake and Edwards Air Force Base in California, and Nellis Air Force Base and the Nevada Test and Training Range in Nevada. These installations are the Department's premier sites for test and evaluation and require a pristine environment clear of interference. The results of the study will be used to inform stakeholders of areas where the Department is likely to oppose the siting of wind turbines and solar towers.

## CONCLUSION

My office takes seriously our mission to strengthen DOD's infrastructure backbone—the installations that serve to train, deploy and support our warfighters. Thank you for your strong support for the Department's installation and environment programs and for its military mission more broadly. I look forward to working with you on the challenges and opportunities ahead.

Senator JOHNSON. Thank you, Dr. Robyn. Thank you for your opening statements.

For the information of Senators, we will begin with a 7-minute round of questions.

## SEQUESTRATION

Secretary Hale, several months ago, Secretary Panetta said that sequestration, if military personnel costs are exempt, could hit an across-the-board cut in defense programs of as much as 23 percent in fiscal year 2013, although I understand that projection has since been revised downward. What is the current projection, and how would that impact the fiscal year 2013 MILCON program? Would the MILCON program be executable? Could you give us some examples of what sequestration would mean to the fiscal year 2013 MILCON program?

Mr. HALE. Let me try to be helpful, Mr. Chairman. First, the 23 percent was compared to last year's plan. We have now submitted a budget that makes significant cuts, 8 to 9 percent in the overall defense budget. And we've also learned more about this arcane law that—the Budget Control Act that was passed last year, amended the 1985 act that budget junkies will remember as the Gramm-Rudman-Hollings legislation. So we're all dusting off our knowledge.

Given what we know now, it'll probably be more in the range—compared to this plan, the one that's before you at the moment—8 to 10 percent. And I think our lawyers believe, and we believe, that it would be applied at what's called the program project and activity level, which means the percentage would have to be the same for every military construction project.

I think this overall sequestration would be highly disruptive. It would be disruptive to military construction programs. You would eat up the reserves for sure. You might not have enough money to complete buildings or to fully make them ready for occupancy.

Outside of the military construction account, it would be devastating. We would be forced into probably furloughs of our civilian personnel with adverse effects on readiness. We would disrupt dozens if not hundreds of weapons programs which would also have to be cut by the same sort of 8 to 10 percent.

An overall sequestration was never a policy that was meant to be implemented. It's a bad idea. I think we all recognize that. It was meant as a prod to the Congress to pass a large balanced cut in the deficit and then a law halting sequestration. So we're still hoping you do just that. It's a bad idea. We don't want to do it.

## BASE REALIGNMENT AND CLOSURE

Senator JOHNSON. Dr. Robyn, DOD has proposed two additional BRAC rounds for fiscal years 2013 and 2015. Direction by Congress thus far has been less than encouraging. You have stated that if

Congress does not approve a new BRAC round, DOD will have to use existing authorities to eliminate excess inventory.

What are those authorities, and how would they be applied? Does DOD have the authority to actually close or realign bases in the United States absent a BRAC or simply starve them of a mission, possibly creating even more excess inventory?

Dr. ROBYN. Let me give you a two-part answer. We do have limited authority, and we've said that if we don't get BRAC authority, because of the urgency of the need to reduce the budget, that we will have to move ahead using our existing authorities. And our existing authority consists of what we can do under section 2687. That specifies that the Secretary may not close any military installation at which at least 300 civilian personnel are authorized to be employed, meaning things below 300 civilian personnel with the appropriate notification, procedural steps, can be done outside of the BRAC process.

Now, I should say that to date, the Department has not ever been successful in using section 2687 for a closure. So what we would probably do would be to eliminate personnel over a longer period of time at many installations rather than quickly close individual installations.

Let me say why we don't want to go that route. The communities that have hosted installations are enormously important to us. They have been our partners, our hosts. In the past, they were not particularly well-treated after bases were closed.

And Senator Pryor, you know this very, very well.

When I first got involved in this as a member of President Clinton's economic team right after on the verge of the 1993 round, the way the military treated communities was not good. They would take any excess property that they could. They would rip sprinkler systems out of the ground and take them when they closed a base.

Environmental cleanup took forever. Property disposal was slow, bureaucratic, and penny-pinching. And I led the effort—the Clinton administration's effort to reform that process with enormous help from other Pryors, and my single biggest backer in the Clinton administration was then Office of Management and Budget (OMB) Director Leon Panetta, who represented the district in California where Ford Ord had been closed as part of the 1991 round.

So we dramatically improved—it's still not perfect by any means, but we have a much, much better approach to working with communities. And we do that under authorities that we have in the BRAC law. So if we have to realign and close bases without BRAC authority, we can't do it in a way that is good for communities. They're left to fend for themselves. So we very much want to do this with the protection that the BRAC law provides for communities.

Senator JOHNSON. Dr. Lavoy, the President has announced a new strategic defense pivot to the Asia-Pacific region. And the Washington Post reported this morning that military ties with Australia, in particular, could be broader than previously discussed.

Could you give us an overview of the force structure and military construction implications of this initiative as they relate to Japan, Okinawa, Guam, Korea, Australia, Singapore, and the Philippines, and any other nations that might be affected?



Dr. LAVOY. Thank you for that question, Mr. Chairman. It's a pleasure to answer this question, because I think it's a very important part of the new defense strategy—the rebalancing toward the Asia-Pacific and, in fact, rebalancing within the Asia-Pacific region.

As the President indicated and as the Secretary of State has indicated on many occasions, we are rebalancing and prioritizing the Asia-Pacific because of the centrality of this part of the world to our economy and, indeed, to the global economy. And of course, the economic growth in this part of the world was premised on stability and peace for many decades. These are conditions that we need to see continue and, in fact, all of the countries in the region want to see continue.

And so the new defense strategy emphasizes five elements that are aimed at perpetuating this peace and stability and economic prosperity in this region. And I will just list these and then talk about the countries in question that you addressed.

First of all is to ensure that the U.S. military capability remains as robust as it always has been and we can achieve all the operational missions that we're responsible for.

Second, a key feature of the strategic guidance is emphasizing the importance of our alliances in the Asia-Pacific. We have five vital allies in this part of the world, and strengthening and modernizing these alliances is critical.

The third aspect is supporting multilateral institutions, ASEAN being the biggest one among them.

Fourth is building partner capacity, working not only with our allies but with a whole array of countries in the region to help them improve their defense capabilities and strengthen and professionalize their militaries, including for humanitarian and disaster relief operations.

And the final feature of this defense strategy involves our new force lay-down, our force posture in the region, which, Mr. Chairman, was the focus of your question. And we have three principles that guide our force posture considerations in this region.

First of all, we want this to be politically sustainable. Any force movements in the region have to mesh with the politics in the region and, in fact, our politics.

Second, our forces have to be operationally resilient. They can't be distributed in a way that blunt or minimize their operational impact.

And finally, we focus on geographical distribution of the forces. In the past, we've had forces focused mainly in northeast Asia, Japan and South Korea, in particular. Today, we're looking at a much more balanced force posture, and thus the interest in having a rotational presence of marines in Australia to provide more of that balanced force posture.

So that's a key element that—a decision that President Obama announced in November when he was in Australia is to move a group of marines, ultimately totaling about 2,500. Over several phases, they'll get to that number. Right now, the number is much smaller. So that's one piece.

Of course, we're also talking to Australia about other kinds of military cooperation, and the article that you mentioned that came out today talked about some of the interests of the Australians in

a naval rotational presence there. But I need to tell you we're at a very early stage in discussions with the Australians about that. The only decision today is on the marine rotational presence.

But in addition to Australia, we, of course, are maintaining our military presence on the Korean peninsula. That's, of course, vital to peace and deterring conflict in that region, and as well, we're adjusting our force lay-down in and around Japan. And the key elements of this, as Secretary Hale already indicated, are keeping a marine presence on Okinawa and also in mainland Japan and moving approximately 5,000 or just under 5,000 marines to Guam. So that's a significant adjustment.

But we're also not linking the movement of marines to Guam any more to the marines on Okinawa. And of course, we continue to be interested in—the Futenma replacement facility is really the ideal location and the only operationally viable alternative to the current Futenma facility on Okinawa for our marines.

We're also in discussions with Singapore and have agreed with the Singapore government to have a rotational presence of littoral combat ships to and through Singapore. And we're also in very early discussions with other countries in the region about rotational movements of forces and helping them improve their military capabilities.

Thank you.

Senator JOHNSON. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

And thank you, Dr. Robyn, for referring to my father. He was very, very focused on BRAC and all the implications and how that process would be handled in the various communities where that happened. Thank you for your work back then and thank you for the work you're continuing to do.

Let me follow up on a BRAC point. You mentioned that overseas, you're going through a BRAC-like process right now. I would say that most of the Senators I've talked to on this think that if we do a BRAC, we should do an overseas BRAC first, and then maybe come back and do a domestic BRAC. But you seem to argue that we should do the domestic BRAC now, because you already have something going on overseas.

#### OVERSEAS BASING

What is going on overseas? And you say it's BRAC-like. Is it the same as BRAC, in that you're making these decisions and realigning and closing and doing all the things that a normal BRAC Commission would do?

Dr. ROBYN. We, of course, don't need legislative authority to do it overseas. Let me start by saying that we would like to do the two in tandem. We would like to do the analysis of domestic installations at the same time that we are looking at consolidation overseas.

The advantage of doing that—and we were able to do in 2004, 2005. It worked very well. The advantage is that it helps us be more efficient in where we place returning soldiers and airmen returning from Europe. If we are not able to do a domestic BRAC at the same time, then we have to put people where we have available space. And ideally, that isn't always the best place to put them.

And so if we can do the two processes in tandem, then we're able to be more efficient in where we put people who are returning from Europe. So we would like to be able to do them in tandem.

We're in the early stages—as I mentioned, there is a lot that's already been announced. We're going to close 23 sites in the next 3 years, the Army alone. But we're working closely with the European Union (EU) commander, Admiral Stavridis, his theater commanders, the services here at home, looking at everything that we have in Europe.

We have 300 sites in Europe. Most of our activity is on 200 of those sites. We're looking at, in particular, infrastructure support, administrative sorts of support. We're looking at where—the goal is reducing our costs over the long term while maintaining our strategic and our operational commitments. So we're looking at how much can we cut and where, and we will give the Secretary options later this year as to where we think we can—

Senator PRYOR. What's your timeframe on that? How long until you know what you're going to do, and then how long will it take to actually do it?

Dr. ROBYN. We're proposing to give the Secretary options later this year. I don't know how long it will take—1 year or 2, I would think.

Senator PRYOR. Just depends?

Dr. ROBYN. Yes.

Senator PRYOR. Okay. Thank you for that.

Mr. Hale, let me ask you a question. I know that there's this long process that everybody goes through to get to this point where you are today with the budget and all these changes and proposals, and I appreciate that.

#### AIR NATIONAL GUARD AND AIR RESERVE

I am concerned, though, that the Air National Guard and the Air Reserve component were not necessarily listened to with regard to some of the decisions that were made by the Air Force in terms of consolidating, eliminating, and transferring missions. One, in particular, is the issue of the National Guard losing most of their A-10s, the Warthog.

Did the Air Force listen to the Air National Guard and to the Reserve component?

Mr. HALE. Yes, I believe they did, Senator Pryor. I mean, they're well represented through a member of the Joint Chiefs of Staff, who represents their interests. The Air Force looked carefully at balancing its Active Duty and Guard forces in light of their needs and also costs, and I believe they were fully heard. That doesn't mean that everything the Guard wanted occurred.

But I believe their arguments were heard, and obviously, we're now having further discussion, and that's fine. We'll work with the Congress to answer questions through the Air Force. But at the moment, at least, we certainly want to stay with our proposal with regard to the Guard.

Senator PRYOR. One of the things that I'm not at all convinced of is the cost savings achieved by doing this, specifically with the A-10s. I have seen numbers that indicate that it's quite a bit

cheaper to maintain and fly the A-10s in the Guard than it is in Active Duty.

And one of the frustrations I've had, as well as several other members of this body, is that the cost analyses have not been forthcoming from DOD. I know I've requested repeatedly to get the DOD's cost analyses on this move and others, and I've been greeted with reluctance to share the data. Because there's a lack of transparency and a lack of sharing of information, I have a lot of questions about it, and others do, too.

Is it possible for you to share those numbers with the subcommittee and with my office?

Mr. HALE. Let me see what I can do. I need to take that one for the record. I certainly don't have it in my head. Let me just say, in general, once you call up a Reserve unit, its costs are pretty similar to that for an Active unit.

So I think the Air Force is looking at its wartime needs and how quickly forces are needed and making a judgment about the balance, and then considering, obviously, cost—to the extent we can use reserves that we'll only call up occasionally, the overall cost would be less. But there are operational considerations as well.

As far as cost analysis, I will take that one for the record and check for you and see what I can do.

Senator PRYOR. That would be great. I'd appreciate it.

[The information follows:]

Based on the current fiscal environment, the Air Force budget balanced reductions with the need to maintain a more capable force.

While cost savings are part of the decisionmaking process, the most important factor is the Air Force's ability to provide the capabilities required by the new Defense Strategic Guidance, "Sustaining U.S. Global Leadership: Priorities for 21st Century Defense." This new strategy directs the services to build a leaner, more flexible, and technologically advanced force. As a result, the Air Force is rebalancing our Total Force to match the capability and capacity requirements of the new guidance. The proposed Reserve component force structure reductions were determined using a deliberate and collaborative process which leveraged careful analytical review of warfighting scenarios consistent with the new strategic guidance. Two decades of military end strength and force structure reductions in our Active Duty component have changed the Active and Reserve component mix, and achieving the appropriate Active and Reserve component mix is critical to sustaining Air Force capabilities for forward presence and rapid response, as well as meeting high rate rotational demands with a smaller force.

Air Force analysis, based on scenarios consistent with the new Defense Strategic Guidance, resulted in a reduced requirement for tactical combat aircraft and intra-theater airlift. The analysis identified a preference for multi-role aircraft to provide the most flexible capability within each scenario. As a result, A-10 retirements were selected in lieu of other combat aircraft and the Air Force made the difficult choice to retire five A-10 squadrons totaling 102 A-10 aircraft.

As mission demands evolve and resource constraints emerge, the Air Force will continue to leverage the collective talent and experience of our Air Force Reserve and Air National Guard partners to provide the most effective and efficient air, space, and cyberspace power for the Nation.

Senator PRYOR. And last, because I'm out of time here, there seems to be something inconsistent with the Air Force's plan. For example, the A-10s, the Air Force wants to eliminate several A-10 Guard missions, but at the same time requests a BRAC. Shouldn't the Air Force wait until the BRAC does its work before making a determination on where the A-10s should be located?

Mr. HALE. And we will. What we're seeking now is authority for BRAC. And I'd ask Dr. Robyn if she wants to add to this. We're

seeking authority for BRAC at the moment. Once we get it, we will go through a full analysis of every base and installation in the Department of Defense, measuring both its cost and its mission, and that will be the basis for deciding what's closed or reorganized in some fashion.

So I think we're not prejudging that, but we need the authority to do that in order to move forward to try to get a more efficient installation.

Dorothy, do you want to add to that?

#### BASE REALIGNMENT AND CLOSURE

Senator PRYOR. But do you understand the inconsistency? The Air Force wants to do it now before there's a BRAC, before there's the thorough review. And I would call the BRAC Commission an independent study and analysis of everything. And they're wanting to do it now before there's a BRAC. Do you know why?

Dr. ROBYN. I think they want to do what they can do within the law now. I mean, it's certainly well within their authority to do that.

Senator PRYOR. Thank you, Mr. Chairman.

Senator JOHNSON. Senator Blunt.

Senator BLUNT. Thank you, Mr. Chairman. I have a statement for the record. I might summarize it just briefly by saying that it talks about the importance of the big base we have in our State, the big Army base, Fort Leonard Wood, and some single-soldier housing questions I have there, and also a hospital question. But I think we can get to those pretty quickly.

[The referenced statement was not available at press time.]

#### HOSPITALS

I agree with Senator Pryor that he and I and many of our colleagues want to be sure that we've done all the overseas repositioning before we make the domestic decisions about bases. And I may have a question about that.

Mr. Hale, on hospitals, I think the Fort Leonard Wood hospital is No. 2 on the priority list for construction behind Fort Knox. And I think your Department makes that decision rather than the service. I think the Army had the Fort Leonard Wood No. 1 and Fort Knox No. 2. And I'm wondering what criteria you would have used to reprioritize what the Army thought they needed to do on these two bases.

Mr. HALE. I think, Senator, it's a collaborative process. I mean, we certainly hear the Army needs. We also look broadly at defense-wide requirements, and many of these hospitals are funded in the defense-wide military construction appropriation.

My understanding is we have some funds programmed in the out-years to replace the Fort Leonard Wood hospital. I can't tell you exact details of why it's in 1 year or another, but I would be glad to answer that one for the record. I can tell you we do talk to the Army, and we try to come up with a set of recommendations that are consistent across the Department in terms of the priorities of hospitals.

Dorothy, do you want to add to that?

Dr. ROBYN. Typically, we take the input from the services, and then Health Affairs, which is part of our Personnel and Readiness in the Office of the Secretary of Defense, does the ranking.

Senator BLUNT. I think the Army did rank these, though, when they submitted them. Right?

Mr. HALE. Right.

Dr. ROBYN. I think that's right.

Senator BLUNT. And I'd be glad to have more information on that.

Mr. HALE. Okay.

Senator BLUNT. You don't have to have it today, but I'd like to know what—

Mr. HALE. Would be glad to.

Senator BLUNT [continuing]. Criteria you would use on two Army bases that would reverse the priority that the Army had for those two bases. This is not a system-wide—it's an Air Force versus an Army base. You've got two Army bases. The Army said they thought that Fort Leonard Wood needed to be built first and Fort Knox second. And I'd like to know why you changed that ranking.

[The information follows:]

The OSD (Health Affairs) and the Army's Surgeon General staff have reviewed the priorities used in the development of the fiscal year 2013 President's budget. The Fort Knox Hospital Replacement was submitted as the Army's No. 2 priority. The Fort Irwin Hospital Replacement was the first priority. The Fort Leonard Wood Hospital was not one of the Army's top three priorities in the fiscal year 2013 program development process. In actuality, the Army's priorities were unchanged from what was submitted to the OSD (Health Affairs). The Fort Leonard Wood project, as were scores of other medical facilities projects, was evaluated through the Military Health System's Capital Investment Model. The major criteria used through the evaluation and prioritization process were strategic alignment, effectiveness of the infrastructure, and collaborative synergies. As a result of this evaluation and prioritization process, and as reflected in the fiscal year 2013 President's budget FYDP, a replacement for the Fort Leonard Wood Hospital is planned for fiscal year 2015.

#### BASE REALIGNMENT AND CLOSURE

Senator BLUNT. Also, Secretary Robyn, on the realignment opportunities, do I understand that you feel like that the overseas realignment is completed in your answer—in your response to Mr. Pryor?

Dr. ROBYN. No. No, I did not. I misstated if I implied that. No. I think we have already—I made the point that we have already done a lot over the last 20 years, and we have 23 closures already announced that the Army alone will be doing over the next 3 years. But we're just beginning the BRAC-like process that my office leads to look at everything we have in Europe and figure out—to what extent can we consolidate. And it will be looking at discreet installations, our discreet sites, of which we have 300, ranging from small communication posts to robust operating bases.

We're looking at excess infrastructure, such as warehouses, administrative space, and housing. And in particular, we're looking at things that are located off-base as a particularly attractive target, and then we're trying to take advantage of capacity that's made excess by force structure changes to accommodate any new functions. So it's a fairly elaborate process. We've started it, working closely

with the EU, EUCOM, Admiral Stavridis, with his component commanders and with service leadership here in Washington.

Senator BLUNT. And is it possible that some of these things are not going to be left overseas would come back to bases here?

Dr. ROBYN. We've already announced the reduction in force structure, so yes, that's right, which is why we want to do a domestic BRAC simultaneously, so that we can be more efficient in where we put people.

Mr. HALE. Although, Senator, I would add that many of the units that come out of Europe will be disestablished because of the overall drawdown. We're cutting 100,000 troops out of eight brigade combat teams. So I think in many cases these units will be disestablished. The Army hasn't made all the decisions; other services are involved as well. But many of these are just going to go away.

Senator BLUNT. I'm definitely not an opponent of forward positioning our troops. At the same time, you know, if you're going to have an economic impact in a community, I think we ought to be sure that we have first looked at where we're stationed overseas that might possibly benefit a base here or a station here of some kind, and I hope you're doing that. And I think many of our colleagues will want to have as many of those questions answered as possible before we go into the domestic BRAC process.

Mr. Chairman, I may have questions for the second panel, but I think that's all I've got here.

Senator JOHNSON. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman, and thank you all this morning.

Dr. Robyn, I want to speak a little bit this morning about where we are with Eielson Air Force Base. As you know, there has been a proposal that would move the F-16 Aggressor Air Squadron from Eielson down south to Joint Base Elmendorf-Richardson (JBER). This is more than a little bit troubling to the interior economy and to the folks up north there. Back in 2005, this same proposal was put before the BRAC Commission, and the commission then went ahead and rejected it.

Many up north feel that the Air Force, since it was not able to get this proposal through the BRAC Commission, is simply trying to accomplish this through a different means. You've mentioned the two statutes that are on the books, section 2687, and there's also section 993, which require the submission of the detailed information and then congressional consultation before the service realigns outside of a BRAC round.

It seems to me that the Air Force is taking the position that it can avoid the intent of either of these two statutes by—rather than realigning Eielson in one action, they simply cut the size of Eielson in half through a series of moves, none of which would trigger application of either of the two statutes, which, in my opinion, looks like it is going around the intent of the statute, failing to keep faith there.

And I guess the question that I would have to you is, first, whether or not you think that is what we're dealing with and whether or not we're honoring the intent of the statute, and then, also, as the Air Force is looking at this issue, whether it should defer from either taking any action to implement any realignment

until it has considered or complied with either of these two statutes or put the entire plan before Congress early on.

I'm concerned that what it looks like is we're trying to break Eielson down in small pieces to put it in a situation where it really doesn't stand on its own, that that warm base in a cold place just doesn't work out. Can you speak to me directly about these two statutes and the implementation as they relate to Eielson?

Dr. ROBYN. You've given me some facts that I'm not familiar with, so I'm hesitant to talk about what you describe as the Air Force going ahead and doing something that was rejected by the commission. So I can't reconcile the fact that they asked the commission for approval to do something—it sounds like, though, what they're doing is within the law.

I think what I can say is that when a base like Eielson, if we do a BRAC analysis, we look at all bases equally. The fact that the Air Force is moving things out of Eielson would not affect Eielson's analysis.

Senator MURKOWSKI. Right. But this is not a BRAC analysis at this point. Is that correct?

Dr. ROBYN. Right. No. It sounds like they are——

Senator MURKOWSKI. And this is——

Dr. ROBYN [continuing]. Doing what they can within the law outside of BRAC.

Senator MURKOWSKI. Without, then, triggering again——

Dr. ROBYN. Right.

Senator MURKOWSKI [continuing]. These statutes.

Dr. ROBYN. It sounds that way, yes.

Senator MURKOWSKI. You know, contained within the BRAC process, there are significant, I guess, economic resources that are made available to the communities to adapt to any changes, whether social or economic. But with this somewhat ad hoc realignment proposal that is now out there on the table for Eielson, it doesn't bring any of that assistance to the communities.

Is the Air Force looking at any aspect of that, if, in fact, this proposal were to advance?

Dr. ROBYN. I don't know.

Senator MURKOWSKI. Is there somebody that can get back to me on that?

Dr. ROBYN. Yes. I'll take that for the record. I apologize.

[The information follows:]

The Department relies on the Office of Economic Adjustment (OEA) to work with communities that are affected by a defense action, including defense industry downsizing, establishment or expansion of a military installation, a base closure or realignment under BRAC, or a (smaller) realignment done outside of BRAC. Under any of those scenarios, OEA is ready to work with the affected community as soon as it is ready—even before the realignment or other action has been finalized. OEA typically assigns a project manager to the community, provides planning grants, and if appropriate helps the community organize an ad hoc organization to speak with one voice on behalf of affected workers and firms. The community can use the planning grant to start the economic adjustment process, including doing such things as a workforce assessment, a workforce development strategy, a housing market evaluation, a business assessment, a school system business plan, and a review of local economic strengths, weaknesses, opportunities and threats (SWOT). OEA also serves as a single point of contact for a defense community and helps the community get access to other Federal agencies that have funds with which to implement its economic adjustment strategy.



Senator MURKOWSKI. Secretary Hale.

Mr. HALE. Senator, I wonder if I might put your question and the answer in a broader context, though.

Senator MURKOWSKI. Okay.

Mr. HALE. The United States Congress passed the Budget Control Act last year—required us to be consistent, whether we take \$45 billion out of the budget in 2013 alone or \$259 billion over the 5 years. I would take exception to the ad hoc statement at least, broadly, we weren't ad hoc.

We tried to look across a range of missions. We came up with a new strategy. We made major changes in investment—tried, frankly, to minimize force structure changes, but made those that were consistent with that strategy.

I know it's hard to make any force structure changes, but we had to. Had we not done so, we would have ended up with investment accounts that were just not enough to sustain this military. As it was, we made major changes in investment, particularly military construction.

So we were confronted with a major challenge budgetarily by the Congress. I think we met it as best we could, and I don't think it was ad hoc. I think it was very much consistent with the strategy.

Senator MURKOWSKI. And I appreciate that, most certainly. But I also recognize that with or without the Budget Control Act, we still have in place these statutes that require a consultation process, that require a submission of detailed information. What is proposed currently takes half, half of the population from Eielson, reducing the structure from 3,000 to about 1,500, so clearly triggering both of these statutes. And yet we're not seeing any consultation. We're not getting the required information that we would have under those two statutes.

So, again, I appreciate that the Budget Control Act puts us in a very difficult spot. But I also recognize that there is an obligation for consultation. There is an obligation for that information.

And I would appreciate, Dr. Robyn, if you can get me some information on the resources that might be made available outside of the BRAC.

One final point that I'd like to bring up here is calling attention to the fact that on JBER we currently have a situation where housing capacity is limited. We've got our soldiers that are living in trailers. So the observation that you can take 1,500 from Eielson, move them down to JBER in a situation where we're already over capacity with housing, causes me to question whether or not we have the ability not only to take them in, but how from a budgetary perspective, because that's what we're talking about here—how we allow and accommodate that.

Also, if new hangars are going to be needed for the F-16s as we relocate them, where do we find the funds to not only provide for the housing, but to provide for the hangars if we're looking at a 68-percent reduction in this fiscal year 2013 MILCON program. So I throw that out to you.

I know that the site survey team is going up there within the next month, and I think we'll find out some of this information. But it is more than a bit disconcerting to know that the proposals have been made, everything is on a very aggressive schedule to im-

plement, and in fact, we simply don't have information available on some pretty basic areas. So if you can get back to me with information, I would appreciate it.

[The information follows:]

All the family housing on Joint Base Elmendorf Richardson (JBER) is privatized. The installation has over 3,100 homes and with an occupancy of around 97 percent. Approximately 60 percent of the families reside off the installation in the Anchorage area. While the Air Force does not anticipate any housing issues as a result of this move, they are still reviewing the information to determine the ability of the installation and the local community to accommodate the increase in families. Should additional homes be required on JBER, they could be constructed through housing privatization.

The draft 2012–2016 Air Force Dorm Master Plan projects a future deficit of 162 bed spaces for airmen at JBER in fiscal year 2015. To meet this deficit, the plan recommends a 144-room dormitory be considered for construction. In the case that the 18th Aggressor Squadron relocates to JBER (about 127 airmen), the total deficit will increase to about 289 bed spaces. To cover this deficit, the Air Force recommends reprogramming the fiscal year 2012 Eielson Air Force Base 168-room dormitory to JBER, as well as programming a dormitory in future year plans. As an interim measure until the final dorm is constructed, the Air Force will allow airmen to live off-base or place them in any available Army barracks.

Air Force personnel assessed available hangar space at JBER, and determined there will not be a need for new hangars driven by the F–16 move.

Senator MURKOWSKI. Thank you, Mr. Chairman.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. Thank you.

The first panel may be excused. 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 HON. ROBERT F. HALE

##### QUESTIONS SUBMITTED BY SENATOR PATTY MURRAY

*Question.* Under Secretary Hale, language that I included in the fiscal year 2012 National Defense Authorization Act (NDAA) requires the Department of Defense (DOD) to submit to Congress a report on its current authority for multiyear contracts and additional authorities needed.

What is the status of that report?

*Answer.* The Department is in the process of analyzing its needs and determining what legislative language, if any, might be needed to provide the Department with appropriate long-term contracting authority. After this process is completed, the report will be completed.

*Question.* What options are available to the Department to provide the biofuels industry with sufficient certainty with respect to purchasing the supply of such fuel?

*Answer.* The Department currently has authority to enter into contracts for alternative fuels for up to 5 years. A major impediment to issuing such contracts are fiscal scoring rules which require funds for the entire contract to be allocated in the first year of the contract. These rules significantly overestimate the risk associated with the Department's use of long-term contracting authority, as the Department would only enter into such contracts for alternative fuels on a cost-competitive basis with their conventional counterparts, and the Department would be purchasing the same quantities of fuel regardless of whether they are alternative or conventional.

*Question.* Do you believe legislative authority is needed for the Department to enter into long-term contracts for alternative fuels?

*Answer.* The Department currently has authority to enter into 5-year contracts for alternative fuels. Potential biofuels suppliers have indicated to DOD that long-term contracts of at least 10 years are necessary because of the commercially underdeveloped production capabilities for these types of fuels. A major impediment to issuing such contracts are current fiscal scoring rules, which require funds for the entire contract to be allocated in the first year of the contract. DOD is looking into

what longer term contracting authorities might be prudent and beneficial, and what additional legislative authority these options would require.

*Question.* Has the Department considered the option of using the Defense Working Capital Fund contract authority for a long-term (20+ years) biofuels contract as a way of meeting the needs of the industry while not increasing the budget authority requirements?

*Answer.* The Department has considered this option and, at the volume and scale required to cost-competitively purchase operational quantities of fuel, found it to be unworkable. An exceptionally large amount of funding, covering the full projected cost of the contract, would need to be allocated in the first year of the contract, thus imposing significant budgetary constraints on the Defense Working Capital Fund. This would considerably reduce the Fund's ability to meet its primary obligation, which is to ensure that our forces have the fuel they need in the year of execution.

*Question.* If so, what legislation or executive direction would be required to accomplish this option of Working Capital Fund contract authority?

*Answer.* As noted in the answer to [the previous question], because this option is unworkable, additional legislative authority or executive direction is not required.

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QUESTION SUBMITTED BY SENATOR MARK KIRK

BUILDUP OF FORCES ON GUAM

*Question.* Mr. Hale, in your statement you emphasize the Administration's new emphasis on Asia and the Pacific. Last year during our hearing we tried to discuss alternatives to Guam for the stationing of Marine forces and you told us there were none. Now we see there are, in fact, alternatives, and the United States and Japanese Governments are renegotiating the entire plan. A lot has changed since last year, but a tremendous number of decisions have yet to be made.

Mr. Hale, the Future Years Defense Plan (FYDP) has over \$800 million in "undistributed Guam Wedges" in it starting in 2014, with the wedges for 2015, 2016, and 2017 being for \$270 million each. In total, there are over \$1.3 billion in the FYDP for Guam. That is a lot of total obligation authority to tie up considering we have no idea what the final Pacific theater review will recommend. Would you please comment as to why the FYDP contains such large wedges and other projects in the FYDP when the Department's review of the entire Pacific region has yet to be completed?

*Answer.* Consistent with the DOD strategic goal of rebalancing our global posture toward Asia-Pacific, as well as the President's emphasis on the importance of the Asia Pacific region, Guam remains critical as part of our larger Asia-Pacific strategy. Both the United States and Japan have recently underscored that the development of Guam as a strategic hub remains an essential part of the Alliance's Asia Pacific Strategy. In support of that, the fiscal year 2013 FYDP includes funding toward that end. Since the United States and the Government of Japan (GOJ) have just recently re-visited the terms of the 2006 Realignment Roadmap and the Guam International Agreement, the detailed project information normally included in the FYDP is still under development and we will continue working the details in preparation for future budget submissions. As we continue work to adjust our current posture plans with the Japanese, we understand the need to keep Congress informed and are committed to balancing fiscal realities with achieving a military presence in the region that is operationally resilient, geographically distributed, and politically sustainable.

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QUESTION SUBMITTED BY SENATOR DANIEL COATS

*Question.* If Davis-Bacon was waived for military construction projects, how much would it save the Department of Defense in fiscal year 2013?

*Answer.* The Department does not have empirical data to assess the effect of a waiver of the Davis-Bacon Act on military construction. The Department is aware of anecdotal data, supplied by opponents and proponents of the act, to support either cost savings (through lower wage and benefit payments and administrative costs) or cost increases (through increased building costs and higher accident rates on projects with lower paid, less-skilled workers). The Department has experienced contracts where wages paid are at the Davis-Bacon rate, and some where the wages paid exceed the Davis-Bacon rates. One of many unknowns with a Davis-Bacon waiver is whether the Government would see cheaper, but equally qualified, or lesser qualified tradesmen being hired for our jobs as a result of lower wages than those found to be prevailing by the applicable wage rate.

The closest impartial consideration of the Davis-Bacon issue can be found in the February 24, 2010, GAO report (GAO-10-421) [www.gao.gov/new.items/d10421.pdf](http://www.gao.gov/new.items/d10421.pdf). That report looked at the effect of applying the Davis-Bacon Act to a number of American Recovery and Reinvestment Act (ARRA) funded Federal programs, including some that had not previously been subject to the ARRA. A very brief summary of those findings—small construction projects in more rural areas would be impacted (i.e., cost more) because of Davis-Bacon required wages and administrative costs. The labor rates and payroll administration costs of major construction projects, particularly in large metropolitan areas, would not incur additional cost due to Davis-Bacon coverage.

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QUESTIONS SUBMITTED TO DR. DOROTHY ROBYN

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

*Question.* Dr. Robyn, according to your written testimony, DOD is reshaping the Energy Conservation Investment Program (ECIP) to focus on larger investments that produce “game-changing” improvements in energy consumption. What constitutes a “game-changing” improvement, and are there any in the fiscal year 2013 budget request?

*Answer.* Game-changing improvements are intended to leverage the Services’ larger investments in energy to create synergistic effects on the energy consumption, utilities cost or energy security of a particular installation. The six overarching program objectives for this concept are:

- Dramatically change the energy consumption at an individual installation or Joint Base;
- Implement a technology validated in a demonstration program sponsored by the DOD such as the Environmental Security Technology Certification Program (ESTCP);
- Integrate multiple energy savings, monitoring, and renewable energy technologies to realize synergistic benefits;
- Integrate distributed generation or storage to improve energy security and supply resilience for critical loads;
- Implement an energy security plan at a given installation especially when such an investment entails partnering with the Department of Energy; and
- Maximize contribution towards a Service’s or installation’s energy intensity, renewable energy and water consumption reduction goals put forth in the Department’s Strategic Sustainability Performance Plan.

In the fiscal year 2013 program, there are two projects which could be considered game-changing on a small scale. A 1.0 MW solar microgrid at Fort Hunter Liggett, California, incorporates distributed renewable energy production to improve energy security and provide reliable energy supply for critical loads on the base. This project is also a critical element in the Army’s efforts to make Fort Hunter Liggett one of its net-zero energy bases, integrating multiple technologies to help it maximize its contribution to the Army’s strategic energy plan. A combined heat and power plant in Quantico, Virginia, similarly creates reliable distributed generation to improve energy security on base. The plant also contributes to the base’s energy intensity goals by efficiently reusing the waste heat that is generated by the plant.

*Question.* Dr. Robyn, you note that in fiscal year 2014, DOD will replace ECIP formula funding with competitive, merit based funding. What criteria will you use to determine which projects have the most merit? Are you taking steps to make sure the services are aware of these criteria and that the process is transparent?

*Answer.* The Department issues annual ECIP guidance to the Services to establish priorities, processes and criteria for their project submissions. The criteria used for fiscal year 2013 ECIP project selection are identified in the table below. Before issuing guidance to the Services for their fiscal year 2014 ECIP submissions, we intend to conduct a series of working group meetings with ECIP stakeholders from the DOD services and agencies to refine these criteria and our evaluation process.

## QUESTIONS SUBMITTED BY SENATOR MARK KIRK

## ENERGY SECURITY

*Question.* Dr. Robyn, under your leadership the Department of Defense has done an outstanding job advocating energy efficient and alternative energy projects, but there is one aspect of the new energy program that I am concerned about and that is energy security. Our power grids are indispensable to the operational missions of our bases and a cyber attack on a grid that makes the base go dark could prove disastrous. I applaud the focus on renewable sources of energy but I do not see the same focus on energy security.

Is the focus on renewable energy more of a priority than energy security?

*Answer.* Energy security is the primary reason we are pursuing renewable energy development, since it provides an independent energy source for our installations. Due to the intermittent nature of most renewable energy, however, we must combine these projects with microgrids and energy storage technologies.

The combination of on-site energy and storage, together with the microgrid's ability to manage local energy supply and demand, will allow an installation to shed non-essential loads and maintain mission-critical loads if the grid goes down. DOD had made the development of advanced microgrids a major priority. Towards this end, the Environmental Security Technology Certification Program (ESTCP) is pursuing a wide range of technology and innovation efforts. ESTCP has funded 10 demonstrations of microgrid and storage technologies to evaluate the benefits and risks of alternative approaches and configurations.

*Question.* There are several microgrid demonstration projects underway at this time and I would like to know if you plan to incorporate microgrid technology into your energy programs to ensure greater energy security. Do you have any thoughts on this technology yet?

*Answer.* A major focus of my office is advanced, or "smart," microgrid technology. Smart microgrids and energy storage offer a more robust and cost effective approach to ensuring installation energy security than the current one—namely, back-up generators and (limited) supplies of on-site fuel. Although microgrid systems are in use today, they are relatively unsophisticated, with limited ability to integrate renewable and other distributed energy sources, little or no energy storage capability, uncontrolled load demands, and "dumb" distribution that is subject to excessive losses. By contrast, we envision microgrids as local power networks that can utilize distributed energy, manage local energy supply and demand, and operate seamlessly both in parallel to the grid and in "island" mode.

Advanced microgrids are a "triple play" for DOD's installations. First, they will facilitate the incorporation of renewable and other on-site energy generation. Second, they will reduce installation energy costs on a day-to-day basis by allowing for load balancing and demand response—i.e., the ability to curtail load or increase on-site generation in response to a request from the grid operator. Most important, the combination of on-site energy and storage, together with the microgrid's ability to manage local energy supply and demand, will allow an installation to shed non-essential loads and maintain mission-critical loads if the grid goes down.

The Installation Energy Test Bed, discussed below, has funded 10 demonstrations of microgrid and storage technologies to evaluate the benefits and risks of alternative approaches and configurations. We are working with multiple vendors so as to ensure that we can capture the benefits of competition. Demonstrations are underway at Twentynine Palms, California (General Electric's advanced microgrid system); Fort Bliss, Texas (Lockheed Martin); Joint Base McGuire-Dix-Lakehurst, New Jersey (United Technologies); Fort Sill, Oklahoma (Eaton); and several other installations.

In addition to funding technology demonstrations, my office has commissioned three studies from outside experts. First, Massachusetts Institute of Technology's Lincoln Laboratory is reviewing all of the Department's work on microgrids from a technical standpoint, and its report will be completed in May. In addition to helping us understand the range of ongoing activity, Lincoln Lab's work will serve to classify different microgrid architectures and characteristics and compare their relative cost-effectiveness. Second, a private organization is just beginning a financial analysis of the opportunities for installations to use smart microgrids and other energy security technologies (on-site generation, load management, stationary energy storage and electric vehicle-to-grid) to generate revenue. Although some installations engage in demand response even with their existing energy systems (typically, a base agrees to use backup generators on a few peak demand days in return for a payment from the local utility), advanced microgrid and storage systems will create opportunities for much more sophisticated and lucrative transactions. Third, Business

Executives for National Security (BENS), a nonprofit, is analyzing alternative business models for the deployment of microgrids on military installations. As part of that analysis, which will be completed this summer, BENS is looking at the appropriate scale and scope for an installation microgrid (e.g., Should it stop at the fence or include critical activities in the adjacent community?) and at the impediments to widespread deployment.

#### ENERGY SECURITY

*Question.* What are you doing to ensure energy security, particularly cybersecurity, is part of the Services plan for energy projects?

*Answer.* The Department is pursuing use of microgrid technology, combined with on-site energy generation, to improve the energy security of its fixed installations. Our installations rely almost completely on the U.S. electric grid for power. Since the grid is vulnerable to cyber threats, use of microgrids must be cyber secure to provide reliable backup in the face of a cyber threat. The Department will use existing standards, such as National Institute of Standards and Technology (NIST) and DOD Information Assurance Certification and Accreditation Process (DIACAP), to ensure its microgrids are protected from everything that can prevent critical applications from satisfying their intended requirements, including insider and outsider misuse, malware and other system subversions, physical damage, and environmental disruptions. The application of existing recognized approaches to DOD microgrids, such as NIST's Guidelines for Smart Grid Cyber Security, will ensure that the Department is able to meet today's cyber threat challenges.

These approaches are being used in the DOD's Environmental Security Test and Certification Program's (ETCPs) microgrid demonstration projects. ESTCP has funded 10 demonstrations of microgrid and storage technologies to evaluate the benefits and risks of alternative approaches and configurations. The Department is also testing the adequacy of these standards for cybersecurity in the Smart Power Infrastructure Demonstration for Energy Reliability and Security (SPIDERS) program. This effort is investigating cyber protection of industrial control systems and integration of distributed generation with renewable energy sources, including conducting exercises to test performance against cyber threats. SPIDERS will provide a replicable cybersecurity template when employing microgrids at DOD installations.

#### ROCK ISLAND ARSENAL

*Question.* In May 2011, the G-4 Director for Maintenance Policy, Programs, and Process briefed me on the Army's ongoing Organic Industrial Base Policy Review. Since then, the Army continues to refuse requests to provide updates on that strategy refresh. The fiscal year 2012 budget that the committee supported contained MILCON that the Army requested to expand capacity at Army organic industrial base (OIB) facilities. While the fiscal year 2013 contains limited MILCON at organic industrial facilities, we remained concerned about the absence of a strategy.

Could you please outline the Army's strategy for work-loading its organic industrial base to a sufficient level to ensure it remains viable to meet future wartime needs, and specifically the Joint Manufacturing and Technology Center Rock Island Arsenal?

*Answer.* The Army's workload will decline in the future because of the drawdown from current contingency operations. Linking the depots and arsenals, including the Rock Island Arsenal Joint Manufacturing and Technology Center, with the critical items they repair and manufacture will be the first step in establishing a sound baseline to determine required capability, capacity, capital investment requirements, and workload. This will allow both the depot maintenance and arsenal manufacturing competencies to remain complementary with private industry, and support the Army's action to right size the Government-owned maintenance and manufacturing base and encourage more public-private partnerships.

The Army is assessing ways to maintain critical skill sets at organic facilities like Rock Island Arsenal by:

- Exploring Foreign Military Sale opportunities to manufacture components for foreign nations;
- Investing in organic facilities infrastructure to ensure modernization with advanced technological capabilities;
- Encouraging organic facilities to partner with commercial firms to meet future requirements; and
- Encouraging involvement with the programs managers at the beginning of the acquisition process to ensure consideration of organic facility capabilities when economically feasible.

The Army will designate critical items to be manufactured at facilities based on manufacturing economies or unique manufacturing capabilities such as those at Rock Island Arsenal. This sustains efficient and cost-effective facilities. In such cases, the Army will identify the type of work and resources needed to sustain the capability and capacity and will develop an implementation strategy to do so.

Further, the Army has taken a number of steps to ensure that our organic facilities are postured to support requirements by identifying and prioritizing core requirements; sizing the facilities, infrastructure, and workforce to meet and sustain those core requirements; and using proven practices like Lean Six Sigma to ensure that its organic facilities maintain their core competencies and capabilities to meet future requirements.

The Army's will ensure that the Army's OIB, including Rock Island Arsenal, remains viable and relevant by investing in new technology; providing training and plant equipment to support the modernization of Army weapon systems; identifying and aligning core competencies and resources to support current and future surge requirements; investing to maintain state-of-the-art capabilities and quality of work environment standards; and prioritizing funding to achieve the desired end state—viable and relevant OIB facilities.

*Question.* To date, there has been no substantive joint-service work-loading of the Arsenal. What steps is the Army taking to engage the other services and expand access to its industrial base facilities, specifically Rock Island Arsenal? Please be specific and offer a timeline.

*Answer.* The Army is working to ensure that the capabilities of the Army manufacturing arsenals are known and provided to all Department of Defense (DOD) Program Managers. This helps maintain the viability of the Army manufacturing arsenals and the unique capabilities of these arsenals to support the national security interests of the United States. We are encouraging the DOD Program Managers to compete or partner with commercial manufacturing sources for weapon system assembly, sub-assembly, and component manufacturing workloads. Partnering between the arsenal and commercial section should occur if it's economical to do so or if it's needed to support a unique, necessary capability of the arsenal.

Workloads in all Army organic industrial base facilities are projected to decline at moderate rates through fiscal year 2015 as operational requirements are reduced in Iraq and Afghanistan. Throughout this period and beyond, the Army's arsenals will continue to be designated as Centers of Industrial and Technical Excellence (CITE) for maintenance and repair; for example, Rock Island Arsenal Joint Manufacturing Technology Center is designated as a CITE for Mobile Maintenance Systems.

*Question.* Are there any studies, reviews, and/or activities underway within the Army that could lead to the closure of the Joint Manufacturing and Technology Center Rock Island Arsenal? Please list all studies, reviews, and/or activities; the responsible USG/Army entity; and the final decision maker for each.

*Answer.* We know of no study that specifically recommends the closure of the Joint Manufacturing and Technology Center Rock Island Arsenal. The Secretary of Defense has requested Base Realignment and Closure (BRAC) legislation in order to give the Department of Defense (DOD) a tool for reshaping and right-sizing its infrastructure. Potential closures or realignments of any Army installation would be considered as part of this process.

In 2011, the Secretary of the Army directed the Army Materiel Command and the Assistant Secretary of the Army for Acquisition, Logistics and Technology to conduct a study on the optimization of materiel development and sustainment. The study will examine ways to improve the Army materiel and sustainment processes and institutions and is currently on-going.

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#### QUESTIONS SUBMITTED TO DR. PETER LAVOY

#### QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

*Question.* Dr. Lavoy, under the accelerated plan to withdraw 8,700 marines from Okinawa, the Department of Defense (DOD) has said that 4,700 marines will relocate to Guam, and the remaining 4,000 marines will rotate through the Pacific or shift to Hawaii.

How many forces do you expect will be home-based in Hawaii, and what MILCON requirements will that entail? Where will the rotational forces be home-based, and where will they be deployed? Do you expect future year MILCON needs for these components?

Answer. A final determination of the military construction (MILCON) funding requirements for the expected end strength of 8,800 marines in Hawaii will depend on the outcome of environmental studies and other considerations. Rotational forces are globally sourced, which in practical terms usually refers to Marine units rotating from bases in the continental United States or Hawaii. The MILCON funding requirement for the rotational forces to be located in Australia, estimated at \$1.3 billion, is very preliminary, and will depend on such factors as environmental assessments and Australian contributions.

*Question.* Dr. Lavoy, according to your testimony, maintaining USFK is a key component of U.S. strategy in Asia. With the effective cancellation of Tour Norm, what do you foresee for our future MILCON needs on the Peninsula? How will future MILCON in Korea augment our medium and long-term strategies?

Answer. A final determination of the military construction (MILCON) funding requirements for the expected end strength of 8,800 marines in Hawaii will depend on the outcome of environmental studies and other considerations. Rotational forces are globally sourced, which in practical terms usually refers to Marine units rotating from bases in the continental United States or Hawaii. The MILCON funding requirement for the rotational forces to be located in Australia, estimated at \$1.3 billion, is very preliminary, and will depend on such factors as environmental assessments and Australian contributions.

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#### QUESTION SUBMITTED BY SENATOR MARK KIRK

##### PACIFIC ENGAGEMENTS

*Question.* The Future Years Defense Plan contains very specific “Pacific Engagement Wedges,” even though the review for the Pacific region has yet to be completed. The wedges are:

- 2015: \$50,000,000;
- 2016: \$49,905,000;
- 2016: \$101,317,000; and
- 2017: \$101,183,000.

Dr. Lavoy, today’s (March 27) Washington Post ran a story about the administration’s plans to broaden ties to Australia and other nations in the Pacific region. The article mentioned expanding the carrier port in Perth, Australia; deploying combat ships to Singapore; operating UAV’s from Cocos Island; and even operating out of Viet Nam. Can you please supply details of the plans as you see them thus far? A classified briefing will be acceptable.

Answer. [Follows:]

*Australia.*—Our alliance with Australia is solidly grounded on shared values and common security concerns and approaches. Australia and the United States see many shared regional challenges in South East Asia and Oceania, including responding to natural disasters, ensuring freedom of navigation, combating piracy, and enhancing regional stability. The force posture initiatives announced last November by President Obama and Australian Prime Minister Gillard—including the rotation of U.S. Marines to Darwin and an increased U.S. Air Force presence in northern Australia—are examples of increased United States and Australian cooperation to address these regional challenges.

The United States continues to discuss a wide range of ways to enhance military cooperation with allies and partners, including ways to increase our cooperation and interoperability with Australia. Discussions on force posture initiatives are ongoing; however, no decisions have been made by either the United States or Australian Governments regarding initiatives beyond those announced last November.

*Singapore.*—Singapore is an active security partner with a strong commitment to promoting regional and international security. Singapore shares the belief that a strong United States presence in the Asia-Pacific enhances this security. We are working with Singapore to operationalize the partnership agreed upon in the 2005 Strategic Framework Agreement (SFA). The SFA provides the foundation for our overall bilateral relationship.

As one part of this effort, we have agreed to forward deploy littoral combat ships (LCS) to Singapore on a rotational basis as an example of our operational engagement. The LCS will not be based in Singapore and will be home-ported in the United States. This marks a significant movement in terms of our cooperation with Singapore. Once forward deployed to Singapore, the LCS will make port calls in the region to engage regional navies through activities such as exercises and exchanges. The LCS is a fast, agile, mission-focused platform designed to operate in near-shore environments. The modular design allows the ship to be tailored specifically for the



mission at hand. The operational details of forward deploying LCS to Singapore, including the timeline, are still under discussion. More information will be made available as Singapore and the United States finalize plans.

On April 4, Secretary Panetta met with Singaporean Defense Minister Ng and discussed the forward deployment of LCS to Singapore. This deployment signals the U.S. commitment to the region and enhances our ability to train and engage with regional partners.

*Vietnam.*—This year marks the 17th anniversary of the normalization of diplomatic relations between the United States and Vietnam. The United States and Vietnam continue to build an increasingly robust bilateral defense relationship based on shared objectives for peace and stability in the region. Improving defense cooperation is a reflection of the overall improving relationship between the two countries.

Since the first ship visit of the USS *Vandegrift* to Vietnam in November 2003—the first United States Navy ship to visit Vietnam in 30 years—the United States has made a port call in Vietnam every year, establishing a routine pattern of United States Navy maritime engagement. These ship visits have played a critical role in enhancing our maritime security cooperation with Vietnam, and helping to expand our overall bilateral defense relationship. We memorialized maritime security cooperation with Vietnam in the 2011 Memorandum of Understanding (MOU) for Advancing Bilateral Defense Cooperation. The MOU also identified four other priority areas to move the defense relationship forward: Routine dialogues and exchanges, search and rescue, UN Peacekeeping Operations, and humanitarian assistance/disaster relief.

To continue our routine naval engagements, the United States and Vietnam navies conducted a port call in Da Nang, Vietnam in April 2012. Both countries designed this activity to foster friendship, mutual understanding, and improve defense relations.

These kinds of activities underscore the closer ties between the United States and Vietnam. They enhance collective regional capabilities and cooperation, promote understanding, and improve the interoperability of our forces. However, it would be inaccurate to suggest that these activities feature U.S. naval assets “operating out of Vietnam.” To the contrary, these activities involve U.S. vessels making brief visits before departing to continue operations elsewhere in the region.



DEPARTMENT OF THE ARMY

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

ACCOMPANIED BY:

LIEUTENANT GENERAL MICHAEL FERRITER, ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT AND COMMANDING GENERAL, ARMY INSTALLATION COMMAND

MAJOR GENERAL TIMOTHY KADAVY, DEPUTY DIRECTOR OF THE ARMY NATIONAL GUARD

TAD DAVIS, CHIEF EXECUTIVE OFFICER OF THE ARMY RESERVE COMMAND

Senator JOHNSON. I am pleased to welcome our second panel of witnesses.

I am pleased to introduce Secretary Katherine Hammack, Assistant Secretary of the Army for Installations, Energy, and Environment; Lieutenant General Michael Ferriter, Assistant Chief of Staff for Installation Management and Commanding General, U.S. Army Installation Command; Major General Timothy Kadavy, Deputy Director of the Army National Guard; and Mr. Tad Davis, Chief Executive Officer of the Army Reserve Command.

This year's military construction and family housing budget request for the Army is \$3.6 billion, 32 percent below the fiscal year 2012 enacted amount. This steep decline in funding reflects the uncertainty injected into the Army MILCON planning as a result of recent policy decisions, including the reduction of 72,000 Army personnel and at least eight brigade combat teams through fiscal year 2017.

While these uncertainties are reflected in the fiscal year 2013 budget request, they are more glaringly apparent in the Army's fiscal years 2013 through 2017 Future Years Defense Plan (FYDP). The Army's revised FYDP for fiscal years 2013 through 2017 is a full 70 percent lower than last year's FYDP projections.

Clearly, the Army is facing a huge task in manpower and facility resourcing as it transitions from a wartime footing. This subcommittee stands ready to assist in helping the Army make this transition in terms of military construction, but it is imperative that we have a clear picture of the Army's way ahead as we make these decisions.

I thank our witnesses for coming today, and we look forward to your testimony. I understand that each of the witnesses will make a very brief opening statement. Your full statements will be entered into the record, so I encourage you to summarize them to leave more time for questions.

Madam Secretary, please proceed.

## SUMMARY STATEMENT OF HON. KATHERINE G. HAMMACK

Ms. HAMMACK. Thank you, Chairman Johnson, Senator Blunt. On behalf of soldiers, families, and civilians of the U.S. Army, thank you for the opportunity to present our military construction budget for fiscal year 2013.

I do want to recognize the absence of Senator Kirk from Illinois. His support and representation of Rock Island Arsenal is appreciated. We also wish him a speedy recovery.

We know the fiscal challenges that this Nation faces and are planning accordingly to implement what was asked of us by the Budget Control Act. The MILCON budget before you, as you mentioned, supports an Army in transition while at war and is a 32-percent reduction from prior year.

Pending strategic decisions in the Army's end strength reductions, force structure, and stationing has required us to prioritize our facility investments and to defer some of those investments that could be impacted. Once a Total Army Analysis (TAA) is complete later this year, we will then rebalance the fiscal year 2014 military construction budget to meet the needs of a realigned force.

I do want to talk about BRAC. As Dr. Robyn said in the previous panel, BRAC 2005 was a very different BRAC round for the Army from previous rounds. It was a transformational BRAC with a focus on restructuring to train and man the way that we currently fight. Although there are cost savings, they are much longer term cost savings than all prior rounds of BRAC.

BRAC 2005 also benefited the Army Guard and Reserve. In some areas, they consolidated on a 3-to-1 basis out of failing facilities into newer facilities, returning land to communities for greater economic and taxpaying use. And I'm sure you'll hear more about that from my fellow panelists.

The Army does support the administration's request for a BRAC in fiscal years 2013 and 2015. We know that changes in force structure will necessitate evaluation of our facilities to optimize usage, capabilities, and costs.

We have listened to Congress and have followed your guidance to reduce cost and footprint in Europe and in Korea. And as Dr. Robyn mentioned on the panel previously, in Europe, over the last 6 years, we have closed 97 sites and returned 23,000 acres to the host nation. In the next 4 years, we plan to close another 23 sites and return 6,400 acres primarily in Germany.

In Korea, over the last 6 years, we have closed 34 sites with 7,300 acres returned. And in the next 4 years, we plan to close another 20 sites and 9,400 acres returned to host nation. So we have been implementing a BRAC-like base realignment and closure overseas for many years, similar to what has been done in the United States.

I want to briefly touch on our Energy and Sustainability program. Since 2003, we have reduced our installation energy consumption by over 13 percent. We have implemented a Net Zero Initiative which focuses on reducing energy, water, and waste on our Army installations, and we currently have 17 installations that are striving to reach Net Zero by 2020.

Our Energy Initiatives Task Force is focusing on large-scale alternative energy production on Army installations which will give us the energy security that we require. At the same time, we have accelerated the use of Energy Saving Performance Contracts.

Each of these initiatives that I mentioned is leveraging private sector capital, not appropriated funds, utilizing authorities that members of Congress have given us. This enables us to enhance energy security, promote job growth in local communities, and leverage the cost effectiveness of the private sector.

#### PREPARED STATEMENT

In closing, I want to thank you for the opportunity to appear before you today and for your continued support for our Army soldiers, families, and civilians. I look forward to your questions.

[The statement follows:]

PREPARED STATEMENT OF HON. KATHERINE G. HAMMACK; LIEUTENANT GENERAL MICHAEL FERRITER; MAJOR GENERAL TIMOTHY J. KADAVY; AND TAD DAVIS

#### INTRODUCTION

Chairman Johnson, Senator Kirk and members of the subcommittee, on behalf of the soldiers, families and civilians of the United States Army, I want to thank you for the opportunity to present the Army's Installation Management Community fiscal year 2013 Military Construction budget request.

The Army's fiscal year 2013 Military Construction budget request supports an Army in transition while still at war. We understand the fiscal challenges faced by the Nation. Through efforts like the Army Facility Strategy 2020, the Army Family Covenant, the Army Community Covenant, and the Army Energy Enterprise, the Installation Management Community is focused on providing the facilities to support a trained and ready land force. We continue to be careful stewards of both the fiscal and environmental resources provided to the Army.

Over the past 4 years, the Army, with the support of the Congress, has regained balance, restoring strategic flexibility for the Nation. Continued support of the Congress will ensure the Army remains manned, trained, equipped and ready for all challenges and to protect America's interests at home and abroad. The subcommittee's commitment to our soldiers, families, and civilians and support of the Army's military construction program is deeply appreciated. The Army's strength is its soldiers—and the families and army civilians who support them. They are and will continue to be the centerpiece of our Army. America's Army is the strength of the Nation.

#### OVERVIEW

The Army's fiscal year 2013 President's budget requests \$3.6 billion for Military Construction (MILCON), Army Family Housing (AFH), and Base Realignment and Closure (BRAC). This request is \$1.7 billion less or a 32-percent reduction from the fiscal year 2012 request. The \$3.6 billion request represents 3 percent of the total Army budget. Of the \$3.6 billion requested, \$1.9 billion is for the Active Army, \$614 million is for the Army National Guard, \$306 million is for the Army Reserve, \$186 million is for BRAC, and \$535 million is for AFH. In addition and in support of Army installations and facilities the President's budget requested \$9.0 billion for Base Operations Support (BOS) and \$1.17 billion for environmental programs.

The 32-percent reduction in this budget request reflects the new fiscal reality that we are facing as a Nation. The Budget Control Act of 2011 combined with the pending strategic decisions on Army end-strength reductions and force structure and stationing across the country required the Army to review the facility investments necessary to sustain an All Volunteer Army. This MILCON budget request reflects the investments required in training, maintenance, operations, and quality of life facilities to preserve the all volunteer force.

#### ARMY FACILITY STRATEGY 2020

As we shape the Army of 2020 through a series of strategic choices over the coming months and years, the Installation Management Community looks to implement its Army Facility Strategy 2020 (AFS 2020) to provide quality, energy efficient facili-

ties in support of the Force. AFS 2020 provides a strategic framework to manage facilities at Army installations and is integrated with Army Systems and Force Structure decisions. AFS 2020 proposes a more cost-effective and efficient approach to facility investments that reduces unneeded footprint, saves energy by preserving more efficient facilities, consolidates functions for better space utilization, demolishes failing buildings and uses appropriate excess facilities as lease alternatives while meeting future Force drawdown as a 2020 objective.

AFS 2020 incorporates a facility investment strategy using MILCON funding to build out critical facility shortages; MILCON and Operation & Maintenance-Restoration & Modernization (O&M R&M) funding to improve existing facility quality; O&M Sustainment funding to maintain existing facilities; and O&M Demolition and Disposal funding to eliminate failing excess facilities. Investments from MILCON and O&M funding will support facilities grouped in the following categories: Global Defense Posture Realignment; Redeployment/Force Structure; Modularity; Barracks; Recapitalization/Deficit; and Ranges and Training Facilities. The fiscal year 2013 budget request begins the implementation of the AFS 2020 Facility Investment Strategy (FIS) by building out shortfalls for barracks, maintenance facilities, ranges, and Reserve component facilities.

#### FISCAL YEAR 2013 BUDGET REQUEST

##### MILITARY CONSTRUCTION, ARMY

The Active Army fiscal year 2013 Military Construction, Army (MCA) budget request is for \$1,923,323,000 (for appropriation and authorization of appropriations) to support the Army facility investment strategy. There are no requests for construction in Germany as we reassess our force structure in that country. The MCA budget has been further reduced by deferring projects that could be impacted by the Total Army Analysis (TAA). Upon completion of the TAA, future MCA budget requests will be rebalanced to meet the needs of a realigned force.

*Barracks Buyout (\$401 Million/21 Percent).*—The fiscal year 2013 budget request will provide for 1,180 new permanent party barracks spaces that will meet Department of Defense “1 + 1” construction standard and contribute to the reduction of inadequate permanent party barracks and deficits. The locations of these projects are at Joint Base San Antonio, Texas; Wheeler Army Air Field and Schofield Barracks, Hawaii; and Camp Ederle, Italy. The fiscal year 2013 request will also provide our soldiers 2,280 new training barracks spaces that meet applicable standards. The locations of these projects are at Fort Jackson, South Carolina; Fort Lee, Virginia; and Fort Leonard Wood, Missouri. The total barracks buyout investments will provide 3,460 spaces at seven installations.

*Global Defense Posture Realignment (\$128 Million/7 Percent).*—The fiscal year 2013 budget request includes two projects that support forward deployed forces in the Pacific Theater: \$45 million for a battalion complex at Army Garrison Humphreys in South Korea and \$18 million for a vehicle maintenance facility in Sagami, Japan. The request also includes \$65 million for two mission projects for units currently stationed at Fort Leonard Wood, Missouri in temporary or failing structures.

*Modularity (\$301 Million/16 Percent).*—The fiscal year 2013 budget requests \$78 million to support a critical strategic communication facility required by the Army's Network Enterprise Technology Command in its continuous pursuit of improved command and control, communication and intelligence linkages between Combatant Commanders and the National Command Authorities. Another \$128 million supports barracks and mission facilities for unaccompanied soldiers at Fort Campbell, Kentucky and Joint Base Lewis-McChord, Washington. The remaining \$95 million will provide aircraft maintenance hangers for the Combat Aviation Brigade at Fort Drum, New York.

*Redeployment/Force Structure (\$165 Million/9 Percent).*—The fiscal year 2013 budget request includes \$30 million for infrastructure necessary to support six Special Operations Command (SOCOM) buildings programmed in fiscal years 2012 and 2013. Senate Report 104–116 accompanying the Military Construction Appropriation Bill, 1996, prohibited the inclusion of infrastructure improvements in SOCOM Defense Wide MILCON budget requests and Senate Report 104–116 directed the military departments responsible for supporting the special operations forces to provide installation infrastructure as well as other common support facilities. The request includes \$107 million to support the fielding of the Gray Eagle units at Fort Bragg, North Carolina; Fort Campbell, Kentucky; Fort Hood, Texas; Fort Riley, Kansas; and Fort Stewart, Georgia. As a result of the Energy Independence and Security Act of 2007 and Executive Order, the remaining \$28 million replaces failing heating systems with ground source heat transfer systems at Fort Benning and Fort Gordon, Georgia.

*Recapitalization/Deficit: (\$572 Million/30 Percent).*—The fiscal year 2013 budget request includes 11 projects with investments of \$94 million for operations facilities, \$202 million for operational support facilities and \$276 million for institutional support projects. Included in the \$202 million is \$91 million for a waste water treatment plant at Joint Base Lewis-McChord, Washington. Joint Base Lewis-McChord must recapitalize this plant to meet the more stringent Puget Sound effluent standards and avoid escalating environmental violations. Also included is \$93 million to support the upgrade of the Army's aging critical industrial base facilities located at Corpus Christi Army Depot, Texas; Joint Base McGuire-Dix-Lakehurst, New Jersey; and the Military Ocean Terminal Concord, California. The two institutional support projects are the Cadet Barracks at the United States Military Academy for \$192 million and the expansion of the Arlington National Cemetery for \$84 million. The Cadet Barracks will provide 325 modern two-person rooms for the future leaders of the Army, eliminating current overcrowding. The expansion of the Arlington National Cemetery's Millennium Site will provide hallowed burial grounds for soldiers, sailors, airmen, and marines beyond 2025.

*Ranges and Training Facilities (\$232 Million/12 Percent).*—The fiscal year 2013 budget request includes \$160 million for training ranges to support multiple weapon systems and \$72 million in digital/simulations training facilities. The Army ranges and training facilities are used by all components of the Army to achieve mission combat readiness. The current ranges do not meet the quantity required by training demands and/or require modernization to meet current weapons qualification standards.

*Other Support Programs (\$124 Million/6 Percent).*—The fiscal year 2013 budget request includes \$65 million for planning and design of MCA projects and \$34 million for the oversight of design and construction of projects funded by host nations. As executive agent, the Army provides oversight of host nation funded construction in Japan, Korea, and Europe for all Services. The fiscal year 2013 budget also requests \$25 million for unspecified minor construction to address unforeseen critical needs.

#### MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The Army National Guard fiscal year 2013 MILCON budget request of \$613,799,000 (for appropriation and authorization of appropriations) is focused on Modularity, Recapitalization/Deficit, Ranges and Training Facilities, Barracks, and other support programs.

*Modularity (\$227.2 Million/37 Percent).*—The fiscal year 2013 budget request is comprised of 15 projects, which include nine Readiness Centers/Armed Forces Reserve Centers, two Combined Support Maintenance Shops, two Army Aviation Support Facilities, one Field Maintenance Shop, and one Refill Station Building.

*Recapitalization/Deficit (\$310.5 Million/51 Percent).*—The Army National Guard budget requests 18 projects to replace failing, inefficient facilities. There is one Maneuver Area Training & Equipment Site, four Regional Training Institutes (RTI), five Readiness Centers/Armed Forces Reserve Centers, two Operations Readiness Training Complexes, three Field Maintenance Shops, one Taxiway, Ramp & Hangar Alterations, one Unit Training Equipment Site, and one RTI enlisted barracks. These projects will provide modernized facilities to enhance the Guard's operational readiness.

*Ranges and Training Facilities (\$34.4 Million/5 Percent).*—The fiscal year 2013 budget request includes four projects which will support the Army National Guard's training of its operational force. These funds will provide the facilities soldiers require as they train, mobilize, and deploy. Included are one Live Fire Shoot House, one Combined Arms Collective Training Facility, one Urban Assault Course, and one Scout Reconnaissance Range.

*Other Support Programs (\$41.7 Million/7 Percent).*—The fiscal year 2013 Army National Guard budget request includes \$26.6 million for planning and design of future projects and \$15.1million for unspecified minor military construction to address unforeseen critical needs.

*Special Program Considerations.*—The Army National Guard requests a technical correction to the scope of the fiscal year 2010 North Las Vegas, Nevada Readiness Center. Due to technical errors, the DD form 1391 did not reflect the correct size for two line items and omitted one line item from what was presented to Congress. The Readiness Center should read 68,593 square feet (SF) vice 65,347 SF, and the unheated equipment storage area read 10,000 SF vice 4,800 SF. In addition 25,000 SF unheated vehicle storage must be added. All changes in scope can be executed within the appropriated amount of the project.

## MILITARY CONSTRUCTION, ARMY RESERVE

The Army Reserve fiscal year 2013 MILCON budget request for \$305,846,000 (for appropriation and authorization of appropriations) is for Recapitalization/Deficit; Ranges and Training Facilities, Barracks, and other support programs.

*Recapitalization/Deficit (\$258.8 Million/85 Percent).*—The fiscal year 2013 Army Reserve budget request includes \$258.8 million for facilities that prepare our soldiers for success in current operations. The construction of six new Army Reserve Centers, one Armed Forces Reserve Center, and one Operational Readiness Training Complex will provide modernized training classrooms, simulations capabilities, and maintenance platforms that support the Army force generation cycle and the ability of the Army Reserve to provide trained and ready soldiers for Army missions when called. The construction of one Equipment Concentration Site will enhance maintenance, equipment training set and storage capacity at Fort McCoy, Wisconsin. In addition, the request includes a new Central Issue Facility and a consolidated Dining Facility at Fort McCoy. The construction of these two facilities will provide modern, technologically advanced and energy efficient facilities, as well as demolish eight failing World War II-era wood structures.

*Ranges and Training Facilities (\$15.9 Million/5 Percent).*—The budget request includes three ranges that enable soldiers to hone their combat skills. Two ranges will be constructed at the Devens Reserve Forces Training Area, Massachusetts, and one will be constructed at Joint Base McGuire-Dix-Lakehurst, New Jersey, to support Reserve component soldiers in the northeastern part of the country.

*Barracks Buyout (\$4.3 Million/1 Percent).*—The budget request includes an Unaccompanied Personnel Housing (UPH) barracks project for permanent party soldiers assigned to Fort Hunter-Liggett, California.

*Other Support Programs (\$26.8 Million/9 Percent).*—The fiscal year 2013 Army Reserve budget request includes \$15.9 million for planning and design of future year projects and \$10.9 million for unspecified minor military construction to address unforeseen critical needs.

## ARMY FAMILY HOUSING

The Army's fiscal year 2013 budget request for \$534,692,000 (for appropriation and authorization of appropriations) is for the Army's investment in and operation of its worldwide inventory of family housing assets. The Army relies first on the local economy to provide housing for our soldiers. When housing on the economy is not available, the Army provides housing by various means including Government-owned, privatized, and leased housing. The Army has successfully privatized 98 percent of on-post housing assets inside the United States, while overseas we primarily house families in Army-owned and leased quarters.

*Residential Communities Initiative (RCI).*—In 1999, the Army began privatizing housing assets and the RCI continues to provide quality housing that soldiers and their families and senior single soldiers can proudly call home. The Army leverages appropriated funds and existing housing by engaging in 50-year partnerships with nationally recognized private real estate development, property management, and home builder firms to construct, renovate, repair, maintain, and operate housing communities.

RCI Family housing is at 44 locations, with a projected end state of over 85,000 homes—98 percent of the on-post Family housing inventory inside the United States. Initial construction and renovation investment at these 44 installations is estimated at \$12.7 billion over a 3- to 14-year initial development period, which includes the Army's contribution of close to \$2.0 billion. From 1999 through 2012, our partners have constructed 27,497 new homes, and renovated another 23,025 homes.

The RCI program for Senior Unaccompanied Housing includes four installations for a total of 1,394 accommodations for senior single soldiers in grade Staff Sergeant and above including officers at locations where there is a deficit of adequate accommodations off post. The four locations are Forts Irwin, Drum, Bragg, and Stewart.

## ARMY FAMILY HOUSING CONSTRUCTION

*AFH Construction (\$4.6 Million/1 Percent).*—The Army's fiscal year 2013 Family Housing Construction request is \$4.6 million for planning and design of future projects to continue our significant investment in our soldiers and their families. This supports our goal to improve Army-owned housing and eliminate our remaining inadequate inventory at enduring overseas installations.



## ARMY FAMILY HOUSING OPERATIONS

*AFH Operations (\$530 Million/99 Percent).*—The fiscal year 2013 budget request includes \$530.1 million for: Operations, Utilities, Maintenance and Repair, Leased Family housing, and management of RCI. This request supports over 16,000 Army-owned homes, in the United States and in foreign countries, as well as almost 7,500 leased residences and provides Government oversight of more than 83,000 privatized homes.

*Operations (\$102.9 Million).*—The operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. All operations sub-accounts are considered “must pay accounts” based on actual bills that must be paid to manage and operate the AFH-owned inventory.

*Utilities (\$88.1 Million).*—The utilities account includes the cost of delivering heat, air conditioning, electricity, water, and wastewater support for owned or leased (not privatized) Family housing units. The overall size of the utilities account is decreasing in proportion to the reduction in supported inventory due to RCI.

*Maintenance and Repair (\$109.5 Million).*—The maintenance and repair account supports annual recurring projects to maintain and revitalize AFH real property assets. Since most Family housing operational expenses are fixed, maintenance and repair is the account most affected by budget changes. This funding ensures that we appropriately maintain housing so that we do not adversely impact soldier and family quality of life.

*Leasing (\$203.5 Million).*—The Army leasing program is another way to provide soldiers and their families adequate housing. The fiscal year 2013 budget request includes funding for a total of 7,490 housing units, including 250 existing section 2835 (“build-to-lease”—formerly known as 801 leases), 1,478 temporary domestic leases in the United States, and 5,762 leased units overseas.

*Privatization (\$26.0 Million).*—The privatization account provides operating funds for management and oversight of privatized military family housing in the RCI program. RCI program costs include: Civilian pay, travel, and contracts for environmental and real estate functions; training; real estate and financial consultant services, and oversight to monitor compliance and performance of the overall privatized housing portfolio and individual projects.

## BASE REALIGNMENT AND CLOSURE

*BRAC 2005*

The Army met its BRAC obligations within the 6-year implementation window on September 15, 2011. The implementation of BRAC 2005 enabled the Army to reshape the infrastructure supporting the Operating Force, the Generating Force and the Reserve component transforming how the Army, trains, deploys, supplies, equips, cares for and garrisons its soldiers, families, and civilians. BRAC 2005 closed 12 installations, 387 Reserve component sites, realigned 53 installations and/or functions at an investment of almost \$18 billion which included 329 major construction projects. The completion of those recommendations, combined with the efficiencies achieved in the completion of the other Army BRAC recommendations, generates almost \$2 billion in annual recurring savings. BRAC 2005 relocated three (3) four-star and five (5) three-star headquarters to multi-use installations that support the missions of those headquarters, six (6) Joint and Army Training Centers of Excellence, a Human Resources Center of Excellence, seven (7) Joint bases, four (4) Joint mobilization sites, and two (2) Joint technical and research facilities. It transformed the Army’s industrial base, medical infrastructure and authorized 125 multi-component Armed Forces Reserve Centers and realigned the Army Reserve command and control structure. The Army has also conveyed an unprecedented 47 percent of its 70,311 BRAC 2005 total excess acreage as of January 2012. The remaining focus for BRAC 2005 is to dispose of the balance of excess property.

The Army fiscal year 2013 budget request for BRAC 2005 is \$106,219,000. The funding request includes \$48.4 million to support facility caretaker requirements. In fiscal year 2013, the Army will continue environmental closure, cleanup and disposal of BRAC properties. These activities will continue efforts previously ongoing under the Army Installation Restoration Program and will ultimately support future property transfer actions. The budget request for environmental programs is \$57.8 million, which includes management of munitions and explosives of concern as well as hazardous and toxic waste restoration activities. The timely execution of environmental restoration projects in fiscal year 2013 at several industrial sites, such as Riverbank Army Ammunition Plant, California, Lone Star Army Ammunition Plant, Texas and Kansas Army Ammunition Plant, Kansas is critical to transferring property back into productive re-use and job creation.

*BRAC 1990*

The Army is requesting \$79,863,000 in fiscal year 2013 for prior BRAC rounds. The request includes \$4.5 million for caretaking operations and program management of remaining properties and \$75.4 million for environmental restoration to address environmental restoration efforts at 280 sites at 36 prior BRAC installations. The funds requested in fiscal year 2013 are needed to keep planned clean-up efforts on track, particularly at Forts Ord, California; McClellan, Alabama; Wingate, New Mexico; Devens, Massachusetts; and Savanna Army Depot, Illinois. The Army has disposed of 178,357 acres (85 percent of the total acreage disposal requirement of 209,291 acres), with 30,934 acres remaining. Similar to BRAC 2005, prior BRAC also produces recurring savings which the Army estimates at nearly \$1 billion annually.

*Future BRAC*

The Department of Defense is requesting BRAC authority in 2013 and 2015. In BRAC 2005, the National Guard and Reserve benefited greatly through consolidation of facilities into joint readiness centers. On a 3-to-1 basis, the Army closed and returned land and buildings to local communities, consolidating onto military or other lands. The benefit to the local communities and Army was both economic and operational. We anticipate that there could be similar efficiencies in a future BRAC round. Additionally, with the anticipated end-strength reduction, BRAC could facilitate realignment of leased facilities onto installation facilities vacated due to TAA. Although no analysis has been completed, further study could identify other opportunities to gain efficiencies and reduce costs.

## ENERGY

The Army is the largest facilities energy user in the Federal Government. To maintain an effective readiness posture as energy costs escalate, the Army has implemented a comprehensive Energy and Sustainability program based on culture change, increased energy efficiency, and development of renewable and alternate sources of energy. Reducing energy use at Army facilities is mission critical, operationally necessary and financially prudent.

Army installations and facilities require secure and uninterrupted access to energy. Dependence on fossil fuels and a vulnerable electric power grid jeopardizes the security of Army installations and mission capabilities. Investment in renewable energy and energy efficient technologies will help ensure the Army can meet mission requirements today and into the future. The Army evaluates every single energy investment opportunity to determine its long-term benefits for the Army. For investments on our installations we examine projects based on positive return on investment and demonstrated cost savings over its lifetime. We also expect projects to make positive contributions to energy security and improve the quality of life experienced by soldiers and their family members.

Since fiscal year 2003 the Army has reduced its installation energy consumption by 13.1 percent while its total number of Active soldiers and civilians has increased 20 percent. In addition, the Army has adopted the highest building code in the Federal Government, ASHRAE 189.1 which will reduce energy and water consumption on average 40 percent annually in our new construction program and in existing facilities that undergo major renovations.

In fiscal year 2013 the Army's Installation Energy budget totals \$1.453 billion and includes \$50 million from the Department of Defense (DOD) "Defense-Wide" appropriation for the Energy Conservation Investment Program (ECIP), \$343 million for Energy Program/Utilities Modernization program, \$1,053 million for Utilities Services, and \$7.1 million for installation related Science and Technology research and development. The Army conducts financial reviews, business case and life cycle cost analysis and return on investment evaluations for all energy initiatives.

The Army's fiscal year 2013 allocation of the ECIP program, \$50 million, includes seven renewable energy projects, six energy conservation projects, one water project, and two Energy Security projects. In accordance with DOD guidance, fiscal year 2013 project submissions are divided into four categories: Renewable Energy; Energy Conservation; Water, and Security. Effective with fiscal year 2013, ECIP has established a new funding category to capture a project's contribution to enhancing water and/or grid security. The Army is taking a strategic look at requirements, including a thorough project validation and prioritization process, to develop an ECIP Future Years Defense Program to fund additional requirements should such an opportunity arise.

The Utilities Services account pays all Army utility bills and is used to finance the repayment of Utilities Privatization, Energy Savings Performance Contracts

(ESPCs) and Utilities Energy Service Contracts (UESCs). ESPCs and UESCs allow the Army to implement energy efficiency improvements through the use of private capital, repaying the contractor for capital investments over a number of years out of the energy cost savings.

Reducing consumption and increasing energy efficiency are among the most cost effective ways to improve installation energy security. The Army funds many of its energy efficiency improvements through the Energy Program/Utilities Modernization program account. In addition to funding O&M project execution, this account enables planning and developing of third party financed renewable energy initiatives such as the Energy Initiatives Task Force (\$29 million) and integrated holistic design strategies for managing resources on Army installations such as the Net Zero Initiative (\$2.2 million).

The Army is moving forward to address the challenge of Energy and Sustainability to ensure the Army of tomorrow has the same access to energy, water, land, and natural resources as the Army of today. Our energy goals include a 30-percent reduction in facilities energy intensity by 2015 from the 2003 baseline; generation of 25 percent of energy from renewable resources by 2025; reduction in petroleum use in non-tactical equipment by 20 percent by 2015; and elimination of the use of fossil fuel generated energy in newly constructed buildings by 2030.

In fiscal year 2011, the Army announced two key initiatives, the Net Zero Initiative and the Energy Initiatives Task Force (EITF). These initiatives will make the Army a leader in sustainable practices and use of renewable energy. The Net Zero Installation initiative is advancing an integrated approach and will improve the management of energy, water, and waste. Net zero installations will consume only as much energy or water as they produce and eliminate solid waste to landfills, and when fully implemented, will establish Army communities as models for energy security, sustainability, value, and quality of life. Seventeen installations have been identified for this effort, with plans to reach Net Zero by 2020.

The EITF strengthens Army Energy Security and Sustainability by developing a comprehensive capability to plan and execute cost-effective large-scale renewable energy projects by leveraging private sector financing. The EITF will serve as a one-stop shop and augment installation staff for the development of renewable energy projects greater than 10 MW on Army installations to obtain secure, sustainable, and affordable energy from a diversity of sources. The EITF is currently evaluating 12 projects at 8 installations to determine whether they are worthy of further development and has identified further opportunities at 21 installations.

The Army is incorporating cost effective Energy Efficient Measures into the MILCON Program. The Army has implemented energy efficiency requirements into all new facilities construction, renovation and modernization requirements.

The Army is committed to contributing to our Nation's energy security by reducing our dependence on foreign oil. In the Army, "Every Soldier is a Power Manager" and energy is a consideration in every aspect of how we do business. We are committed to advancing energy security by changing our doctrine, our behavior, and our technological advancement throughout all aspects of our enterprise. We will build on our past accomplishments and ensure our soldiers and civilians wisely employ the resources entrusted to them.

#### ENVIRONMENT

The Army fiscal year 2013 Environmental program provides \$1.17 billion in support of current and future readiness. The environmental program includes Army Working Capital Fund, BRAC 2005 and Prior BRAC, and Army O&M programs. This program ensures an adequate environmental resource base to support mission requirements, while maintaining a sound environmental compliance posture. Additionally, it allows Army to execute environmental aspects of re-stationing, Global Defense Posture Realignment and BRAC while increasing programmatic efficiencies, and addressing the Army's past environmental legacy.

As a land-based force, our compliance and stewardship sustains the quality of our land and environment as an integral component of our capacity to effectively train for combat. We are committed to meeting our legal requirements to protect natural and cultural resources and maintain air and water quality during a time of unprecedented change. We are on target to meet DOD goals for cleaning up sites on our installations, and we continue to manage environmental compliance requirements despite operating in a constrained resource environment.

#### SUSTAINMENT, RESTORATION AND MODERNIZATION

The Army continues its commitment to fund sustainment at 90 percent of the OSD Facilities Sustainment Model (FSM) requirement. The Army views 90-percent

sustainment funding as the absolute bedrock of proper facilities stewardship, and is an essential objective of the Army facilities investment strategy. The Army has chosen not to take risk in the sustainment of our facility inventory valued at \$329 billion. In keeping with the Army Facility Investment Strategy (FIS), the Army has increased its investment in facility restoration through the O&M Restoration and Maintenance account. This will fully restore trainee barracks, enable progress toward energy objectives and provide commanders with the means of restoring other critical facilities. Facilities are an outward and visible sign of the Army's commitment to providing a quality of life for our soldiers, families, and civilians that is consistent with their commitment to our Nation's security.

#### BASE OPERATIONS SUPPORT

The Army's fiscal year 2013 Base Operations Support (BOS) request is \$9.0 billion and is consistent with our fiscal year 2012 BOS budget request. The Army's fiscal year 2013 BOS strategy continues to prioritize funding for Life, Health and Safety programs and Army Force Generation (ARFORGEN) requirements ensuring soldiers are trained and equipped to meet demands of our nation at war. Army remains committed to its investment in Army Family Programs and continues to evaluate its services portfolio in order to maintain relevance and effectiveness. Army will meet the challenge of day-to-day requirements by developing more efficient service delivery or adjusting service levels while managing customer expectations. These efforts will encourage program proponents to evaluate policies, seek alternative and find innovative solutions to meet these challenges. The Army is committed to developing a cost culture for increasing the capabilities of BOS programs through an enterprise approach. Additionally, the Army will continue to review service delivery of its soldier, family, and civilian programs to ensure the most efficient and effective means of delivery are realized.

#### CONCLUSION

The Army's fiscal year 2013 installations management budget request is a balanced program that supports the Army in transition while at war, supports our soldiers, families, and civilians, and recognizes the current fiscal reality. The Army Facility Strategy 2020 and facilities investment strategy will be accomplished through the Congress' continued commitment to timely and sustained funding of the military construction, BRAC and family housing budget request.

In closing, thank you again for the opportunity to appear before you today and for your continued support for our soldiers, families, and civilians.

Senator JOHNSON. Thank you.

General Kadavy—General Ferriter. Excuse me.

#### STATEMENT OF LIEUTENANT GENERAL MICHAEL FERRITER

General FERRITER. Thank you, Mr. Chairman. I thought you were going to make my remarks very brief.

Chairman Johnson and Senator Blunt, it's an honor for me to be with you here this morning representing the soldiers and the families and the civilians of the United States Army and to discuss the fiscal year 2013 Army military construction, family housing, and base realignment and closure budget request. Before I start, I do want to thank you and thank the subcommittee for its support to the Army, our soldiers, families, and civilians.

I assumed my current position as the Installation Management Command Commanding General and the Assistant Chief of Staff for Installation Management for the Army shortly after departing Iraq where I was the Deputy Commanding General for Advising and Training of the Iraqi Security Forces. So, for me, this position is a perfect fit, because, you see, I was raised in an Army family, and while my father was on Active Duty we moved 18 times to different installations around the world.

My wife, Margie, also comes from an Army family. And together we raised four wonderful children, three of whom are serving in the

Army. My two sons each are Stryker Company Commanders and each have deployed four times, and our daughter, First Lieutenant Mary Whitney Whittaker, is stationed at Fort Benning. So we sincerely thank you for your support. We've been the recipient of Army family programs and services.

As Madam Secretary discussed earlier regarding the pending Army decisions and fiscal realities we face as a Nation, this budget represents the prudent actions taken by the Army to be good stewards of the tax dollars provided to the Army by this subcommittee and the taxpayers of the Nation.

I'd like to highlight three areas of this budget request. First is barracks. The Army's Barracks Modernization Program for permanent party and initial entry training barracks was to be completed and occupied by fiscal years 2015 and 2017. As a result of previous reductions, the Budget Control Act, and pending Army force structure and end strength decisions, both barracks program completion dates have been delayed.

With that said, the Army is investing \$721 million of this year's budget request in 12 critical barrack projects that will accommodate over 4,700 soldiers. These projects will build out barrack shortages, reduce the number of barracks with common area latrines, and replace temporary buildings.

As for the cadet barracks at the United States Military Academy, this is not a barracks in a traditional sense, but rather a dormitory with cadet living and learning spaces, as well as company and battalion operation facilities for the cadre that train and mentor the future leaders of the Army and our Nation.

The second area I'd like to highlight is overseas construction. As we've heard today, understanding the subcommittee's desire to minimize military construction investment overseas, the Army cannot ignore our soldiers who are forward deployed as the vanguard of our Nation.

The five overseas projects program for \$209 million in this request provides critical facilities in support of the President's increased focus in the Asia-Pacific theater and works to complete the requirements in Europe in support of Europe and Africa combatant commanders. As a part of the Army's prudent actions, 43 overseas projects worth \$831 million were deferred outside of the Future Year Defense Program until Army force structure and end strength decisions are made.

Finally, the last area I want to discuss is the need to modernize our range and training facilities. The \$232 million for the 17 projects in this budget are critical and necessary in training today's Army and the Army of the future. With the subcommittee's support of the military construction program, the Army will be able to maintain the edge and the experience that 10 years of combat have given to this force.

In closing, again, I want to thank the subcommittee for this opportunity to address the Army's most critical constructions needs, and I look forward to your questions. And I will now be followed by Major General Tim Kadavy, Director of the Army National Guard.

Senator JOHNSON. Thank you.  
General Kadavy.

## STATEMENT OF MAJOR GENERAL TIMOTHY J. KADAVY

General KADAVY. Thank you, Chairman Johnson and distinguished members of the subcommittee. It's truly an honor and a privilege to be here today representing the 350,000-plus citizen soldiers of the Army National Guard.

Since September 11, 2001, the Army National Guard has completed more than 495,000 individual soldier mobilizations in support of a full range of Federal missions. Today, we have more than 35,000 soldiers serving away from their families. I'd be remiss if I did not acknowledge the toll of those deployments. We have 5,539 Army National Guard soldiers who have been wounded in action and 685 soldiers who have sacrificed their lives for our Nation.

In fiscal year 2012, the Army National Guard will execute a military construction budget of \$773 million across 48 projects in 38 States and territories. We are again forecasting a first-year project execution rate of 90 percent or greater. This will be our fourth consecutive year the Army National Guard has achieved this level of execution.

This year's budget request of \$614 million is for 37 military construction projects to cross 26 States and territories and represents 17.2 percent of the Army's military construction request. The request is a 21-percent reduction from the President's budget request of fiscal year 2012. These projects will include readiness centers, ranges, maintenance shops, and training facilities.

We do support another Reserve component BRAC, if it is structured the same as in 2005 with voluntary participation by the States. This would help us to meet a real need and achieve a more effective inventory. We would use the program to replace our old failing facilities that are not configured for today's missions, that are energy inefficient, and facilities that are in the wrong location due to population shifts over the last 40 years. A BRAC would help us by providing new facilities which would improve our efficiencies and our soldier readiness.

The Army National Guard is truly a community-based force. Our readiness centers are central to their communities. They provide a connection between our military and hometown America. But many facilities now fail to meet the needs of the 21st century operational force. Despite this, we are committed to maintaining a ready force.

Mr. Chairman and members of the subcommittee, the Army National Guard would not be the operational force that it is today without the support of Congress and this subcommittee. Thank you again for this opportunity to speak here today. I look forward to your questions. And I'll be followed by Mr. Davis.

Senator JOHNSON. Thank you.

Mr. Davis.

## STATEMENT OF TAD DAVIS

Mr. DAVIS. Thank you, Mr. Chairman, Senator Blunt. And thanks for the opportunity to appear before you all here today. It's an honor to be here on behalf of the more than 205,000 Army Reserve citizen soldiers currently serving at home and abroad.

The increased reliance on the Army Reserve in the future is quite clear, as is the need to maintain the readiness of the Army

Reserve as an operational force. Continued investment in the Army Reserve places it on a solid path to support contingency operations and theater security cooperation missions worldwide.

Army Reserve forces provide critical enablers to the Active component and members of the joint force as a complementary and essential capability, but not as a redundant force. Currently, over 17,000 Army Reserve soldiers are deployed in 23 different countries worldwide.

The military construction Army Reserve request for \$306 million in fiscal year 2013 is in compliance with the Budget Control Act and supports the Army Reserve mission. It provides the necessary replacement for failing Army Reserve centers, modernization of ranges and training support facilities, and enhanced logistical and mobilization capabilities.

Implementation of the Army Reserve Facility Investment Strategy will ensure we have sufficient facilities to meet mission requirements at the lowest possible cost with acceptable quality and quantity and at the right locations to support the demographics of the Army Reserve. Army Reserve centers are no longer just a meeting location for our units, but are now state-of-the-art facilities essential to training Army Reserve soldiers for overseas contingency operations, enhancing our support to domestic response missions, and enabling the day-to-day activities of the Army Reserve.

BRAC 2005 had a significant impact on the organizational structure of the Army Reserve, enabling us to transform to a truly operational force. Further, we were able to close 179 aging and failing facilities and consolidate our units in many cases with other joint organizations and the Army National Guard into 125 new, state-of-the-art, more energy-efficient facilities with adequate force protection. Future rounds of BRAC would allow us to continue to further consolidate units where it makes sense, to reduce reliance on leased spaces, and potentially maximize the use of existing facilities that might be vacated by other components or other services.

In closing, Mr. Chairman, our citizen soldiers will continue to be the centerpiece of the Army Reserve. We recognize that their ability to perform assigned missions successfully depends upon the continued staunch support of Congress and this subcommittee, in particular. And, again, on behalf of our Army Reserve soldiers and their families, I'd like to thank you for your continued support.

Senator JOHNSON. Thank you for your opening statements.

Senator Blunt, you may proceed. I'll finish up.

Senator BLUNT. Thank you, Senator Johnson.

#### NET ZERO INITIATIVE

Secretary Hammack, you and I have talked about the barracks situation at Fort Leonard Wood and the single-soldier barracks. I was able to visit there last month, and certainly, they're doing everything they can to refurbish the existing quarters. There's still a shortage. I know that you and I both believe that proper quarters for our troops is critically important here.

I guess my question would be in a case like this where you really have a need for single-soldier housing, why is that lower on the priority list now than like the Net Zero energy initiative would be?

Ms. HAMMACK. Thank you for your question. The Net Zero energy initiative is not a project funding mechanism. It is guidance and direction on how to appropriately spend SRM (sustainment, restoration, and modernization) money and MILCON money. The barracks program has been significantly reduced, and that is primarily focused on the Total Army Analysis to ensure that we do not build excess capacity anywhere. Once the Total Army Analysis is complete, we will be reevaluating and bringing in those barracks projects that are required and are not impacted by any force downsizing or restructuring.

Senator BLUNT. And are you building any barracks anywhere in the upcoming cycle?

Ms. HAMMACK. Yes. In fiscal year 2013, as General Ferriter mentioned, there are, I believe, 12 barracks projects.

Senator BLUNT. Twelve barracks projects all over the country?

Ms. HAMMACK. Yes, sir.

Senator BLUNT. And how does that comport with the idea that you're waiting to see how the troops settle out before you expand housing?

Ms. HAMMACK. Those are barracks projects in areas that we do not believe will be impacted by the results of the Total Army Analysis. So one of the large projects is at West Point. And at West Point, we have severe overcrowding, have had for a while, and have come up with a strategy and design that will relieve that. That is not an area that would be impacted by the Total Army Analysis.

Senator BLUNT. And will there be any money available for upgrading current facilities? Are you able to find some more money there than we might otherwise have? We're using facilities that otherwise I think we'd be replacing. I wonder what our thoughts are about that.

Ms. HAMMACK. Absolutely. We have sustainment, restoration, and modernization money, or SRM money, that is being used to restore facilities. In many cases, what we are finding is existing barracks buildings have the structural integrity and are sized appropriately, but what they need is extensive renovations. And so, we are finding that it costs us only a quarter of the amount to do the renovation as it would new construction. So we would, in that case, prioritize renovation over new construction.

Senator BLUNT. And SRM money at Fort Leonard Wood—do you have any report for me on that?

Ms. HAMMACK. I don't have that information with me right now. But I can take that for the record and get the information to you.

Senator BLUNT. I appreciate that.

[The information follows:]

The Army is projected to spend \$58.5 million of sustainment, restoration, and modernization funding at Fort Leonard Wood in fiscal year 2013 on the renovation of four barracks buildings, two battalion headquarters buildings, and two enlisted dining facilities.

Senator BLUNT. And Mr. Chairman, I just want to say to all the members of the panel I appreciate your service and being here today and your leadership at a challenging time for our defense structure. But I'm glad that you all are part of it.



ARMY NATIONAL GUARD AND RESERVE MILITARY CONSTRUCTION  
REQUIREMENTS

Senator JOHNSON. Thank you.

This question is directed at both General Kadavy and Mr. Davis. General Odierno has noted that the reduction in the Army end strength will require the military to rely more heavily on the Army Guard and Reserve to maintain its capability to engage in major combat operations. He also suggested that the United States will have to keep its Reserve forces at a higher level of readiness than it did before the wars in Iraq and Afghanistan.

How does this translate to military construction requirements? I'm concerned because the fiscal years 2013 through 2017 FYDP shows an 18-percent reduction for the Guard and a 14-percent reduction for the Reserve below the projected out-year funding in last year's FYDP. How might this impact the ability of the Guard and Reserve to provide the necessary training facilities to support the increased readiness requirement?

General Kadavy, would you like to answer first?

General KADAVY. Thank you for the question, Senator. The Army training strategy is focused on taking the strengths of all three components as it deals with installations and training areas and ranges, et cetera, and prioritizing them for the units that are within the force generation model in the available year. So for those units that are preparing for an upcoming deployment, the ranges and the facilities are available. And we also believe that in the current budget request, we are able to get after requirements to critical requirements where ranges don't exist or to remodel or modernize those that are failing or failed.

Thank you, Senator.

Senator JOHNSON. Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. I'd come at this question maybe a little bit differently than General Kadavy. I think first and foremost what we're seeing from the Army Reserve perspective and from the Guard's perspective is no detriment to our current end strength. Hence, the investments that are being made in our facilities are done so based on what we believe is our current end strength at 205,000, which we believe will be consistent through the FYDP, again, based on things like TAA, based on things like possible sequestration.

But as we look to the future with that steady state of 205,000 reservists, we believe that if we receive a steady state of MILCON funding through that period that you mentioned, fiscal years 2013 to 2017, that we will be able to adequately address those things that we need to focus on most, again, as General Kadavy mentioned, replacement of our aging and failing Army Reserve facilities that are out there, enhancements to our ranges and training areas, and upgrades to our ability to conduct simulation type training exercises, and then, finally, as you know, our all important equipment concentration sites and consolidated maintenance facilities.

And so we will look at those major categories of facilities into the future, and if we continue to get in that range of \$175-\$180 million, which is what the projection is right now, we think we will be able to adequately provide the support from a MILCON perspec-

tive to the Army Reserve as an operational force through that period.

#### FORCE RESTRUCTURING

Senator JOHNSON. General Ferriter, since 2003, the Army has reduced its total personnel in Europe by 50 percent. In addition to this previous force reduction, the Army has announced that it is also planning on withdrawing two brigade combat teams and Army 5th headquarters from Germany. While there is no new Army MILCON for Germany in fiscal year 2013, how will force restructuring impact future Army MILCON needs in Europe? How much money will the Army save in terms of operations and maintenance expenses with the withdrawal of two brigade combat teams and 5th headquarters?

General FERRITER. Thank you for that question, Mr. Chairman. For the first part, the consolidation and movement of the Army forces and the families within Germany and within Europe by General Hertling, who is the United States Army Europe Commanding General—he is shrinking his footprint down to accommodate the smaller numbers of forces.

In accordance with our view towards our forward presence at places such as Grafenwoehr and Hohenfels, they become keen training sites and housing sites for the United States presence and for the United States to work with our partners and allies. In shrinking down his footprint and moving and consolidating at a place such as Wiesbaden, then he expects that he'll be saving over \$100 million in terms of being at multiple sites and the operating of many smaller sites.

They have a very, very comprehensive plan. Now, much of it still is also tied to the Army's total Army view of itself and what forces, the size of our forces, and the overall decisions taken by the Secretary of the Army and the entire Department here. So, overall, I think they're in good shape, and they have a good plan to tighten their facilities and their costs over there.

#### EUROPEAN FACILITIES

Senator JOHNSON. Secretary Hammack, what additional military construction costs do you expect from the consolidation and disposing of unneeded facilities in Europe?

Ms. HAMMACK. Many of the facilities in Europe as are closed are being returned to host nation. And so the costs are not incurred in the disposing of facilities. The costs are more incurred in the relocation of material to wherever we decide its end destination is.

There may be some costs as we consolidate in replicating facilities in a new location in order to close an existing location. Maybe we need more warehouses or other facilities. But that is part of the analysis that we're undergoing right now as we determine how to move the troops out.

Senator JOHNSON. Is the Army planning on maintaining vacated infrastructure in EUCOM for contingency purposes? If so, has any analysis been conducted to determine the annual operation and maintenance (O&M) costs for maintaining contingency facilities?

Ms. HAMMACK. The plan right now is not to maintain contingency facilities, but we plan to have a rotational force. So we will

not need family housing, but we would need barracks for our rotational force. So we will need some facilities for our rotational force and for training, whereas we would not be planning for a contingency.

Senator JOHNSON. General Ferriter, with the planned drawdown in Afghanistan, the Army has indicated that it will rotate units through Europe in lieu of permanent basing there. Where will these forces be located in Europe? Will they occupy vacated space from the force restructuring and troop reductions?

General FERRITER. Mr. Chairman, principally, they'll be at and near the training facilities, the large and beautiful training facilities that we already have there. And these won't be just the forces coming directly out of Afghanistan. But rather this will be a part of the Army force generation and training model, so to push forces from the United States forward for a limited period of time to conduct the training for themselves, to have the opportunity to train with our allies, and then to return to their home station base in the United States.

#### ARLINGTON NATIONAL CEMETERY

Senator JOHNSON. Secretary Hammack, this is relative to Arlington National Cemetery. In fiscal year 2013, the Army is requesting \$103 million for military construction and planning and design and \$25 million through Army O&M funds to support needed improvement projects at Arlington National Cemetery (ANC).

While I support the Army's goal of correcting challenges posed by prior mismanagement at Arlington Cemetery, ANC has long been an independent agency reflecting the importance of ensuring that Arlington Cemetery is not a footnote in the Army's overall defense budget. Given the past mismanagement at Arlington Cemetery, which I think we all recognize as a genuine concern, is the Army considering plans to absorb ANC into the Army budget? If so, would there be any requirement to maintain it as an independent agency?

Ms. HAMMACK. Right now, there are many discussions as to the future of Arlington and the management of Arlington. But our primary focus is to ensure that our dead are being buried appropriately and the Army appropriately stewards Arlington for all of the services. The money that we are asking in the MILCON project or in the MILCON program is for the Millennium Project, which is an expansion of Arlington Cemetery.

Current forecasts are that we will run out of burial space and niches by 2025, and so we need to ensure that we are utilizing all of the land available. And so the Millennium site is an old Park Service warehouse, an area of the nearby fort and some Arlington land that has been underdeveloped. And so that is what the request is for.

It is under OMB direction that we are putting it in the MILCON program, and it is a bit of an anomaly. But we believe that the Army, with the stewardship of the Army Corps of Engineers, can appropriately manage this expansion, and it is a necessary project.

Senator JOHNSON. Secretary Hammack, as you know, defense O&M funds are appropriated through the Defense Appropriations Subcommittee. ANC's O&M budget is currently appropriated

through this subcommittee. Appropriating money for Arlington through different subcommittees raises questions over the commingling of funds and how to maintain effective oversight of the ANC budget.

If the subcommittee were to approve this request for fiscal year 2013, how does the Army propose to differentiate and ensure transparency between ANC O&M funding through the independent agency account and O&M funding through the Army?

Ms. HAMMACK. I would have to take that one for the record. Our intention is that they be managed independently, and that this is a bit of an anomaly to correct challenges that ANC has had in the past. We have yet to decide what the appropriate path forward is.

We do understand the use of security funds versus non-security funds. And so it is something that we are going to have to work collectively with Congress to determine what the appropriate path forward is.

[The information follows:]

To ensure that the Army and Arlington National Cemetery (ANC) maintain transparency between these two appropriations, the Army will use ANC's Management Decision Package (MDEP) code as part of the project line of accounting to identify those operation and maintenance, Army (OMA) funds used to support each ANC project. ANC's MDEP code is unique for the OMA account and can be used to track these expenses.

#### PRIVATIZED FAMILY HOUSING PROJECTS

Senator JOHNSON. Secretary Hammack, what effect will the planned reduction in Army force structure have on the Army's privatized family housing projects? Do you anticipate that the financial viability of any privatized housing projects will be jeopardized or that certain projects will be forced to rely on waterfall occupancy to remain viable? Which, if any, projects are at risk?

Ms. HAMMACK. We have yet to identify projects as risks because we have not completed the Total Army Analysis. But as you correctly stated, sir, there is a waterfall plan which identifies alternate uses. And several of our RCI (Residential Communities Initiative) projects are already in the waterfall phase, in that civilians, retirees, or other entities are utilizing the housing on the Army base to ensure that the RCI program remains viable.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. I would like to thank all of our witnesses for appearing before this subcommittee today. We look forward to working with you this year. For the information of members, questions for the record should be submitted by the close of business on April 17.

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

#### QUESTIONS SUBMITTED TO HON. KATHERINE G. HAMMACK

##### QUESTION SUBMITTED BY SENATOR TIM JOHNSON

##### ARMY PRIVATIZED HOUSING

*Question.* Secretary Hammack, what effect will the planned reduction in Army force structure have on the Army's privatized family housing projects?

Do you anticipate that the financial viability of any privatized housing projects will be jeopardized, or that certain projects will be forced to rely on waterfall occupancy to remain viable?

Which if any projects are at risk?

Answer. The impact of possible future Army restructuring decisions may generate deficits or surplus housing at some Army installations. The Army is carefully reviewing and considering major new housing investments, only approving actions that align with known decisions.

We are working to gather more facts as the situation develops and can't provide an absolute answer at this time. On average, 35 percent to 40 percent of assigned personnel live in installation housing and the majority of our Residential Communities Initiative (RCI) projects maintain significant waiting lists of perspective tenants so any impact would be minimal. Currently, of the over 85,000 homes currently in the Army RCI program, approximately 3 percent are occupied by personnel under a waterfall agreement.

None of the Army RCI projects are currently at risk of failure due to Army stationing activities. Any projected or actual occupancy shortfalls are immediately addressed through a collective effort between all stakeholders including HQDA (Headquarters, Department of the Army), the installation and the RCI partner to determine an effective strategy to increase demand.

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QUESTION SUBMITTED BY SENATOR DANIEL COATS

DAVIS-BACON ACT

*Question.* If Davis-Bacon was waived for military construction projects, how much would it save the Department of the Army in fiscal year 2013?

Answer. The Department is not aware of any internal data or studies that have been able to quantify the financial effect of repealing Davis-Bacon. If such information exists, the Department of Labor, as the Davis-Bacon rate setter, would be a likely source. The Department has experienced contracts where wages paid are at the Davis-Bacon rate and some where the wages paid exceed the Davis-Bacon rates. One of many unknowns with Davis-Bacon repeal is whether the Government would see cheaper, but equally qualified, or lesser qualified tradesmen being hired for our jobs as a result of lower wages than those found to be prevailing by the applicable wage rate.

SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 11:40 a.m., Tuesday, March 27, the subcommittee was recessed, to reconvene subject to the call of the Chair.]



**MILITARY CONSTRUCTION AND VETERANS  
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2013**

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**WEDNESDAY, MARCH 28, 2012**

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

The subcommittee met at 10:02 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Nelson, Pryor, Tester, Murkowski, and Coats.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE NAVY

STATEMENT OF HON. JACKALYNE PFANNENSTIEL, ASSISTANT SECRETARY FOR ENERGY, INSTALLATIONS AND ENVIRONMENT

ACCOMPANIED BY:

MAJOR GENERAL JAMES KESSLER, COMMANDER, MARINE CORPS INSTALLATIONS COMMAND/ASSISTANT DEPUTY COMMANDANT FOR INSTALLATIONS AND LOGISTICS (FACILITIES)

REAR ADMIRAL DAVID BOONE, DIRECTOR, SHORE READINESS DIVISION, DEPUTY CHIEF OF NAVAL OPERATIONS (FLEET READINESS AND LOGISTICS)

OPENING STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Good morning. This hearing will come to order.

We meet today to discuss the President's fiscal year 2013 budget request for military construction (MILCON) and family housing for the Departments of the Navy and the Air Force.

I would note, for the benefit of our witnesses that although my Ranking Member Senator Mark Kirk temporarily is absent, I am told that he is making good progress toward recovery, and I look forward to his return to the subcommittee. In the interim, I will make sure that his interests are represented in all matters that come before this subcommittee.

I am pleased to welcome our first panel of witnesses from the Navy, Secretary Jackalyn Pfannenstiel, Assistant Secretary of the Navy; Major General James Kessler, Assistant Deputy Commandant for Installations and Logistics; and Rear Admiral David Boone, Director, Navy Shore Readiness Division.

This year's military construction and family housing budget for the Navy and Marine Corps is \$1.8 billion. This represents a 19-percent reduction in funding for Active Forces military construction from the fiscal year 2012 enacted level, but an 88-percent increase in Navy Reserve funding. Although the Navy Reserve funding went from small to middling, \$26 million to \$49.5 million, in these difficult economic times, I am pleased to see any increase in funding for the Reserve forces.

The Navy's MILCON budget request encompasses several important and evolving mission requirements, including the relocation of marines from Okinawa to Guam and the continued buildup of facilities in Djibouti. I look forward to discussing these initiatives with our witnesses today.

Again, thank you all for coming. We look forward to your testimony. Madam Secretary, I understand that you will be offering the only opening statement. Your full statement will be entered into the record, so I encourage you to summarize it to leave more time for questions. Please proceed.

#### SUMMARY STATEMENT OF HON. JACKALYNE PFANNENSTIEL

Ms. PFANNENSTIEL. Chairman Johnson, Senator Tester, I am pleased to appear before you today to provide an overview of the Department of Navy's investment in shore infrastructure.

I regret the absence of Senator Kirk. We wish him well and hope he is back with us soon.

The Department's fiscal year 2013 budget request includes \$13 billion for investment in military construction, facilities sustainment, restoration and modernization, previous rounds of base realignment and closure (BRAC), family housing, environmental restoration, and base-operating support.

The military construction request of \$1.8 billion supports our Combatant Commanders, new war-fighting platforms and missions, facility recapitalization, and servicemember quality-of-life initiatives for the Navy and Marine Corps.

Military construction projects in Bahrain and Djibouti support high-priority missions in the region, enhance our forward presence and provide stability for United States interests. Two projects in Spain support the forward-deployed naval forces, and a project in Romania supports the European-phased base adaptive approach infrastructure.

Equally important are military construction programs that invest in support facilities with joint strike fighter and MV-22B, infrastructure improvements, training and education facilities, and the safety and security of nuclear weapons in the United States.

I would specifically like to emphasize that we remain committed to establishing an operational Marine Corps presence on Guam. We know Congress has concerns regarding the execution of the Guam military alignment and we are taking the necessary steps to address them and move the program forward.

The United States Government is currently meeting with the Government of Japan to discuss adjustments to the 2006 realignment roadmap agreement. As Secretary Panetta has testified, Guam is an important part of the United States effort to reposture our forces in the Pacific. We believe the adjustments being dis-



cussed will address execution concerns, increase our flexibility and strengthen our presence in the region.

This is an important year for the Guam realignment. We will continue to work with you and our partners on Guam and in Japan as more information becomes available.

As for the 2005 round of BRAC, the Department met our legal obligations by the statutory deadline of September 15, 2001, and successfully implemented all required realignment and closure actions.

For BRAC 2005 installations our fiscal year 2013 budget request of \$18 million enables our ongoing environmental restoration, caretaker and property disposal efforts.

For the prior BRAC rounds, our fiscal year 2013 budget request of \$147 million will enable us to continue disposal actions for the remaining 7 percent of real property and meet the legal requirements for environmental cleanup.

The Department fully supports the Secretary's proposal for additional rounds of BRAC to assess and improve the alignment of our shore infrastructure with our force structure.

Finally, we intend to meet the energy goals set forth by Congress and the Secretary of the Navy. We recognize that energy is a critical resource for maritime, aviation, expeditionary, and shore missions. We must strengthen our energy security and reduce our vulnerability to price escalations and volatility.

With this in mind, the Navy and Marine Corps continue to reform how we produce, procure and use energy. Our budget request includes \$1 billion in fiscal year 2013 and \$4 billion across the fit-up that is to be invested in initiatives that provide energy independence and security as well as valuable tactical benefits and efficient facility restoration.

To help meet Congress' renewable-energy goals and our own goal of producing 50 percent of our shore energy from alternative sources, we're developing a strategy for large-scale, renewable power projects on naval installations where we'll use existing third-party financing mechanisms, such as power-purchase agreements, joint ventures and enhanced-use leases, to avoid adding cost to rate payers.

Currently, our bases support about 300 megawatts of renewable energy, 270 of which is produced by a geothermal plant at China Lake. We have awarded contracts for three similar projects in the southwest and are finalizing a solar contract for Hawaii.

The three existing purchase-power agreements at China Lake, 29 Palms and Barstow will save the Department \$20 million over 20 years. In each instance, we'll be paying less per kilowatt hour from day 1 than we would for conventional power.

#### PREPARED STATEMENT

In closing, your support of the Department's fiscal year 2013 budget request ensures that we can build and maintain facilities that enable our Navy and Marine Corps to meet the diverse challenges of tomorrow.

Thank you for the opportunity to testify before you today. I look forward to answering any questions you may have.

[The statement follows:]

PREPARED STATEMENT OF HON. JACKALYNE PFANNENSTIEL; MAJOR GENERAL JAMES KESSLER; AND REAR ADMIRAL DAVID BOONE

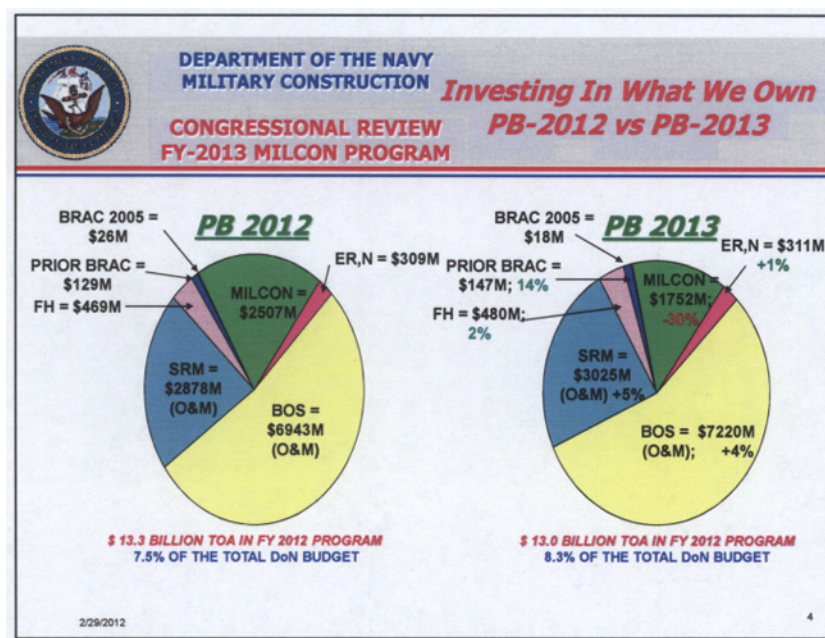
Chairman Johnson, Representative Kirk, and members of the subcommittee, I am pleased to appear before you today to provide an overview of the Department of Navy's (DON) investment in its shore infrastructure.

THE NAVY'S INVESTMENT IN FACILITIES

Our Nation's Navy-Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. Our shore infrastructure provides the backbone of support for our maritime forces, enabling their forward presence. The Department's fiscal year 2013 budget request includes a \$13.0 billion investment in our installations, a decrease of \$0.3 billion from last year.

The fiscal year 2013 military construction (Active and Reserve) request is \$1.8 billion. Although significantly less than the fiscal year 2012 request of \$2.5 billion, it represents continued investment enhancing Combatant Commander's capabilities, improving servicemember's quality of life, supporting mission requirements, continued emphasis on energy security, and recapitalizing aging infrastructure.

The fiscal year 2013 family housing request of \$480 million represents a 2-percent increase from the fiscal year 2012 request. The Navy and Marine Corps continue to invest in housing, including both the recapitalization of our overseas housing, and additional privatization to recapitalize inadequate housing in the United States. Having privatized virtually all family housing located in the United States, we are investing in a "steady state" recapitalization effort to replace or renovate housing at overseas and foreign locations where we continue to own housing.



Our BRAC program consists of environmental cleanup and caretaker costs, as well as property disposal costs for prior round BRAC and BRAC 2005 locations. We do not foresee potential for large revenue from land sales, which were used to fund the legacy BRAC program from fiscal year 2005 through fiscal year 2008. Thus, we again seek appropriated funds in fiscal year 2013 in the amount of \$147 million. The fiscal year 2013 BRAC 2005 budget request of \$18 million supports ongoing environmental restoration, caretaker costs, and property disposal efforts. The Department has completed implementation of the BRAC 2005 recommendations. The DON fully supports the Secretary's proposal for two additional rounds of BRAC to improve alignment of our shore footprint with our force structure.

Our fiscal year 2013 request for base operating support (BOS) is in excess of \$7.0 billion. The BOS program finances the operation of our DON shore infrastructure worldwide including programs that support ship, aviation, and combat operations, public safety, security, installation management, housing and quality of life for both Active and Reserve components. To maximize the impact of our BOS funding, we continue to pursue and realize more cost effective ways of providing base support functions.

Finally, the Department's budget request invests \$1.0 billion in fiscal year 2013, and \$4.0 billion across the Future Years Defense Plan (FYDP), to support the DON's aggressive energy goals to increase energy security and reduce dependency on fossil fuels.

#### MILITARY CONSTRUCTION

The DON's fiscal year 2012 military construction program requests appropriations of \$1.8 billion, including \$105 million for planning and design and \$17 million for Unspecified Minor Construction.

The active Navy program totals \$918 million and includes:

- \$176 million to fund eight Combatant Commander projects:
  - At Camp Lemonnier, Djibouti: A Joint operations center, a cold storage warehouse, containerized living/work units, and a fitness center;
  - In Souda Bay: An aircraft parking apron and an intermodal access road; and
  - In Bahrain: A bachelor quarters and dining facility.
- \$146 million to fund Quality of Life initiatives including:
  - A bachelor quarters at Naval Base Coronado, California, in support of the Chief of Naval Operations' Homeport Ashore initiative;
  - A training barracks at Naval Air Station Oceana, Virginia;
  - A bachelor quarters in Okinawa, Japan;
  - A dining facility at Naval Air Station Meridian, Mississippi; and
  - A fitness center at Naval Support Activity South Potomac, Virginia.
- \$280 million to fund: The second increment of a second explosives handling wharf at Naval Base Kitsap, Washington.
- \$284 million to fund 12 projects to achieve initial or final operational capability requirements for new systems and new missions:
  - A general purpose warehouse and high explosive magazine at Naval Station Rota, Spain;
  - An Aegis Ashore missile defense complex at Naval Support Facility Romania;
  - A Broad Area Maritime Surveillance (BAMS) mission control facility at Naval Air Station Jacksonville, Florida;
  - A BAMS maintenance training facility at Beale Air Force Base, California;
  - An H-60S simulator training facility at Naval Base Coronado, California;
  - An EA-18G flight simulator facility at Naval Air Station Whidbey Island, Washington;
  - A Littoral Combat Ship training facility at Naval Base San Diego, California;
  - Drydock electrical distribution upgrades for CVN78 at Norfolk Navy Shipyard, Virginia;
  - A cruiser/destroyer training facility at Naval Support Activity, South Potomac in Virginia;
  - A combat system engineering building at Naval Weapons Station Earle, New Jersey; and
  - A BAMS operational facility at an overseas location.
- \$32 million to fund additional critical Navy priorities:
  - A strategic systems evaluation lab consolidation at Naval Weapons Station Seal Beach, California, and
  - Communications infrastructure at Naval Support Facility, Diego Garcia.

The active Marine Corps program totals \$664 million and includes:

- \$18 million for the construction of unaccompanied housing at Naval Weapons Station Yorktown, Virginia, for the consolidation of the Marine Corps Security Force Regiment;
- \$13 million to provide quality of life facilities such as a mess hall at Quantico;
- \$31 million to construct student billeting for the Basic School in Quantico, Virginia;
- \$83 million to build infrastructure to support ingress/egress access at Marine Corps installations. These projects include road improvements, main gate improvements, anti-terrorism force protection posture improvements, and correct safety issues. These projects will have a direct effect on the quality of life of our marines along with alleviating both on-base and off-base community concerns;

- \$394 million to fund projects enhancing operational capability such as those needed for the MV-22 aircraft at Camp Pendleton, Hawaii, Miramar, and Yuma; Joint Strike Fighter at Beaufort and Iwakuni; and operational units in New River, Cherry Point, and Yorktown;
- \$53 million to provide training facilities at Camp Pendleton, Camp Lejeune, Beaufort, and Iwakuni;
- \$47 million for land expansion for MAGTF large-scale training exercises at 29 Palms;
- \$26 million for the second increment of the North Ramp Parking project at Anderson Air Force Base to support the relocation of marines to Guam.

The Navy and Marine Corps Reserve Military Construction appropriation request totals \$47 million and includes a Transient Quarters at Naval Air Station Joint Reserve Base New Orleans, Louisiana, a Commercial Vehicle Inspection Site at Naval Air Station Joint Reserve Base Fort Worth, Texas, a Joint Navy and Marine Corps Reserve Center at Des Moines, Iowa, a Marine Corps Reserve Training Center at Yuma, Arizona, and a Vehicle Maintenance Facility at Brooklyn, New York.

#### FACILITIES MANAGEMENT

##### *Facilities Sustainment, Restoration and Modernization (SRM)*

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

The fiscal year 2013 budget request funds sustainment at 80 percent and 90 percent of the model's recommended levels for the Navy and Marine Corps, respectively. To maximize support for warfighting readiness and capabilities, the Navy has requested overall facilities sustainment at 80 percent of the DOD model level. To enhance the quality of education at our premier institutes of higher learning, we will continue to fund the Naval Academy, Naval War College, and Naval Postgraduate School at 100 percent of this model. Additionally, the Navy has targeted the allocation of sustainment funds to increase the sustainment and maintenance of unaccompanied housing. The Navy has minimized operational impacts and ensured the safety of our sailors and civilians by prioritizing maintenance and repair efforts for facilities that directly affect mission operations such as piers, hangars, and communications facilities, as well as unaccompanied housing and family support centers. The Marine Corps will maintain sustainment funding at 90 percent of the model. Even this strong commitment will result in some facilities degradation. The Marine Corps will continue to prioritize and target facilities that directly affect mission operations for full sustainment.

Restoration and modernization provides major upgrades of our facilities. In fiscal year 2013, the Department of the Navy is investing \$0.6 billion of Military Construction, and \$1 billion of Operation and Maintenance funding into restoration and modernization of existing facilities.

#### NAVAL SAFETY

Protecting the Department's sailors, marines, and civilian employees and their dependents remains one of our highest priorities. I consider continual, marked improvement in our safety performance to be essential to maintaining the highest state of operational readiness for our Navy and Marine Corps team. During fiscal year 2011, DON once again achieved record-setting mishap rate reductions in numerous key mishap categories.

The Department continues to be a world-class safety organization, where, in step with civilian industry leaders, no avoidable mishap or injury is considered acceptable. In benchmarking against the Nation's largest, safest, and most productive commercial industries, we have recognized that our top initiative must be the development and deployment of a state-of-the-art Risk Management Information System or RMIS. RMIS will dramatically expand the quality and quantity of data available, improve DON safety information management and analysis, simplify reporting, enhance unit-level access to safety information, and automate unit-level safety program management. RMIS is a high priority for funding in our fiscal year 2014 budget.

Using fiscal year 2002 as a baseline, the Secretary of Defense established a goal for each Military Service and DOD Agency to achieve a 75-percent reduction in key mishap rates by the end of fiscal year 2012. By the end of fiscal year 2011, both

the Navy and the Marine Corps achieved mishap rate reductions which exceeded the DOD-wide average reduction in each of the three primary mishap categories being tracked by the Office of the Secretary of Defense. The three mishap categories and associated reductions from the fiscal year 2002 mishap rate baseline are depicted below:

Mishap category	USN reduction (%)	USMC reduction (%)	Average DOD-wide reduction (%)
Private Motor Vehicle Fatality Rate <sup>1</sup> .....	60	47	39
Aviation Class A Flight Mishap Rate <sup>2</sup> .....	49	42	39
Civilian Total Lost Day Rate <sup>3</sup> .....	43	47	39

<sup>1</sup>Rate is number of deaths per 100,000 military members.

<sup>2</sup>Rate is number of mishaps per 100,000 flight hours. A Class A Aviation Flight Mishap occurs when there was intent for flight and greater than \$2 million damage, total loss of an aircraft, a fatality, or an injury resulting in total permanent disability.

<sup>3</sup>Rate is days lost per 100 persons per year (more of a FECA case management than safety metric).

I am committed to sustained, continuous improvement and our hard work is paying dividends. At the end of fiscal year 2011, the Department achieved the lowest on- and off-duty fatality rates ever recorded in our history. Similarly, for the first time we achieved the lowest ever fatality rates for on-duty, private motor vehicle and off-duty/recreational mishaps in the same year. On the civilian side, over the past 10 years, the Department has witnessed declines in civilian total and lost time case rates of 39 percent and 36 percent, respectively. These reductions are in line with annual Presidential injury and illness rate reduction requirements.

I am pleased to report that the Department of the Navy is the proud owner of nearly half of all Department of Defense OSHA VPP (Voluntary Protection Program) Star sites, and we recently recognized three OCONUS installations in Japan as VPP Star equivalent sites. Implementation of safety management systems, such as VPP, will be an important tool for our continued improvement in Department-wide safety results.

#### ENERGY

The Department of the Navy is committed to implementing an energy program that enhances our national security by reducing our dependence on imported fossil fuels. Its platform is that energy security is national security. The energy program is comprehensive—it involves both Services and contains initiatives to reduce energy demand and provide alternative forms of energy supplies on shore, afloat, in the air, and in theater.

The Department is a recognized leader and innovator in the energy industry by the Federal Government and private sector as well. Over the past decade, DON has received almost a quarter of all of the Presidential awards and nearly a third of all of the Federal energy awards. Additionally, DON has received the Alliance to Save Energy “Star of Energy Efficiency” Award and two Platts “Global Energy Awards” for Leadership and Green Initiatives.

#### *Goals and Initiatives*

The program for which fiscal year 2013 funding is sought will exceed the goals established by the Energy Independence and Security Act of 2007, Energy Policy Act of 2005, National Defense Authorization Act of 2007 and 2010, Executive Orders 13423 and 13514.

The Secretary of the Navy has set five aggressive department-wide goals to reduce DON’s overall consumption of energy, decrease its reliance on petroleum, and increase its use of alternative energy. Meeting these goals requires that the Navy and Marine Corps value energy as a critical resource across maritime, aviation, expeditionary, and shore missions.

The goals are:

- By 2020, 50 percent of total DON energy will come from alternative energy resources;
- By 2020, DON will produce at least 50 percent of shore-based energy requirements from alternative resources and 50 percent of Department installations will be net-zero;
- DON will demonstrate a Green Strike Group in local operations by 2012 and sail the Great Green Fleet by 2016;
- By 2015, DON will reduce petroleum use in commercial vehicles by 50 percent; and

—Evaluation of energy factors will be used when awarding contracts for systems and buildings.

A myriad of investments and activities will be directed to meeting the Secretary's goals. Principally, they will be geared toward behaviors and technologies that will reduce the Navy and Marine Corps' overall requirements for energy and technologies that can provide adequate substitutes for fossil-based energy. Two significant initiatives will be:

—The development of a biofuel alternative to the liquid fuels used in ships, tanks, and tactical vehicles. To meet the goal of 50 percent of total DON energy from alternative energy, the DON has partnered with the DOE and USDA to collectively pool \$510 million to spark development of the commercial advanced alternative fuels industry. The DON is using authorities provided by the Defense Production Act (DPA) title III for its contribution. This effort will help to obtain the 8 million barrels of biofuel needed by 2020. The alternative fuel must be available at prices competitive with the conventional petroleum fuels being replaced; it must not have negative consequences for the food chain; and it must be a "drop-in", that is, not requiring infrastructure or operational changes.

—Development of a gigawatt of renewable energy generation on DON installations. Pursuant to meeting the 50 percent shore energy goal, the Secretary has directed the establishment of a task force to facilitate the production of large-scale renewable power where possible on the bases. This development will use existing third-party financing mechanisms such as power purchase agreements, joint ventures and enhanced use leases. The projects will cost no more over their life than conventional energy sources.



#### *Funding*

The Department has budgeted \$1.0 billion in fiscal year 2013 and approximately \$4.0 billion across the FDYP for operational and shore energy initiatives. The strategy for executing these initiatives focuses on reducing our dependence on petroleum, lowering our energy cost, and complying with Federal legislation and energy mandates.

The funding sources are:

*O&M Navy.*—Projects would include propeller coatings, in-port ship energy conservation, Advanced Metering Infrastructure, combustion system improvements, Aviation & Maritime training in support of best practices for energy conservation (ENCON) and facility energy audits and facility energy efficiency upgrades.

*O&M Marine Corps.*—Projects would include completion of energy audits, shelter liners, advanced power systems, renovated HVAC system to increase efficiency, and completed SMART metering projects.

*National Defense Sealift Fund (NDSF)/Other Procurement Navy.*—Projects would include Shipboard Lighting Upgrades, shore power management/monitoring systems, ship engine automation upgrades.

*Research, Development, Test, and Evaluation.*—Projects would include undersea power systems, energy storage and power management, the shipboard energy dashboard, water purification technologies, man-portable electric power units, and energy storage and distribution.

#### *Achievements*

The Department is on track to meet its goals, and throughout 2011, we demonstrated progress through an assortment of energy programs, partnerships, and initiatives. This past summer, the Blue Angels flew all six planes on biofuels during their 2-day air-show at NAS Patuxent River.

Since flying the F/A18, dubbed “The Green Hornet”, at MACH 1.7 in 2010 as part of the test and certification process using a 50–50 blend of Camelina based JP–5, the Department has also successfully conducted test and certification on the MH–60 Seahawk helicopter, AV–8B Harrier, E–A6B Prowler, MQ–8B Fire Scout, T–45C Goshawk, MV–22 Osprey, ran a Riverine Command Boat, Landing Craft Air Cushion (LCAC), Landing Craft Utility (LCU), 7m Rigid Hull Inflatable Boat (RHIB), the ex-USS *Paul F. Foster*, and an Allison 501K turbine generator. The DON also partnered with Maersk to run a large merchant ship on renewable biofuel. These tests represent milestones necessary to meet the goal of sailing the Great Green Fleet in 2016.

The USS *Makin Island*, using a hybrid-electric drive to dramatically lower its fuel usage at slow speeds is currently deployed to the Pacific region on its maiden operational deployment. The Navy is continuing to move forward with installation of a similar system on new construction guided missile destroyers and to look at the feasibility of retrofitting the fleet with these systems in the course of routine shipyard availabilities.

Additional energy initiatives, such as propeller and hull coatings, were undertaken to make the existing inventory of ships more energy efficient. Stern flaps will also assist in reducing energy consumption, as will some combustor modifications and systems to monitor ship-wide energy use. Energy conservation programs were also put in place for both ships and aircraft to educate and incentivize the Fleets to reduce energy consumption and identify inefficient activities for improvement. The future Navy will use advanced materials on propellers, energy storage and power management systems, and advanced propulsion technology to make warships more efficient while allowing them to meet their combat capability.

Last year, the Marines tested equipment that could be deployed on battlefields at their Experimental Forward Operating Bases (ExFOB) at Twenty-Nine Palms. Technologies tested at the ExFOB are now deployed with marines in Afghanistan. Solar power generators and hybrid power systems are reducing the amount of fossil fuel needed to operate in a combat zone. This year's ExFOB will concentrate on wearable electric power systems and lightweight man-portable water purification systems. By deploying these technologies, the Marines have proven that energy efficiency means combat effectiveness and increased safety for our deployed servicemembers as fewer convoys are needed to resupply fuel.

In addition to these tactical and platform applications, the DON has implemented a number of energy projects at our facilities ashore. We are actively exploring for new geothermal resources to augment our existing 270 MW geothermal power plant at China Lake. We have awarded three projects under our Solar Multiple Award Contracts (MAC) in the Southwest (SW) and are finalizing a similar solar MAC for Hawaii. One of the SW solar MAC awards will provide 13.8 MW of solar power at NAWS China Lake. This project will save the Department \$13 million over 20 years while also providing security from electric grid outages. The Hawaii solar MAC will install 28 MW of solar PV on DON installations including covering the runway on Ford Island with PV thus recreating the look of the runway as seen from the air. We are also looking at developing our wind resources, exploring Waste to Energy projects and developing ocean power technology at all DON installations.





We are also aggressively conducting facility energy audits while completing installation of “Smart” electric metering to implement a wide range of facility energy efficiency measures. By the end of this year, over 27,000 meters will be installed in our existing facilities and provide the means to better measure the amount of energy we are consuming. This will allow for our energy managers to provide “real-time” feedback to our leaders on our installations. At the same time, we continue to ensure that new construction is built to LEED Silver standards per the 2012 NDAA.

DON continues to explore how to implement and maintain culture change initiatives, beginning with education and training, to ensure that energy management is understood by all personnel to be a priority in tactical, expeditionary, and shore missions. Energy awareness campaigns will be used to encourage personal actions that show commitment to energy program goals. The Naval Postgraduate School has added an energy program to its curricula and we are partnering with the National Defense University to pilot two culture change demonstrations. The pilots, at MCB Camp Lejeune and NAVSTA Mayport, will focus on raising the energy awareness of civilian and military personnel.

The Department will continue to cultivate strategic partnerships with existing and new organizations to leverage our energy goals. By partnering with Federal agencies, such as the Department of Energy, the Department of Interior, the Department of Agriculture, and the Small Business Administration, we are raising the awareness at all governmental levels of the strategic importance of energy within DON. In addition, we are working with academic institutions and private industry to bring innovative ideas and approaches to the forefront.

Our budget request asks for continued support of these and similar projects in order to enhance our efficiency and maximize our move to greater independence and more resilient infrastructure.

#### RELOCATING THE MARINES TO GUAM

On February 8, 2012, the U.S. Government and Government of Japan acknowledged that they were meeting to discuss potential adjustments to the 2006 Realignment Roadmap. Both Governments remain committed to the establishment of an operational Marine Corps presence on Guam. We believe that the adjustments to the Guam force laydown that are being considered will be responsive to congressional concerns, while also maintaining and enhancing peace and security in the Asia Pacific region, one of two regions emphasized in the January 2012 Defense



Strategic Guidance. Bilateral discussions have only just begun and I expect that more information will be available in the next couple of months. The Department will keep Congress informed of these discussions and, upon a final decision on the Guam laydown, will provide you with updates on our planning, programming, and execution strategies for implementing any adjustments.

The fiscal year 2013 budget request includes \$26 million to construct facilities in support of the relocation of marines from Okinawa to Guam. The project funds the second increment of a facility necessary to support the relocating aviation element and, upon completion of both increments, will provide aircraft parking apron, taxiways, lighting, wash racks and supporting utilities at Andersen Air Force Base. This project supports the relocating aviation element and is required regardless of the final force laydown on Guam. In its Japanese fiscal year (JFY) 2012 budget (which runs April 1, 2012, through March 31, 2013), the Government of Japan has requested \$8 million in design funds for its direct cash contribution. The JFY-2012 budget request also includes \$83 million in funding for utilities financing, pursuant to the Realignment Roadmap, for water and power projects.

The Government of Japan remains committed to both the realignment of Marine Corps forces to Guam and the Futenma Replacement Facility. Of the \$6.09 billion Japanese share, \$834 million in direct cash contributions have been received to date. The Government of Japan has also committed to making concrete progress on the Futenma Replacement Facility. In December 2011, the Government of Japan delivered an Environmental Impact Statement to the Governor of Okinawa, a necessary precursor to the signing of the landfill permit. Further progress on the Futenma Replacement Facility and future Japanese financial contributions to the Guam realignment will be discussed in detail during ongoing bilateral negotiations.

A Record of Decision (ROD) for the Guam military realignment was signed in September 2010. The first military construction contracts were awarded following the ROD. Construction activity funded by both the United States and Government of Japan at Apra Harbor and Andersen Air Force base is now ongoing.

In response to public concerns regarding access to cultural sites near the preferred alternative site for the live-fire training range complex, a decision on the location for the live-fire training range complex was deferred in the September 2010 ROD. In January 2011, the DON committed that training activities would be conducted in a manner such that access to these sites would remain available 24 hours per day, 7 days per week as is currently available today. The DON has evaluated options to satisfy this commitment while fully meeting the training requirements of the relocating marines. It was determined that a Supplemental Environmental Impact Statement (SEIS) would be necessary prior to making a final decision on the location of the live-fire training range complex. Litigation regarding the live-fire training range complex was dismissed in December 2011 following the Navy's commitment to prepare the SEIS.

A Notice of Intent was published on February 9, 2012, which formally began the SEIS process. The SEIS is expected to take approximately 2 years to complete. Upon completion of the SEIS and the selection of a location for the training range complex, the DON will work with the Government of Guam and any affected private land owners in order to secure property necessary to meet training requirements.

Guam remains an essential part of the United States' larger Asia-Pacific strategy, which includes developing the island as a strategic hub and establishing an operational Marine Corps presence. The Department of Defense recognizes Congress' concerns regarding execution of the Guam military realignment as outlined in the fiscal year 2012 National Defense Authorization Act (NDAA) and is taking steps necessary to resolve critical issues that will allow the construction program to move forward. The United States and Japan are continuously looking for more efficient and effective ways to achieve the goals of the Realignment Roadmap. Both countries remain committed to maintaining and enhancing a robust security alliance, and the United States remains committed to enhancing the United States-Japan Alliance and strengthening operational capabilities while significantly reducing the impact of U.S. bases on the Okinawan people.

#### HOUSING

The following tenets continue to guide the Department's approach to housing for sailors, marines, and their families:

- All servicemembers, married or single, are entitled to quality housing; and
- The housing that we provide to our personnel must be fully sustained over its life.

A detailed discussion of the Department's family and unaccompanied housing programs, and identification of those challenges, follows:

### *Family Housing*

As in past years, our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector.*—In accordance with longstanding DOD and DON policy, we rely first on the local community to provide housing for our sailors, marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community. We determine the ability of the private sector to meet our needs through the conduct of housing market analyses that evaluate supply and demand conditions in the areas surrounding our military installations.
- Public/Private Ventures (PPVs).*—With the strong support from this committee and others, we have successfully used PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families. Maintaining the purchasing power of BAH is critical to the success of both privatized and private sector housing.
- Military Construction.*—Military construction (MILCON) will continue to be used where PPV authorities do not apply (such as overseas), or where a business case analysis shows that a PPV project is not feasible.

Our fiscal year 2013 budget includes \$102 million in funding for family housing improvements (including planning and design). This request provides for the revitalization of approximately 200 Navy and Marine Corps housing units in Japan and Guam and the second phase of privatization in the Pacific Northwest, involving almost 900 homes. The budget request also includes \$378 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory.

The Navy and Marine Corps privatized family housing inventory consists of over 63,000 homes. With over 90 percent of the housing stock privatized, our focus, and my priority, continues to be the oversight of the Department's privatized housing portfolio to ensure that the public/private ventures are financially viable and self-sustaining, that our private partners meet their obligations under the governing business agreements and that residents are satisfied with both their housing and the services they receive.

Surveys continue to reflect steady, significant improvement in reported resident satisfaction. Where issues have been identified, the Department has worked with the partners to resolve them as quickly as possible. We have taken, or are taking, a number of actions to further strengthen our oversight. These include:

- Identifying and flagging key indicators (e.g., number and type of service calls, response times);
- Identifying common issues and trends identified in comments provided along with resident surveys;
- Increasing and reinforcing resident awareness of the Services' role in privatized housing and advocacy for members and their families; and
- In conjunction with the partners, developing a risk communications plan to respond to resident concerns.

### *Unaccompanied Housing*

Our budget request includes over \$133 million in funding for the construction of unaccompanied housing and student quarters to support over 1,000 single sailors and marines. This includes a \$76 million unaccompanied housing project at Naval Base Coronado, California, to support the Chief of Naval Operations commitment to achieve the Navy's "Homeport Ashore" objective by 2016.

The following are areas of emphasis within the Department regarding housing for single sailors and marines:

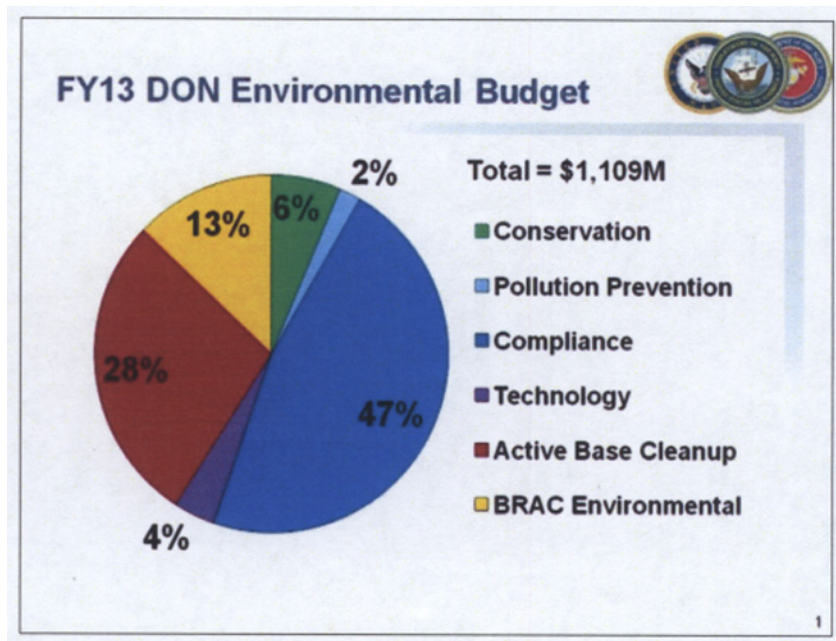
- Provide Homes Ashore for Our Shipboard Sailors.*—The Homeport Ashore initiative seeks to provide a barracks room ashore whenever a single sea duty sailor or is in his or her homeport, so they need not live on the ship. The Navy has made considerable progress towards achieving this goal through military construction, privatization, and intensified use of existing barracks capacity. The Navy remains on track to provide housing ashore for all junior single sailors, assigned to sea duty, by 2016.
- Condition of Unaccompanied Housing.*—The Department continues to address the challenge of improving the condition of existing Navy and Marine Corps unaccompanied housing. The Navy has increased its level of Restoration and Modernization funding targeted to unaccompanied housing across the Future Years' Defense Plan to ensure that 90 percent of the Navy's unaccompanied housing inventory is adequate by fiscal year 2022. With the construction of a large amount of new housing under the recently completed Commandant's BEQ ini-

tative, almost 90 percent of the Marine Corps' unaccompanied housing is now considered adequate.

#### ENVIRONMENT

In fiscal year 2013, the Department of the Navy (DON) is investing over \$1 billion in its environmental programs across all appropriations. This level of investment has remained relatively consistent over the past few years.

The relative distribution of environmental funding across the environmental program areas, as displayed within the chart [below], remains stable.



While fulfilling its national security mission, DON continues to be a Federal leader in environmental management by focusing our resources on achieving specific environmental protection goals and proactively managing emerging environmental issues. The Department continues its commitment to environmental compliance, stewardship, and responsible fiscal management that support mission readiness and sustainability. In this regard, DON is continuing efforts to integrate sound environmental policies and long-term cost considerations into the early stages of the acquisition process to achieve cleaner, safer, more energy-efficient and affordable weapons, materials, processes, and technologies across the naval enterprise.

#### *Compliance—Sustainability*

The Department's environmental budget will ensure continued compliance with existing regulations, while also smartly investing in a more agile and sustainable Navy and Marine Corps. Sustainability is seen by DON as a means of supporting our mission while also reducing lifecycle costs. DON has instituted many policies and practices implementing sustainability tenets including retrofitting/constructing buildings to optimize energy and water use, adopting goals for renewable energy use and stormwater management on facilities, and conducting integrated solid waste management.

As an example, to reduce afloat solid waste, Naval Supply Systems Command (NAVSUP) has several packaging initiatives underway. These include two programs (Plastics Removal In Marine Environment (PRIME) and Waste Reduction Afloat Protects the Sea (WRAPS)) that reduce the amount of solid waste generated at sea and encourage use of environmentally friendly products. Under these programs, NAVSUP is working with the General Services Administration (GSA) to identify items that can be shipped with reduced packaging that is free of plastics and is implementing a reusable water bottle pilot project. NAVSUP is also working with GSA

on industry packaging strategies that shift the mindset from point of sale packaging to e-commerce packaging that features recyclable boxes that are easy to open and free of excess materials such as hard plastic clamshell cases, plastic bindings, and wire ties.

#### *National Ocean Council*

The National Ocean Council (NOC) is a Cabinet-level body established by Executive Order in July 2010 which includes a mandate for the use of spatial planning as a tool to maximize compatible use. Including the Department of the Navy (DON), there are 27 Federal agencies and offices tasked to develop a comprehensive national ocean policy which uses ecosystem based management and coastal and marine spatial planning as foundational building blocks. The DON is extensively engaged in supporting the President's NOC goals while working to ensure our current operating areas remain accessible within the comprehensive national ocean policy. For the first time comprehensive spatial planning is being conducted in the Exclusive Economic Zones (EEZs) including the western Pacific, Alaska and the Arctic, the Gulf of Mexico, and the Caribbean. DON is supporting the NOC in a variety of activities, including collecting and developing information about military activities in the coastal and marine zone, writing strategic plans, serving as the Federal co-lead for the South Atlantic Regional Planning Body, and participating in developing Coastal and Marine Spatial Plans for each of the nine identified regions.

The Department participates in numerous interagency ocean-policy working groups formed under the NOC. The Department of the Navy also participated in developing the NOC Implementation Plan, which was released to the public in January 2012. To foster more effective Federal engagement with tribal governments regarding coastal and marine spatial planning, DON is coordinating delivery during 2012 of the DOD Tribal Communications and Coastal and Marine Spatial Planning courses to participants from all four military services plus the President's Council on Environmental Quality, the U.S. Coast Guard, National Oceanic and Atmospheric Administration, and Bureau of Ocean Energy Management.

#### *Chesapeake Bay*

After issuing the Chesapeake Bay Strategy in May 2010, the Department continues to demonstrate environmental leadership working with the other Federal agencies to achieve Chesapeake Bay restoration goals. DON represents DOD as the Executive Agent for the Chesapeake Bay program. As such, DON has participated with the Federal Leadership Council to ensure that the Strategy sets forth aggressive, measurable, and attainable goals to restore the health of the Chesapeake Bay, a National Treasure. DON continues working with the States as they develop their Watershed Implementation Plans. Our goal is to identify our nutrient and sediment sources, prioritize areas for nutrient and sediment reduction projects, and implement these projects to meet or exceed our reduction targets.

#### *Natural Resources Conservation*

Department of the Navy natural resources program managers continue to provide Installation Commanders with special subject matter expertise, products and services necessary to ensure they can access, test, train, and execute construction projects with as little environmental constraint as possible, while also protecting the natural resources under our stewardship. The basis of our conservation program centers on the preparation and implementation of Integrated Natural Resources Management Plans (INRMPs). These plans integrate natural resources management with the installation's operational and training requirements as well as address the needs of our Federal and State partners and other stakeholders to ensure our INRMPs remain current and effective. A primary objective of our INRMPs is to implement conservation measures which protect threatened and endangered species and their habitat as required by the Endangered Species Act, which can help to reduce or eliminate the need to designate critical habitat on DON property. The Department has been very successful in protecting and conserving natural resources on our installations and near-shore areas while ensuring our Installation Commanders have the land, sea, and airspace necessary to test and train in a realistic manner.

A recent noteworthy accomplishment involved the installation of a living shoreline at Naval Support Activity Panama City, Florida. The Navy partnered with the Florida Department of Environmental Protection to restore approximately 2,800 feet of shoreline. This shoreline was restored by establishing 175 separate reefs created from recycled oyster shells obtained from local restaurants and plantings of approximately 22,000 donated marsh grasses. This living shoreline is a natural substitute for the typical hardened sea wall or rip rap that would otherwise be necessary to address years of erosion from natural and manmade causes. This enduring project

was supported by 2,840 volunteer hours, both military and civilian, who worked together to provide this living shoreline which will support interactive educational opportunities provided by the Navy.

#### *Cultural Resources Conservation*

Cultural resources under the Department of Navy's stewardship include infrastructure, ships, and objects of our Navy and Marine Corps heritage; vestiges of our colonial past; and Native American/Alaskan Natives/Native Hawaiian resources. We take great pride in our heritage, and the many cultural resources on our installations serve as reminders of the long and distinguished course we have charted and of those who lived on the lands before they were incorporated into our bases. The objective of the Department's cultural resources program is to balance our current and future mission needs with our stewardship responsibility to the American taxpayer and our desires to preserve our cultural heritage for future generations. The primary mechanism to achieve these goals is an Integrated Cultural Resources Management Plan (ICRMP), which remains the key mechanism for gathering information about an installation's history and resource inventory, assessing potential use/reuse candidates with our built environment and ensuring that our installation planners and cultural resources managers are working closely together to protect cultural resources while supporting the DON mission.

To increase awareness of many of the Nation's cultural resources under the stewardship of DON, this past year, the Marine Corps began the development of a poster series, titled "Defending Our Cultural Heritage," that celebrates and educates the public on Marine Corps stewardship of cultural resources. The initial four posters in this series highlight the National Historic Landmarks under Marine Corps stewardship, as well as the partnership initiative with the Advisory Council on Historic Preservation, the National Park Service, and the State Historic Preservation Offices in the four States represented by these posters.

#### *Installation Restoration Program (IRP)*

The DON continues to make significant progress remediating past contaminants. At the end of fiscal year 2011, the Department had completed cleanup or has remedies in place at 86 percent of the 3,909 contaminated sites on active installations. We are projecting that all but 46 of these sites will be cleaned up or have remedies in place by 2014. These remaining sites will be subject to newly established DOD metrics to drive successful completion in the coming years.

#### *Munitions Response Program (MRP)*

The DON is proceeding with investigations and cleanup of Munitions and Explosives of Concern and Munitions Constituents at all Navy and Marine Corps munitions response sites. Our major focus through fiscal year 2011 was initiating remedial investigations and completing site inspections for newly identified sites. Of the 361 sites in the program, site inspections have been completed at 99 percent of these sites, with only one remaining. This site had a removal action underway that was necessary prior to the start of the investigation. Additional funding was also obligated to address high-priority sites at Vieques, Puerto Rico. DON is using the results of the completed site inspections to prioritize the next phases of work. DON plans to achieve cleanup or remedies in place at 99 percent of MRP sites by fiscal year 2020, with the remaining five sites reaching remedy in place by fiscal year 2024.

#### *Marine Mammals*

The Department of the Navy is continuing its focused research and monitoring programs addressing marine mammals and anthropogenic sound. The Navy is investing over \$25 million per year to continue research into the effects of sound on marine mammals, develop products and tools that enable compliance with marine mammal protection laws for Navy training and operations, provide a scientific basis for informed decisionmaking in regulatory guidance and national/international policy, continue research to define biological criteria and thresholds, and to predict location, abundance, and movement of high risk species in high-priority areas.

Using our improved scientific knowledge developed from our research, the Navy has started a second round of environmental documentation focused on marine mammal and sound issues. Phase II Environmental Impact Statements will include all of the spatial areas covered by Phase I, plus increased coverage to include parts of the global commons.

## COMPATIBLE LAND USE

The Department of the Navy has an aggressive program to promote compatible use of land adjacent to our installations and ranges, with particular focus on limiting incompatible activities and protecting important natural habitats. A key element of the program is Encroachment Partnering (EP), which involves cost-sharing partnerships with States, local governments, and conservation organizations to acquire interests in real property adjacent and proximate to our installations and ranges. Encroachment Partnering agreements help prevent development that would adversely impact existing or future missions. These agreements also preserve important habitat near our installations in order to relieve training or testing restrictions. The program has proven to be successful in leveraging Department of Defense and Department of Navy resources.

The Department of Defense provides funds through the Readiness and Environmental Protection Initiative (REPI) that are used in conjunction with Navy and Marine Corps O&M funds to leverage acquisitions in partnership with States, local governments, and nongovernmental organizations. For fiscal year 2011, the Marine Corps acquired restrictive easements over 3,349 acres. REPI and Marine Corps funds totaled \$3.4 million while the encroachment partners provided \$3.6 million. The Navy acquired 1,908 acres with combined REPI and Navy funds of \$9.36 million and \$6.4 million provided by partners.

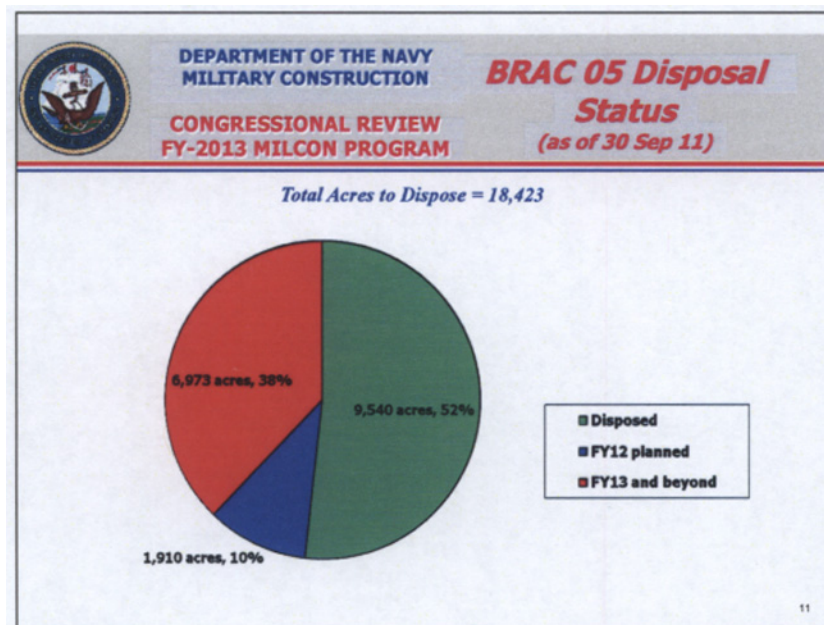
To-date, the Marines have acquired restrictive easements for 33,862 acres of land with \$50.8 million of REPI and Marine Corps funding. Encroachment partners have contributed \$55.7 million. The Navy has acquired 9,851 acres to date with \$28.4 million of REPI and Navy funding, and \$35.5 million contribution from encroachment partners.

Vital to the readiness of our Fleet is unencumbered access to critical water and air space adjacent to our facilities and ranges. An example is the outer continental shelf (OCS) where the vast majority of our training evolutions occur. The Department realizes that off-shore energy exploration and wind development play a crucial role in our Nation's security and are not necessarily mutually exclusive activities with military training. Therefore, we are engaging with the other Services, the Office of the Secretary of Defense, and the Department of Interior to advance the administration's energy strategy. We are poised to coordinate with commercial entities, where feasible, in their exploration and development adjacent to installations and our operating areas along the OCS that are compatible with military operations. However, we must ensure that obstructions to freedom of maneuver or restrictions to tactical action in critical range space do not degrade the ability of naval forces to achieve the highest value from training and testing.

## BRAC IMPLEMENTATION

*BRAC 2005 Implementation*

The Department met its legal obligations by the statutory deadline of September 15, 2011, and successfully implemented all required realignment and closure actions as specified in our established business plans. Going forward, our fiscal year 2013 budget request of \$18 million enables ongoing environmental restoration, caretaker, and property disposal efforts at BRAC 2005 installations.



BRAC 2005 provided an important opportunity to improve operational efficiencies, reduce excess infrastructure, add Joint Bases, and produce savings. In total, the Department led 33 recommendations which involved 484 realignment and closure actions and 118 BRAC construction projects. We invested our dollars to build state-of-the-art facilities which vary in function from administrative to industrial to research and development that are necessary to support our warfighters.

During the past year, DON closed Naval Air Station Brunswick, Maine, Naval Air Station Joint Reserve Base Willow Grove, Pennsylvania, and the Naval Support Activity New Orleans, Louisiana, along with a number of Navy Marine Corps Reserve Centers. The Department established the Marine Corps Support Facility in the first-of-its-kind Federal City New Orleans. We led the effort and completed the relocation of five DOD Investigative, Counterintelligence and Security agencies to Marine Corps Base Quantico. The Department invested over \$400 million on construction and outfitting of 11 facilities to establish a state-of-the-art Research, Development, Acquisition, Test and Evaluation center for Integrated Weapon System and Armaments and Fixed Wing Air Platforms at Naval Air Warfare Center China Lake, California.

By the end of fiscal year 2011, the Department disposed of 52 percent of the property that was slated for closure in BRAC 2005. These disposal actions were completed via a combination of lease transfers and terminations, reversions, public benefit conveyances, Federal and DOD agency transfers, and an Economic Development Conveyance (EDC). Of interest for fiscal year 2011 is the conveyance of 1,133 acres at Naval Air Station Brunswick to several recipients using various real estate authorities supporting economic redevelopment of the community and public uses, such as education and parks.

For 2012, the Department will continue its disposal efforts at Brunswick with another 1,593 acres planned for conveyance. The 2012 Plan also includes transfer of remaining real property at Naval Station Ingleside, Texas, Marine Corps Support Activity Kansas City, Missouri, and Naval Support Activity New Orleans, Louisiana. Other significant disposals include completing all disposal actions at five smaller facilities.

*Naval Support Activity New Orleans, Louisiana.*—Construction for the new building that houses Headquarters, Marine Forces Reserve and Marine Corps Mobilization Command was completed in June 2011.

*Naval Air Station Brunswick, Maine.*—The Department's largest BRAC 2005 operational action closed Naval Air Station Brunswick and consolidated the East Coast maritime patrol operations in Jacksonville, Florida. Runway operations in



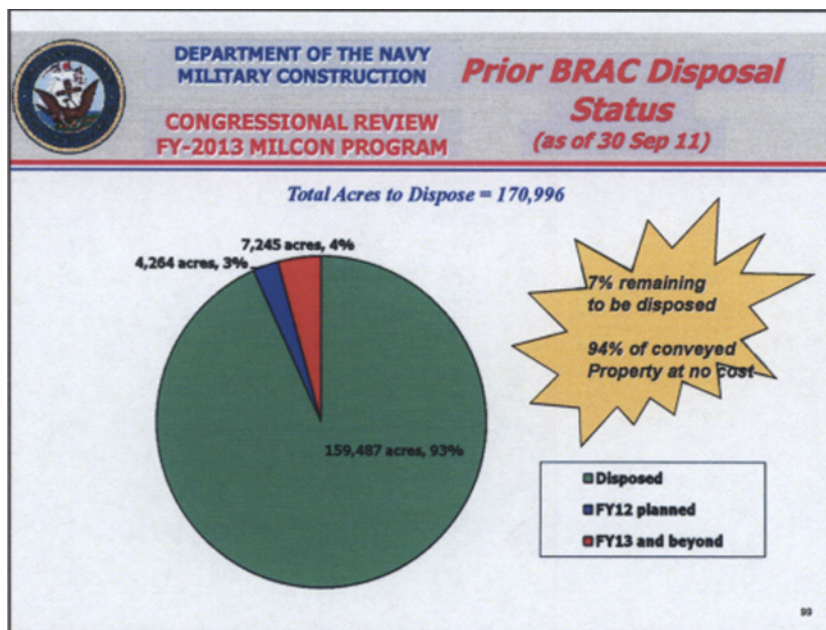
Brunswick ceased in February 2010. The closure ceremony occurred in May 2011. The disposal of NAS Brunswick has been a stunning success story to support the reuse and economic redevelopment of the base and mid-coast Maine. Almost 1,200 of the base's 3,400 acres have already been disposed. This includes 750 acres of runway and aviation facilities to start a private airport before the base even closed, and almost 300 acres through an EDC. This EDC was transferred at fair market value with Navy receiving a portion of the mixed use redevelopment proceeds for the next 20 years. Smaller conveyances have also been made to the local community college for classroom facilities and to the Town of Brunswick for parks and recreation reuse.

Over the last year, we spent \$16 million in cleanup at BRAC 2005 locations. The majority of this funded environmental activities at Naval Air Station Brunswick, Maine, Naval Weapons Station Seal Beach Detachment Concord, California, and Naval Air Station Joint Reserve Base Willow Grove, Pennsylvania. Our remaining environmental cost to complete for fiscal year 2012 and beyond is \$189 million.

#### *Prior BRAC*

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic installation footprint and generating savings. All that remains is to complete the environmental cleanup and property disposal on portions of 14 of the original 91 bases and to complete environmental cleanup, including long-term monitoring at 26 installations that have been disposed.

We disposed of 839 acres of real property in fiscal year 2011, for a total of 93 percent of real property disposed in the first four rounds of BRAC. In fiscal year 2011, we completed the disposal of nearly 400 acres at the former Naval Air Station Barbers Point, Hawaii, to the City and County of Honolulu via a National Parks Service-sponsored public benefit conveyance. This will allow the City and County of Honolulu to develop much needed parks, ball fields, and preserve open space in the rapidly developing Kalaheo area of Oahu. We continue to use the variety of the conveyance mechanisms available for Federal property disposal, including the Economic Development Conveyance that was created for BRAC properties. Ninety-one percent of the property conveyed has been at no consideration to the Federal Government. Our fiscal year 2013 budget request of \$147 million will enable us to continue disposal actions and meet the legal requirements for environmental cleanup.



With 64 percent of our remaining property requiring supplemental National Environmental Policy Act (NEPA) analysis and completion of environmental remediation activities, disposal actions will continue after fiscal year 2012. Due to changing redevelopment plans, we are finalizing Supplemental NEPA analyses at Naval Shipyard



Hunters Point, California, and recently completed efforts at Naval Station Roosevelt Roads, Puerto Rico.

In fiscal year 2012, we have already conveyed nearly 600 acres at Naval Air Station South Weymouth, Massachusetts, and over 1,000 acres at Naval Station Roosevelt Roads via EDCs. Other significant actions include the initiation of a public sale at Naval Station Roosevelt Roads, Puerto Rico, for about 2,033 acres and the initial impending conveyance of property at Naval Station Treasure Island via an EDC. With the completion of these actions, we will have disposed of 96 percent of our Prior BRAC real properties.

The Department has now spent about \$4.6 billion on environmental cleanup, environmental compliance, and program management costs at prior BRAC locations through fiscal year 2011. Our remaining environmental cost to complete for fiscal year 2012 and beyond is approximately \$1.36 billion. This includes about \$150 million cost growth which is due in part to additional radiological contamination at Naval Air Station Alameda, California, Naval Station Puget Sound, Washington, and Naval Station Treasure Island, California. The increase is also associated with ground water cleanup at sites at Naval Air Station Moffett Field, California, and additional investigation and remediation at Naval Shipyard Mare Island, California.

#### *BRAC Summary*

The Department met its legal obligation to complete the BRAC 2005 closure and realignment actions by September 15, 2011. While the relocation of Navy organizations from leased locations in the National Capital Region to DOD-owned space continues to require some effort, we expect to be fully complete this spring.

For the Prior BRAC installations, we transferred 1,041 acres at Naval Station Roosevelt Roads, Puerto Rico, and 557 acres at Naval Air Station South Weymouth, Massachusetts, to the respective Local Redevelopment Authorities. Additionally, we are working with the Naval Station Treasure Island Local Redevelopment Authority to complete the first transfer of property required for the construction of the Oakland Bay Bridge. Although the remaining prior round BRAC installations present cleanup and disposal challenges, we continue to work with regulators and communities to tackle complex environmental issues, such as low-level radiological contamination, and provide creative solutions to support redevelopment priorities, such as Economic Development Conveyances with revenue sharing.

#### CONCLUSION

Our Nation's Sea Services continue to operate in an increasingly dispersed environment to support the maritime strategy and ensure the freedom of the seas. We must continue to transform and recapitalize our shore infrastructure to provide a strong foundation from which to re-supply, re-equip, train, and shelter our forces. With your support of the Department's fiscal year 2013 budget request, we will be able to build and maintain facilities that enable our Navy and Marine Corps to meet the diverse challenges of tomorrow.

Thank you for the opportunity to testify before you today. I look forward to working with you to sustain the war fighting readiness and quality of life for the most formidable expeditionary fighting force in the world.

Senator JOHNSON. Thank you for your opening statement.

For the information of Senators, we will begin with a 7-minute round of questions.

#### OVERSEAS MILCON

Secretary Pfannenstiel, the Navy's Future Years Defense Plan (FYDP) includes a \$300-million wedge from fiscal years 2015 to 2017 for unspecified Pacific engagement military construction. The administration has indicated that its pivot to the Pacific region includes rotating United States forces to Australia, Singapore, and the Philippines. Will that require the construction of new bases overseas? What is the purpose of the \$300-million wedge for Pacific engagement?

Ms. PFANNENSTIEL. Senator, I will take the specifics on the wedge, the \$300 million, for the record. Perhaps General Kessler will answer some of what will be happening during that timeframe as we rotate to the Pacific.

General KESSLER. Thank you, Mr. Chairman. While some of the specifics are not yet available, the intent for that money is to invest in infrastructure necessary to support the presence, both in the Western Pacific and in the Indian Ocean, focused on regional cooperation, stability, and humanitarian assistance in disaster-relief requirements.

And it is important, I think, to note that these funds are separate from our requirements for Guam.

Ms. PFANNENSTIEL. Admiral Boone, did you want to add to that?

Admiral BOONE. Yes, ma'am. Mr. Chairman, the Navy has multiple projects planned in the coming years to support the Department's emphasis on the Asia Pacific region, like the forward stationing the littoral combat ships in Singapore. So for programming considerations, we included this wedge to give a current rough estimate of what these projects may cost in the out-years.

Of course, we will refine these estimates in future budget submissions as we determine our strategic lay-down infrastructure requirements and availability of host-nation support in the Pacific.

#### MILCON PLANNING

Senator JOHNSON. Secretary Pfannenstiel, when do you expect firm decisions to be made on the number and mix of marines that will be relocated to Guam, a revised timetable for the move and a revised MILCON cost estimate? Do you expect that master plan for Guam reflecting these decisions to be available by the time the fiscal year 2014 budget is submitted? If not, when will it be available?

Ms. PFANNENSTIEL. Mr. Chairman, even as we speak, discussions are ongoing between the United States Government and the Government of Japan to resolve many of those issues that you have raised, the structure of the Marine contingent on Guam, the timing, and the cost.

Once the agreement is reached with the Government of Japan, we will need, most likely, to redo our environmental analysis for Guam. That's a couple-of-years process. And until you have completed that, it's hard to know with specifically what the construction requirements will be.

However, having said that, we are hopeful we can reach preliminary agreement with the Government of Japan within the next couple of months, make an announcement thereof and begin the environmental work that is needed.

Senator JOHNSON. Secretary Pfannenstiel, the Navy's fiscal years 2013 through 2017 FYDP reflects a 25-percent decrease in MILCON funding below the FYDP submitted with the fiscal year 2012 budget. Given the new requirements imposed on the Navy by the Pacific realignment, does this mean that the Navy plans to defer or eliminate previously programmed projects? If so, will this impact projects that had been planned for bases in the United States?

Ms. PFANNENSTIEL. Fundamentally, the reduction in the MILCON request is because of the completion of the Grow the Force for the Marine Corps. Past FYDP estimates were designed to increase the capacity for a 202,000-member Marine Corps. That now, of course, has been completed, and we're ramping the other

way, having completed the construction that's necessary. That's really the driver of the reduction going forward.

#### MARINE CORPS PACIFIC LAYDOWN

Senator JOHNSON. General Kessler, the United States and the Government of Japan have begun official talks to address the 2006 Realignment Roadmap for Okinawa and Guam. Notably, this includes delinking the construction of the Futenma replacement facility from the Guam relocation. In anticipation of the Guam and Okinawa realignments, funding for restoring or replacing aging facilities at the current Marine Corps Air Station in Futenma has been very limited.

If there are further delays constructing the Futenma replacement facility, what are the requirements and what is the timeline for facility investments in Marine Air Station Futenma to maintain mission readiness?

General KESSLER. Thank you, Mr. Chairman. Yes, sir, you're absolutely correct that the delinking of the Futenma replacement facility has taken place. And as a result of that, we've been able to, I think, continue to make very necessary progress on some of the other strategic elements of the Defense Policy Review Initiative.

As a result of that, what that has allowed us to do is to, as we revisit the facility needs at Marine Corps Air Station Futenma, is to recognize that there is still a requirement for Marine aviation elements of III Marine Expeditionary Force to be able to operate out of Marine Corps Air Station Futenma.

#### OVERSEAS MILCON

So we are looking right now, sir, at what those requirements are, not as much in terms of MILCON, but more in terms of sustaining the existing facilities that are there to ensure that those facilities are not only safe, but operationally capable to support the air wing in Okinawa.

Senator JOHNSON. Admiral Boone, the Navy is requesting \$89.4 million in fiscal year 2013 for military construction at Camp Lemonnier in Djibouti. With the recent increase in the base's special operations missions, facilities at Camp Lemonnier are currently overcrowded.

Given the funding request, the increase in mission and the limited space, when do you anticipate having a master plan to chart and organize a well-developed way forward? Does the current footprint at Camp Lemonnier have the potential to meet our long-term operational needs or will additional land be required?

Admiral BOONE. Thank you, Mr. Chairman. Major General Faulkenberry, who is the J4 for the United States Africa Command, testified about a month ago on their requirements as a Combatant Command (COCOM) imposed on Djibouti, and there have been some significant changes.

Together with the other COCOMs that utilize that footprint—the U.S. Transportation Command, U.S. Special Operations Command, and U.S. Central Command—we are integrating those requirements and anticipate by this summer, August, we will have a master plan to present to you.

Senator JOHNSON. Senator Tester.

Senator TESTER. Yes, thank you, Mr. Chairman, and I want to thank all of you for being here today, and the people that you represent. Thank you for your service to this country.

First of all, even though Montana doesn't have a huge naval presence, I will say that the work that you folks are doing in energy we can be a part of with biofuels and other things.

And I want to thank you for the work that you're doing and the goals that you have to help this country become more energy independent. We all understand that the more energy independent we are the more secure we are. So thank you in that work.

#### DOMESTIC MILCON ASSETS

I have a question that revolves around the \$13 billion, and maybe this is a question for you, Jackalyne, or anybody. Your assets and how they're spread out domestically and around the world, can you give me an idea on what percentage are domestic assets in the United States versus foreign assets?

Ms. PFANNENSTIEL. What percent of our bases are domestic?

Senator TESTER. Yes.

Ms. PFANNENSTIEL. I can tell you that between the Navy and Marine Corps we have about 100 bases. General Kessler, do you know how many of the Marine Corps bases are overseas?

General KESSLER. I—

Senator TESTER. You can get back—

Ms. PFANNENSTIEL. Yes, let me get back to you—

[The information can be found at <http://www.acq.osd.mil/ie/download/bsr/bsr2011baseline.pdf>]

Senator TESTER. I'm actually—

Ms. PFANNENSTIEL. That's an easy enough number—

#### FOREIGN-DOMESTIC MILCON SPLIT

Senator TESTER. The next question is the question that I really want to find the answer to and is you set aside \$13 billion for your installations. Is that evenly split between foreign and domestic bases, No. 1? And if it's not, tell me why.

Ms. PFANNENSTIEL. Let me offer the fact that of the \$1.8 billion MILCON dollars—

Senator TESTER. Yes.

Ms. PFANNENSTIEL. About 30 percent of the MILCON dollars are, in fact, for overseas investments. And those are very specifically COCOM investments, as Admiral Boone was talking about, specific needs in Djibouti, in Rota, in Romania. So they're both COCOM and new, new platform investments. So a large part of that.

In terms of the base-operating support dollars—

Senator TESTER. Right.

Ms. PFANNENSTIEL. Those are spread depending on any agreement we might have with host nations.

Senator TESTER. I've got you. But from a MILCON standpoint, if what I heard you say is correct, 30 percent is going to foreign bases, 70 percent stays domestic. Yes, I see some heads nodding.

And that split actually will depend upon the answer to the first question. And I don't really have a problem; however, it's split. I just want a justification. If more of it's going to domestic, what are

we doing differently? And if more of it's going foreign, why do we need that investment?

Thank you, guys. And we'll get that. If you can get that to me, that'd be great. Thank you for being here today. Appreciate it, and keep up the good work.

Ms. PFANNENSTIEL. Thank you, Senator.

Senator JOHNSON. Senator Coats.

Senator COATS. Mr. Chairman, thank you.

Madam Secretary, thank you for your testimony, and general, and admiral. Appreciate hearing from you.

I've got three quick questions. Try to get it in my 7-minute time limit here.

First, with recent announcement about looking more toward the Western Pacific in terms of locating some facilities, we already know that there's going to be a rotating Marine contingent up North West Australia.

Recently, the White House announced that—and the military announced that there would be some shifting, more naval presence in that part of the world, particularly, again, in Australia.

Have you had an opportunity to factor in what kind of cost that might incur in terms of MILCON facilities that might be needed to accommodate this new direction? I know it's very early in the process, but where are you on that?

#### OVERSEAS MILCON REQUIREMENTS

Ms. PFANNENSTIEL. I think you made exactly the right point. It's early in the process. On some of these, we do have some requirements built in. For example, for Guam, we anticipate some expenses, as well as some of what Admiral Boone mentioned.

In Singapore, for example, where we know there is a movement, a lot of the specifics will depend on further development of the Pacific posture.

Senator COATS. General, anything you want to add to that?

General KESSLER. Yes, sir. Thank you. And I agree with everything Ms. Pfannenstiel just said. It is a bit early to know the details that are specific to the Defense Policy Review Initiative adjustments. We know, in general terms, that we'll have roughly 5,000 marines on Guam, so we know, in general terms, what some of those things are. The specifics are yet to be worked out.

But in addition to that, we also have other movements that aren't necessarily directly related to that. For example, we have two MV-22 squadrons and one Marine light attack helicopter (HMLA) squadron going to Hawaii. So we have some MILCON projects that are planned to accommodate the arrival of those squadrons.

So there is, in some of the areas of our adjustment of our footprint in the Western Pacific some pretty good detail, and those exhibits, obviously, accompany the requests for MILCON. Those that are still being worked out with the negotiations, the bilateral negotiations, now we just don't have those details.

Senator COATS. Specific to the rotational effort we're going to have—I think it's a conjunction with the Australians—are we just taking advantage of their facilities as part of that effort or do we have to construct new—

General KESSLER. You are correct, sir. We will be looking to colocate on an existing Australian facility. That is one of those areas where we don't know, at this time, the specific details of any potential MILCON. We've got to take a look to see if that's going to be necessary. It is not our plan at this time, though, to establish a wholly separate Marine Corps installation in North West Australia.

Senator COATS. And admiral, I think there's some discussion now about a greater naval presence in that particular region of the world. Does that conjure up any kind of significant MILCON for the Navy?

Admiral BOONE. Thank you, Senator. As the general stated, the first piece is establishing what the force-structure requirements are and whether it's a permanent station or rotational forces. And that question drives, to a great extent, the impact on an installation and what the requirement is, and we're certainly working through that.

The other piece that's critically important is once we determine where we would desire to be stationed out of, the host-nation agreements that we work through to establish what the relationship is critically important. So all that's being worked now, and so we'll definitize it as we sort through that.

#### BUDGET CONTROL ACT IMPACTS AND PLAN B

Senator COATS. Madam Secretary, given the Budget Control Act that was passed by the Congress last August and the automatic sequester that takes place if we don't make adjustments before the end of the year, have you factored in—do you have a plan B in terms of how does that affect MILCON going forward, because it's across-the-board cuts, so, if it goes into effect.

Ms. PFANNENSTIEL. Yes, Senator. We do not yet have a plan B. We understand, as you do, that it would be an across the board, although again, even that is relatively uncertain at the time.

We know perhaps, as others have told you that it could have catastrophic effects, depending on how it's applied. And so no, we have not yet developed our plan B.

Senator COATS. I'd urge you to do so. I think there's bipartisan interest in trying to adjust that, but we don't always succeed in reaching our goals here. So it might be good to have something on the shelf, at least know what your impact on your particular—

Ms. PFANNENSTIEL. Yes, absolutely. Thank you.

Senator COATS. Last question, and this is a parochial one. We have a joint Navy-Army base in the middle of Indiana. It is on a lake, but it's not on an ocean, and so it's kind of foreign—I think it's a little familiar to the Army, but it's a little foreign to the Navy.

But the Naval Surface Warfare Center there does some extraordinary work, but there's also a whole host of contractors that are working there doing special ops, electronic warfare, some really amazing things. I just wanted to bring it to your attention. Love to have you come and visit it.

You will see water if you go, but you'll also see a 6,400-acre base that employs a lot of engineers and highly skilled people, along with military doing some really special and interesting things, particularly important to the kind of future warfare that we're potentially looking at, all the electronics going on there.

And so offer to any of the three of you an invitation to visit that facility. We just don't want it to be overlooked because it's landlocked. And with BRAC coming up and so forth, I think the value of that ought to be understood by all those in the business of making decisions.

Ms. PFANNENSTIEL. Thank you, Senator. I will see if I can get out there. I'd love to.

Senator COATS. Good. We'll give you a good visit. I think you'll enjoy it. That's open to the two of you also.

Mr. Chairman, thank you.

#### GUAM MILCON REQUIREMENTS

Senator JOHNSON. Secretary Pfannenstiel, the fiscal year 2012 National Defense Authorization Act (NDAA) prohibits the Navy from obligating funds in Guam provided by the Government of Japan until certain roadmap conditions are met.

Accordingly, I was recently informed that the Navy is canceling \$455 million in Japanese-funded contract solicitations for four projects in Guam. Are there any additional projects that have been placed on hold or canceled in accordance with this language?

Once the realignment roadmap agreement is reached, do you anticipate that these Japanese contributions will still be available for obligation?

Ms. PFANNENSTIEL. First, Mr. Chairman, on the cancellation of the contracts, what that was was some bids that had been received under the Japanese-funded contracts. And the bids were expiring and we could either extend them, continue to extend them and, in some cases, they had already been extended—or close the bids, cancel those bids and then go back out.

In terms of other contracts that will be canceled, I don't know of any that have been awarded or bids that have been solicited that would need to be canceled.

The deeper question of when will we meet the conditions of the NDAA and therefore be able to move forward, we're working to meet those conditions now. We would hope to do so in the near future such that the condition will be lifted and we can move ahead.

As for whether the Japanese dollars will be available to us, that's part of the negotiation that is ongoing with the Government of Japan.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. Thank you for your participation in this panel, and you may be excused.

Ms. PFANNENSTIEL. Thank you, Mr. Chairman.

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

#### QUESTIONS SUBMITTED TO HON. JACKALYNE PFANNENSTIEL

##### QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

##### U.S. NAVAL ROTATIONS TO AUSTRALIA

*Question.* Secretary Pfannenstiel, in the subcommittee's hearing with the Department of Defense (DOD), the Department indicated that the Australians are inter-

ested in a U.S. Naval rotational presence. How would such a rotational presence be structured, and what MILCON needs would be required?

Answer. The Department of the Navy (DON) is still developing how we will specifically support the Department of Defense's emphasis on the Asia-Pacific region in the future. As we determine our strategic laydown, infrastructure requirements and availability of host nation support, DON's infrastructure investments, including military construction, will be defined and included in future budget submissions. The Department of Navy will continue to inform your staff on the structure of the Naval rotational presence and the development of the MILCON requirements.

#### CAMP LEMONNIER

*Question.* Secretary Pfannenstiel, the mission requirements of Camp Lemonnier have shifted over the past several years, and this has impacted the types of military construction we have undertaken at the base. Do you expect the mission to continue to shift? If so, are the requested and planned projects adaptable to our changing needs? What is the status of acquiring additional land to expand the footprint of Camp Lemonnier?

Answer. Although it is always challenging to meet evolving requirements, Navy continues to work closely with applicable Combatant Commanders to perform necessary master planning efforts and ensure facilities can meet current and future infrastructure requirements. All four projects in Navy's fiscal year 2013 budget request support a wide range of operations at Camp Lemonnier and serve functions that are required independent of mission changes.

We continue to investigate and evaluate the need for additional land and will include this information in the updated Camp Lemonnier Master Plan, which will be submitted to the Congressional Defense Committees by August 31, 2012.

#### QUESTIONS SUBMITTED BY SENATOR MARK KIRK

##### AFRICOM INVOLVEMENT IN CAMP LEMONNIER

*Question.* Ms. Pfannenstiel, our staffs have been working unsuccessfully for over 2 years with your staff trying to lockdown a construction master plan for Camp Lemonnier. I know the Navy is the executive agent for the camp and is responsible for the construction plans, and I also know the operational requirements from the Combatant Commands, most especially AFRICOM, change at a rapid rate, making this task seemingly impossible.

Department of Defense doctrine dictates that the executive agent must provide support for the Combatant Commands, but I would like to ask about the unique nature of this particular location. Camp Lemonnier is vital to our national security and is used by four different commands, and as such may deserve special consideration.

Ms. Pfannenstiel, in light of the special circumstances and uniqueness of Camp Lemonnier, would it be helpful to all concerned if the Secretary of Defense directly tasked the AFRICOM Commander to assume more responsibility for the camp since it is in its Area of Responsibility (AOR)? For example, the AFRICOM Commander, in consultation with the Department of the Navy, shall direct and sign a Construction Master Plan for Camp Lemonnier? Your thoughts on this would be most appreciated.

Answer. No. The roles and responsibilities of Combatant Commanders and Services are clearly defined by law and Department of Defense policy. At this time we do not believe an exception for Camp Lemonnier is necessary.

Although it is always challenging to capture evolving requirements in a concise Master Plan, Navy continues to work closely with applicable Combatant Commanders to perform necessary master planning efforts.

We have nearly completed the extensive facilities planning effort to support current and emerging Combatant Commander requirements at Camp Lemonnier. We intend to submit an updated Camp Lemonnier Master Plan, to the Congressional Defense Committees by August 31, 2012.

##### BAHRAIN

*Question.* Ms. Pfannenstiel, the Secretary of Defense has announced that as part of the new force posture realignment in the Middle East new or additional combat ships will be stationed in Bahrain, a very important location for U.S. forces. Would you please tell us what the MILCON requirements will be for these additional combat ships and any other missions you might be putting at our facilities in Bahrain?

Answer. [A response was not provided.]



## GENERAL/FLAG OFFICER QUARTERS

*Question.* Ms. Pfannenstiel, the Navy reports only nine flag office quarters will exceed the \$35,000 annual cost cap, but the most noteworthy flag officer quarters exceeding this amount is in Naples, Italy. Villa Nike is an 11,322 square foot house and the operating budget request for this house in 2013 is \$433,500 (\$84,800 for management services, \$116,200 for utilities, and \$232,500 for maintenance and repair).

Ms. Pfannenstiel, would you please provide the justification for the Villa Nike property at Naples, Italy; any alternatives that would be more economical to the taxpayer; and a detailed list of expenses, particularly the \$84,000 cost for “management services”, \$88,000 for china and furniture, and any other projects that justify the \$433,500 annual cost?

Answer. [A response was not provided.]

## QUESTIONS SUBMITTED BY SENATOR DANIEL COATS

## MILCON DECISION PROCESS

*Question.* In recent years the Navy has changed how it makes decisions on funding for military construction projects as well as the process for deciding what gets input to the Future Years Defense Plan (FYDP). How has this impacted the major commands like the Naval Sea Systems Command, Space and Naval Warfare Systems Command, and Naval Air Systems Command and their requests for new facilities? Who is making the decision and does the activity/installation command have any say or “vote” in the process?

Answer. Prior to our fiscal year 2010 budget, the MILCON process used a bottom-up, advocacy-based shore investment strategy.

Today, the Navy uses a deliberate, capabilities-based process that holistically integrates warfare enterprises’ and providers’ requirements. This new process prioritizes required capabilities and ensures they are provided at the proper time. It converts the Chief of Naval Operations’ (CNO’s) guidance into an analytical and objective model that accounts for Strategic Alignment and Guiding Principles; Mission Dependency; and Facility Conditions. As a result, our MILCON program ensures support of fielding new systems/platforms, critical war fighting requirements, Quality of Life/Quality of Service initiatives, and infrastructure recapitalization.

The Systems Commands, like all other Navy commands, absolutely have a voice in the MILCON process. The CNO ultimately makes decisions by balancing risk across the Navy to provide the most capability within fiscal constraints.

## CAPABILITY CONSOLIDATION

*Question.* Has the Navy considered consolidation of capabilities of mission areas, such as electronic warfare, to move more work to facilities that have the capability and capacity to receive increased workload and personnel?

Answer. The Navy continually seeks out and evaluates opportunities to improve delivery to the warfighter through efficiency and cost improvements, while ensuring that national security needs and statutory requirements are met.

## ENVIRONMENTAL PERMITTING PROCESS

*Question.* The Navy stood up Commander, Naval Installations Command (CNIC) in 2004 and regionalized the facility maintenance and base ownership functions. This has resulted in a command that does not have a direct tie to the mission of Working Capital Funded (WCF) commands like NSWC Crane and does not appear to appreciate the full impact regionalization has had, or can have, on the mission of supporting the warfighter with the tools needed to perform their role. An effort is underway to force Working Capital Funded commands to relinquish control of environmental permits for hazardous operations and processes to the CNIC/NSA host command. There is growing concern about the financial impact as well as the mission impact of this methodology. How does a Working Capital Funded activity ensure the proper permits are maintained, and processes monitored, to allow them to perform their required functions? How do you justify the additional cost to Working Capital Funded customers of having someone else control and monitor the permits?

Answer. CNIC and NAVFAC resource and manage complex environmental programs at over 70 installations world-wide with a track record of maintaining high-quality environmental compliance programs, despite current fiscal challenges. Commander, Naval Installations Command (CNIC) was established and authorized to improve shore installations management to mission tenants across the Navy.

NAVFAC, CNIC, and Installation Commanders fully understand the importance of maintaining environmental compliance. This responsibility includes legal compliance at the installation and successfully performing environmental compliance functions to support all tenants, including many Working Capital Funded commands.

In most situations, the Commanding Officer of the host command is responsible for obtaining and maintaining required permits and as the permit owner is responsible for ensuring compliance with all permit conditions. The host command coordinates permit conditions with all affected tenant commands and ensures that responsibilities related to environmental and natural resources program permits are addressed in host/tenant agreements. The Installation Commanding Officer has a number of forums and opportunities to communicate, to coordinate and to interface with tenant organizations' leadership so all understand requirements and expectations.

The planned realignment of permits at Crane is based on a careful and detailed study of responsibilities that was mutually performed by the installation, NAVFAC, and NSWC Crane. The financial impacts of realigning environmental support at Crane have been carefully analyzed jointly by the installation, NAVFAC, and NSWC Crane and will not add costs to NSWC Crane customers.

#### DAVIS-BACON REQUIREMENTS

*Question.* If Davis-Bacon was waived, how much money would it save the Department of the Navy's MILCON program?

*Answer.*<sup>1</sup> The Department of the Navy does not expect any savings, principally because our installations reside primarily where the prevailing wages paid by contractors are at or above the D-B rates. The likely effects on bids on DON construction in other locations are unknown but are estimated to be minimal because bid savings are driven more by broader economic conditions within the industry, such as availability of resources, material prices, prices for capital, design considerations, acquisition methods, and competition.

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#### QUESTIONS SUBMITTED TO MAJOR GENERAL JAMES KESSLER

##### QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

##### USMC FORCE STRUCTURE REALIGNMENT

*Question.* Major General Kessler, it is my understanding that under the revised plans for relocating 8,700 marines from Okinawa, a contingent will be based in Hawaii. How many marines will be moving to Hawaii? Are there currently adequate facilities in Hawaii for these additional marines and/or their families?

*Answer.* According to the United States (U.S.)-Government of Japan (GOJ) Joint Statement of the Security Consultative Committee dated April 27, 2012, the United States plans to locate Marine Air-Ground Task Forces (MAGTF) in Hawaii, along with Okinawa and Guam. The Joint Statement also acknowledged that the United States informed GOJ that U.S. Marines will move to Hawaii to enhance operational capability there. However, detailed force structure moves and numbers have not been decided. A final decision on the number of marines potentially moving to Hawaii will be informed by a full planning analysis that would evaluate, among other topics, environmental, cultural resources, socioeconomic, off-base infrastructure, and facility impact. Detailed relocation numbers will be announced after completion of planning analysis.

##### USMC RELOCATION

*Question.* Major General Kessler, can you add specifics regarding where the rest of the marines will be going and whether they will be accompanied or unaccompanied tours?

*Answer.* A final decision on lay down of Marine forces in the Pacific has not been determined.

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<sup>1</sup> The response was approved by Mr. Roger Natsuhara.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF HON. TERRY A. YONKERS, ASSISTANT SECRETARY  
FOR INSTALLATIONS, ENVIRONMENT, AND LOGISTICS

ACCOMPANIED BY:

KATHLEEN I. FERGUSON, DEPUTY ASSISTANT SECRETARY OF THE  
AIR FORCE FOR INSTALLATIONS

MAJOR GENERAL WILLIAM H. ETTER, DEPUTY DIRECTOR, AIR NA-  
TIONAL GUARD

MAJOR GENERAL JAMES JACKSON, DEPUTY CHIEF, AIR FORCE  
RESERVE

Senator JOHNSON. I'm pleased to welcome our second panel of witnesses, Secretary Terry Yonkers, Assistant Secretary of the Air Force for Installations, Environment and Logistics; Ms. Kathleen Ferguson, Deputy Assistant Secretary of the Air Force for Installations; Major General William Etter, Deputy Director, Air National Guard; and Major General James Jackson, Deputy Chief, Air Force Reserve.

This year's military construction and family housing budget request by the Air Force is frankly astonishing, a full 67 percent below fiscal year 2012. The request for Active component MILCON is only \$388 million as compared to \$1.3 billion last year. I'm confident that the requirements haven't dropped that much.

I understand that the Air Force has taken what it considers to be a deliberate pause in military construction in light of the current budget constraints. But I'm concerned that MILCON funding, especially investments in current mission requirements, is being used to offset investments in other areas, such as weapons systems.

MILCON is a very small part of the overall defense budget, but to our military members and their families, it is a very important investment. We recognize that MILCON investment in new mission requirements is critical, but it should not come at the expense of displacing urgent current mission requirements to be placed in inadequate or failing facilities.

I'm especially concerned with the fiscal year 2013 MILCON request for the Air Force Reserve. The request of \$10.9 million funds only one project. Considering the importance of supporting a total integrated force, it is disturbing to me that the MILCON request for the Air Force Reserve is barely 2 percent of the total Air Force military construction request.

I understand that times are tough, but I believe that adequate funding for military construction for Active as well as Reserve components is vital to the well-being of our troops and their families.

I thank our witnesses for coming today and will look forward to your testimony. Your full statements will be entered into the record, so I encourage you to summarize them to leave more time for questions.

Secretary Yonkers, please proceed.

## STATEMENT OF HON. TERRY A. YONKERS

Mr. YONKERS. Thank you, Mr. Chairman and Senator Tester. Good morning and thanks for having us here today to be able to talk to you about our Air Force installation military construction programs and to say thank you again to this subcommittee for your unwavering support of our airmen and their families.

Our fiscal year 2013 budget request responds to two main drivers, the Budget Control Act that the Congress put into place last year, and of course, the new strategic defense policy the President and Secretary Panetta announced in January.

As we prepared the fiscal year 2013 budget, we looked across the entire Air Force portfolio and made some very difficult decisions to achieve the Air Force's share of that \$487 billion in the Budget Control Act.

In our installations and military construction portfolios, we're focusing on investments in the critical infrastructure needed to sustain our installations and the quality-of-life improvements for our airmen and their families.

We're requesting funding to meet the Combatant Commanders most critical facility requirements and most urgent facility modifications to bed down and sustain new weapons systems, such as the joint strike fighter, MQ-9 remotely piloted aircraft (RPA) and the standup of an additional B-52 squadron at Minot Air Force Base in North Dakota.

We are ever cognizant of the smart investments that will drive down our cost of doing business. And we're requesting over \$300 million this budget year to reduce our energy footprint by demolishing old, inefficient buildings and upgrading heating, ventilation, and cooling (HVAC) and other high-energy-use systems, investments that will have tangible payback across the Future Years Defense Program.

Across our energy program, we're requesting \$530 million in fiscal year 2013, the \$215 million I already mentioned and \$315 million more in science and technology to develop more energy-efficient jet engines and to complete our certification of the aircraft to fly on alternative fuels.

Our fiscal year 2013 budget contains \$3.9 billion for military construction, family housing and facilities sustainment, restoration and modernization. For military construction we are, in fact, requesting \$442 million, which is \$900 million less than fiscal year 2012.

We're channeling our limited resources to fund our most urgent Combatant Commander needs, our most pressing new mission work in continuing our efforts to take care of our airmen. This deliberate pause in our program is prudent in light of force structure decisions stemming from the new defense strategic guidance.

For this year, we have made a deliberate effort to build only where existing capacity is not available or where the cost-benefit analysis validates demolishing aging facilities and construction of more efficient and functional replacements.

In our fiscal year 2013 budget request, we are also continuing to emphasize first-class housing and strive to improve the overall quality of life for our airmen. Our new 2012 to 2016 dormitory

master plan will guide our future investments for sustaining existing facilities and recapitalizing those which are inadequate.

As we progress through 2012, we are nearing completion of our efforts to privatize family housing in the continental United States and to renovate family housing overseas, especially in Japan.

Our fiscal year 2013 budget request for military family housing is \$580 million. The funding is going to be used to improve more than 400 homes and infrastructure, such as utilities and water and sewer systems at a couple of Japanese bases.

On September 15, 2011, the Air Force successfully completed its BRAC 2005 realignment and closure program on time and within the original \$3.8 billion budgeted that was approved by Congress. The upfront BRAC investment is now resulting in \$1.4 billion in annual savings to the Department.

With that being said, I must say that the BRAC 2005 fell short in terms of reducing the Air Force's excess installation capacity. The 2004 Secretary of Defense report provided to Congress showed that the Air Force was 24 percent over capacity and would expect similar findings if we conducted that analysis today.

#### PREPARED STATEMENT

So that is my opening remarks. I want to thank, again, the subcommittee for your support of our airmen and their families. And I look forward to any questions that you may have.

[The statement follows:]

#### PREPARED STATEMENT OF HON. TERRY A. YONKERS

##### INTRODUCTION

The United States is in the midst of a deliberate evolution in the role of the military in achieving our national interests. This evolution is shaped by a dynamic geostrategic environment, uncertain economic circumstances, and the diffusion of regional centers of influence. In order to effectively deal with this new paradigm, the Department of Defense issued new Strategic Guidance which focuses our limited resources on deterring and defeating aggression across all domains, maintaining a safe and effective nuclear deterrent, and protecting the homeland, while reducing the quantity of our forces to ensure the quality of our force.

The United States Air Force plays an integral role in this refined guidance, and we have taken care to protect the distinctive capabilities we provide every day to our Joint, Interagency, and Coalition partners. These enduring capabilities include control of air, space, and cyberspace; providing global intelligence, surveillance, and reconnaissance; rapidly moving people and materiel around the planet; and holding targets at risk—anytime and anywhere.

Difficult decisions were made to achieve the Air Force's share of the \$487 billion in defense savings mandated by the Budget Control Act of 2011. These decisions fell into five broad categories: Force Structure, Readiness, Modernization, More Disciplined Use of Defense Dollars, and Taking Care of Our People. These five focus areas were integral to the allocation of the resources entrusted to us by the taxpayer.

Within the portfolio of Installations, Environment, & Energy we focused investments in critical installation facilities and infrastructure and quality of life improvements for our airmen and families; reducing our energy footprint by demolishing old, energy inefficient buildings and upgrading HVAC and other high energy use systems and continuing to build on our excellence in environment, safety, and occupational health across our Air Force.

The Air Force is striving to identify opportunities and initiatives in each of the above areas that will enable us to maximize the impact of every dollar we are given with an eye of every investment have a return on those dollars. We are reevaluating how we can improve the way we manage our military construction, housing, real estate, environmental, and energy portfolios by centralizing these functions and services into a single Field Operating Agency. By doing so, we are substantially re-

ducing manpower and overhead costs, streamlining processes and decisionmaking and centralizing program management and accountability under one agency.

As funding for military construction becomes more austere we have made a deliberate effort to build only where existing capacity is not available or where the cost-benefit analysis validates demolishing aging facilities in lieu of more efficient and functional replacements. Since 2008, we have demolished 23 million square feet of building space with an estimated savings of \$184 million. Furthermore, we are re-evaluating our policies and contracting mechanisms in the areas of military construction and environmental cleanup with the objective of reducing construction and environmental costs.

As we work our way through the current fiscal challenges the Air Force is committed to charting a path that fulfills the promises made to the American people today and in the future while staying true to our airmen and their families.

#### INSTALLATIONS

##### *Military Construction*

Our fiscal year 2013 President's budget request contains \$3.9 billion for military construction, military family housing, and facility sustainment, restoration, and modernization. For military construction we request \$442 million, \$900 million less than fiscal year 2012. This deliberate pause in our program is prudent in light of force structure decisions stemming from the new Defense Strategic Guidance.

Our most critical projects are captured in this request and align with our priorities of continuing to strengthen the nuclear enterprise, partnering with the Joint and Coalition team to win today's fight, developing and caring for our airmen and their families, modernizing our air, space, and cyber inventories, organizations, and training, and recapturing acquisition excellence. Removal of the C-27 program is one example of how force structure decisions have affected our fiscal year 2013 military construction program and the corollary elimination of facilities that would otherwise be needed to support the C-27 aircraft here in the continental United States.

We are accepting minor risk by electing to wait a year to fund current mission requirements, channeling the limited funds we have requested to fund Combatant Commander and new mission needs—especially facilities needed to bed-down the Joint Strike Fighter. And while we strove to fund our Active, Guard, and Reserve components in accordance with their equity in built infrastructure, the combination of austere funding and how the components derived their priorities led to a small shortfall in the Air Force Reserve.

We continue to stay focused on the needs of our airmen and their families and are requesting nearly \$500 million to sustain and modernize our overseas housing, while supporting housing privatization here in the United States. Unaccompanied airmen, likewise remain a top priority and we are requesting \$118 million to build new dormitories or upgrade existing dorms to the Air Force standard—keeping us on track to meet our goal of eliminating inadequate housing for unaccompanied airmen by 2017.

Finally, we request restoration and modernization funding at 90 percent of historical levels, and sustainment funding at slightly over 80 percent of the OSD model. For the first time in the Air Force, restoration and modernization funds will be centrally managed giving us the ability to prioritize new requirements across the enterprise while improving our ability to forecast where sustainment dollars should be invested to minimize risk in infrastructure maintenance and emergency repairs. This "Asset Management" approach to facility and infrastructure management is adopted from industry best practices—where industry has realized double digit savings. We expect to achieve similar results and are confident that by centralizing our management we can sustain our air bases on the dollars we have requested in this budget.

##### *Continue To Strengthen the Nuclear Enterprise*

The Air Force boasts a legacy of stewardship for two-thirds of the Nation's Nuclear Triad, providing security and maintenance for the weapons that enable a safe and effective deterrent. Accordingly, our number one priority remains the strengthening of the nuclear enterprise, with a continued focus on reliability, accountability, and compliance from the men and women who fly the bombers and man the missile silos in a state of constant vigilance. The fiscal year 2013 budget request supports the stand-up of an additional B-52 squadron at Minot Air Force Base, North Dakota, with a \$4.6 million munitions equipment maintenance facility addition.

##### *Partner With the Joint and Coalition Team To Win Today's Fight*

The Air Force continues to be an indispensable member of the Joint team as our airmen make significant contributions in controlling the domains of air and space,

providing unprecedented advantages in intelligence, surveillance, and reconnaissance, moving people and cargo around the world, and providing the ability to hold at risk any target on Earth. We currently have more than 35,000 airmen deployed, including nearly 2,300 Air Force civil engineers. In particular, our Air Force Rapid Engineer Deployable Heavy Operational and Repair Squadron Engineers (RED HORSE) and our Prime Base Engineer Emergency Force (Prime BEEF) personnel are the recognized experts in providing installation engineering and airfield capabilities to the warfighter. Red Horse assets are in high demand by Combatant Commands in deployed locations.

Our fiscal year 2013 budget request invests \$193.3 million in projects that support our Joint partners around the world. Examples include:

- Projects Supporting Our Combatant Commanders That Will Greatly Enhance Ongoing Operations.*—This includes the recapitalization of Headquarters, United States Strategic Command at Offutt Air Force Base, Nebraska.
- New Facilities for Operations and Mission Support.*—An expanded air support operations facility at Fort Stewart, Georgia, will allow us to consolidate personnel on the same installation as their Joint partners, enabling the synergistic effects of training, working, and living together.
- Intelligence, Surveillance, and Reconnaissance Facilities.*—The new MQ-9 maintenance hangar at Holloman Air Force Base, New Mexico, will provide adequate cover to work on this sensitive aircraft under any weather condition or any hour of the day—ensuring the training needs of aircrews are met.

#### *Develop and Care for Airmen and Their Families*

The all-volunteer force is the foundation of the capabilities we contribute to the defense of the Nation. In our fiscal year 2013 budget request we continue to emphasize providing first-class housing and striving to improve the overall quality of life for our airmen and their families. Our new 2012–2016 Dormitory Master Plan will guide our future investments for sustaining existing facilities and recapitalizing those which are inadequate.

#### *Billeting*

As part of our basing efficiencies initiative, we propose construction of a \$17.6 million transient contingency dormitory to house personnel supporting rotational aircraft transiting through Europe. This project, when coupled with the elimination of the host nation maintenance contract and real property consolidation, has a payback period of only 2 years.

#### *Dormitories*

The Air Force continues to place a high priority on quality housing for our unaccompanied airmen. Our fiscal year 2013 budget request includes two dormitory projects totaling \$42.5 million. One of these projects is located at Joint Base San Antonio, Texas, replacing an inadequate facility with severe infrastructure problems and historically high sustainment costs. The other, at Thule Air Base, Greenland, replaces an inadequate 58-year-old building and is also the lynchpin of consolidation efforts at Thule that will provide a payback in 3 years. This initiative will reduce energy use by 35 percent and is estimated to save \$20 million annually.

#### *Military Family Housing*

As we progress through 2012, we are nearing completion of our efforts to privatize family housing in the continental United States. This allows us to deliver high-quality homes to our members faster than ever before, and at significant savings to the taxpayer. Our fiscal year 2013 budget request for military family housing is \$580 million. Included in this request is \$84 million to improve 400 homes and upgrade infrastructure in Japan, as well as nearly \$500 million to fund operations, maintenance, utilities, and leases, and to manage privatized units for the family housing program.

#### *Modernize Our Air, Space, and Cyberspace Inventories, Organizations, and Training*

Even in the face of declining budgets, we must continue to modernize our force to meet the Nation's requirements. Although the pace and scope of this modernization will slow, we must protect programs that are critical to future warfighter needs. Our fiscal year 2013 request continues to invest in the beddown of new weapons systems. We request \$93.5 million for a variety of military construction projects, including:

- Three Projects To Continue the Bed Down of Our Newest Fighter, the F-35.*—These projects provide facilities at Hill Air Force Base, Utah, for the first operational F-35 unit, which is scheduled to begin receiving aircraft in 2015.

- Three Projects Supporting Our HC/C-130J Fleet.*—These projects include a fuel systems maintenance hangar at Little Rock Air Force Base, Arkansas, and flight simulators at Little Rock Air Force Base and Moody Air Force Base, Georgia.
- Other Projects.*—These will support diverse mission areas, including F-22 support at Tyndall Air Force Base, Florida, F-16 training at Aviano Air Base, Italy, and the overseas basing efficiencies discussed previously, which are projected to save up to \$120 million across the FYDP.

#### *Base Realignment and Closure*

On September 15, 2011, the Air Force completed its 2005 Base Realignment and Closure (BRAC) program on time and within its original \$3.8 billion budget. This up-front Air Force BRAC investment has resulted in \$900 million in annual savings to the Department of Defense that are being reinvested in emerging missions starting in fiscal year 2013. During the 6-year implementation period of BRAC 2005, the Air Force implemented 64 base closure commission recommendations affecting 122 installations, closing 7 installations and realigning 63 others.

Even so, BRAC 2005 fell short of the Air Force goal to reduce overhead and operational costs by reducing excess installation capacity. Today, 7 years later with almost 500 fewer aircraft in the inventory, the Air Force continues to maintain large amounts of excess infrastructure that is costing hundreds of millions of dollars each year—dollars that we need to invest in other areas. The Air Force has over 24 percent excess installation capacity (DOD's 2004 Report to Congress). This excess capacity can only be effectively eliminated by closing installations. As such, we fully support the Secretary of Defense's request for two more rounds of base closures in 2013 and 2015 to right-size our infrastructure and reduce our overhead and operating costs. We need Congress' help and support—we can't do BRAC if you're not in our corner on this. Without the ability to consolidate and close bases, the Air Force will be forced to make harder choices in the future that will degrade our ability to invest in those assets that directly affect our ability to defend this Nation.

#### *Joint Basing*

As the Air Force emerges from its first full year of joint basing, we remain committed to providing superior and standardized installation support to our sister Services. Efficiencies were always expected from consolidation of the Joint Bases—this year we will realize a small return of that investment—about 500 personnel across those Joint Bases for which the Air Force has operational responsibility. We continue to assess our processes and information systems, services support, and other key areas to garner greater savings from our Joint Bases. In fiscal year 2011, we met 88 percent of the Office of the Secretary of Defense (OSD) Tri-Service standards, and will continue to increase the effectiveness in which we provide installation support while lowering costs in fiscal year 2013.

#### *Encroachment Management*

The Air Force has taken a leadership role in developing encroachment management and compatible land use policies—and coordinating these efforts with communities around our installations. As a follow-on to the Nevada Forum, in January 2011, the Air Force on behalf of OSD, hosted a key interagency meeting aimed at finding ways to “clear” renewable energy projects that had no or little impact to military operations. Those efforts culminated in a cross-functional team and the DOD's Siting Clearinghouse policy and subsequent Air Force policy. In the last year we reviewed and “cleared” 486 Energy Projects.

#### *Privatized Housing*

We remain committed to providing quality housing to our airmen and their families. Under the housing privatization initiative, \$485 million in Government funding has garnered \$7.85 billion in private sector funding thus far, providing quality homes to our airmen and their families much more quickly than our standard military construction process. Approximately 41,500 units at 48 bases have been privatized to date, which is 76 percent of our housing inventory in the continental United States (CONUS), Alaska, and Hawaii. In addition, more than 37,000 inadequate units have been eliminated. Our goal is to privatize all CONUS housing by closing the remaining four privatization projects in 2012, which will result in 53,800 privatized homes across the Air Force portfolio.

#### *Enhanced Use Leasing*

The Air Force continually seeks to improve our stewardship of real estate assets and to leverage appropriated dollars with investments from the private sector. With the authorities provided to execute enhanced use leases (EUL), we're pursuing inno-



vative ways to leverage our unused real estate to return value from our installations. The Air Force has set a goal of unlocking \$5 billion in net present value from EULs through fiscal year 2020. In pursuit of this goal, we've executed nine leases with a net present value of \$233 million and are close to completing a comprehensive survey of all Air Force installations to identify non-excess real estate assets that could be put to use to generate revenue to meet installation requirements.

As we pursue EULs our intent is to extract the greatest value possible for the asset, and in the current environment renewable energy projects provide significant opportunities. Today, the Air Force is actively pursuing 11 projects valued at about \$700 million, 7 of which are related to renewable energy. We've identified another 21 opportunities and have developed a set of initiatives to determine where market demand aligns with our available assets to create additional EUL opportunities.

#### ENERGY

Energy and energy security is the corner stone of the Air Force's ability to maintain global vigilance, reach, and power at home and abroad. The Air Force defines energy security as "having assured access to reliable supplies of energy and the ability to protect and deliver sufficient energy to meet operational needs." To enhance its energy security, the Air Force has developed a three-part strategy:

- Reduce energy demand through conservation and efficiency;
- Increase renewable and alternative energy sources; and
- Ensure the culture of the Air Force recognizes the necessity and criticality of energy to its operations.

We have set a number of aggressive goals across our entire portfolio—goals that, if met, will help us avoid over \$1 billion a year (based on today's energy prices) and improve energy security for our critical assets.

#### *Budget Impact*

The Air Force is the largest single consumer of energy in the Federal Government and as energy costs increase and budgets decrease, this means that energy is consuming a greater proportion of the Air Force budget. In fiscal year 2010, the Air Force spent \$8.2 billion for fuel and electricity, an amount that increased to \$9.7 billion in fiscal year 2011 due primarily to the increased cost of crude oil. Ironically, our demand for both fuel and electricity was down over the same period.

At our installations, the Air Force spent more than \$1 billion for facility energy in both fiscal year 2010 and fiscal year 2011. However, as a result of the initiatives put in place over the last 8 years, the Air Force avoided over \$250 million in additional facility energy costs in fiscal year 2011 alone.

In the fiscal year 2013 President's budget, the Air Force is requesting more than \$530 million for aviation, infrastructure, and RDT&E energy initiatives to reduce energy demand, improve energy efficiency, diversify supply, and improve mission effectiveness. Included in this request is \$215 million for energy conservation projects on Air Force installations, a continuation of the nearly \$800 million we have invested in such projects over the last 4 years.

#### *Energy Conservation*

Overall, our focus is to reduce our energy footprint across all operations. While we have reduced our overall facility energy consumption since fiscal year 2003 by nearly 20 percent, and reduced energy intensity by more than 16 percent, installation energy costs have increased by 32 percent over that same period. The Air Force is on track to reduce its energy intensity by 37.5 percent by 2020 and increase its renewable energy use to reach 25 percent by 2025.

As a result of our energy conservation efforts, we have cumulatively avoided over \$1.1 billion in facility energy costs since 2003 that can be redirected to better enable warfighters to complete their missions. Investments we are making in fiscal year 2012 to improve our facility energy efficiency and reduce our energy requirement are expected to start generating savings in fiscal year 2014, and the majority are expected to payback before or just shortly after the FYDP.

The Energy Conservation Investment Program (ECIP) is a critical element of the Air Force's strategy to improve the energy performance of its permanent installations. In fiscal year 2011, we completed 15 ECIP projects at a cost of under \$20 million. The Air Force estimates these projects will save more than 253,000 million British thermal units (MBTUs) annually and nearly \$54 million over the life of the projects. We have submitted six projects to OSD for inclusion in the fiscal year 2012 ECIP program. If funded, these projects will save over 213 billion BTUs.

The Air Force is also looking to reduce demand by building in smarter ways, including maximizing energy efficiency and using environmentally friendly materials,

and identifying and demolishing 20 percent of our old, unnecessary, and high-energy use facilities by 2020.

#### *Renewable Energy*

The Air Force is looking to improve its energy security and diversify its energy supply through increased use of renewable energy. In fiscal year 2011, more than 6 percent of the electrical energy used by the Air Force was produced from renewable sources. Moving forward, our goal is to develop more than 1,000 megawatts (MW) of renewable power, including more than 600MW from solar, on our installations by 2016. By making the most of private sector knowledge, technology, and financing, we plan to improve our energy security by capitalizing on underutilized land on our installations to develop those projects. Currently, the Air Force has 131 operational renewable energy projects and another 50 under construction across a wide variety of renewable energy sources, including 8.7MW from wind energy, 26.2MW from solar, and 2.4MW from waste-to-energy projects.

In fiscal year 2011, the Air Force had 46 projects funded through the MILCON appropriation with at least one renewable energy component, such as solar photovoltaic systems or cool roof attributes.

The Air Force is not just limiting its efforts to renewable energy projects, but is also incorporating alternative fueled ground vehicles into our fleet. With the support of other private and public stakeholders, the Air Force is currently working to develop an all plug-in electric vehicle fleet at Los Angeles Air Force Base, California. When the initiative is completed later this year, Los Angeles Air Force Base will be the first Federal facility to replace 100 percent of its general-purpose vehicle fleet with plug-in electric vehicles. By working with OSD and our Sister Services, we have identified 15 other potential locations where such vehicles will support the mission and improve our energy security. We will use the lessons learned at Los Angeles Air Force Base to continue to refine the business case and operational analyses to determine where best to employ electric vehicles.

#### *Third-Party Financing*

While the Air Force has made considerable progress to reduce our energy demands and increase our energy diversity, there is still more to do. The Air Force is aggressively pursuing a third-party financing approach for both renewable and energy conservation projects.

Direct Air Force renewable energy project funding through Air Force capital sources is rarely cost-effective when compared to commercial utility rates. To address this, the Air Force is using existing authorities, such as EULs and Power Purchase Agreements, to attract private industry to develop renewable energy projects on underutilized land on Air Force installations. The Air Force is anticipating third-party investments could reach more than \$1 billion over the next 5 years to construct on-base renewable projects, while we plan to invest only \$5–\$8 million for renewable projects over the same period. The Air Force has set a goal to identify \$5 billion worth of EULs and over half of this value will be energy EULs.

The Air Force is reinvigorating third-party financing to fund energy conservation projects through energy savings performance contracts (ESPC) and utility energy service contracts (UESC). The Air Force is targeting over \$260 million in potential ESPCs and UESCs over the next 2 years. While the Air Force did not award any third-party financed projects in fiscal year 2011, we anticipate awarding six such projects in fiscal year 2012 that would save approximately 1.1 million MBTUs, and are evaluating three projects for fiscal year 2013.

#### ENVIRONMENTAL

Our environmental programs are designed to provide the mission-ready people, infrastructure, and natural resources necessary to meet today's and tomorrow's mission requirements. The Air Force is committed to conducting our operations in an environmentally responsible way; meeting all environmental standards and legal obligations applicable to these operations; planning future activities to consider environmental and community impacts, and minimize them where practicable; eliminating pollution from activities wherever and whenever we can; cleaning up environmental damage resulting from past activities; and responsibly managing our irreplaceable natural and cultural resources in a sustainable manner. To address these commitments, the Air Force's fiscal year 2013 President's budget request seeks just over \$1.1 billion for our environmental programs.

In meeting our environmental commitments, the Air Force is re-emphasizing improved efficiency and effectiveness as necessary outcomes for program management and for a host of process improvement efforts we have underway. Following are only a few examples of the initiatives we are championing.

### *Environmental Restoration*

Our fiscal year 2013 President's budget request seeks \$529 million for cleanup of active installations, and \$115 million for cleanup of BRAC installations. We established our cleanup program in 1984 to cleanup former hazardous waste disposal sites on active and BRAC installations. Our past focus was on completing investigations and getting remedial actions in place—many of which were designed to operate for decades. In early 2011, we put into place a new policy and new metrics—one that shifts the goal from remedy-in-place to closing sites; from one that tolerated decades to complete the cleanup to one that rewards innovative technologies that get the job done in 8–10 years; from one that was cost-plus to one that is fixed price and performance based and incentivizes contractors to develop innovative ways to get to site closure; and to one that considers the total lifecycle cost informed by a solid business case analysis.

Our new goals are to achieve accelerated completion of 90 percent of Air Force BRAC cleanup sites and 75 percent of non-BRAC sites by 2015, in order to place the emphasis on bringing the program to closure. Through the use of improved performance-based contracting, coupled with this new policy, we are cleaning up sites three times faster, with lifecycle cost-savings as much as 19 percent, and it is our expectation this will go even higher as we mature this contracting approach. By using this approach, we're not only closing sites faster, we're eliminating land use restrictions, while still being fully protective of human health and environment.

We continue to work with State and Federal regulators on socializing this new approach. We have received positive feedback from many of the regulators on the overarching goal to finish cleanup, but there are historical concerns with the execution of performance-based contracts that we are addressing.

### *Environmental Quality*

Our fiscal year 2013 President's budget request seeks \$469 million in Environmental Quality funding for compliance, environmental conservation, pollution prevention, and environmental technology investment. As in our cleanup program, we are refocusing our efforts to streamline and more effectively manage our Environmental Quality program activities. One example is how we've changed our approach in our National Environmental Policy Act (or NEPA) program. Every decision we make is backed by environmental analyses—with major efforts and cost going into the development of Environmental Impact Statements (EISs) and Environmental Assessments (EAs). As we looked at how to become more efficient in all our functional areas, we found that over time our NEPA process had become stagnant and bureaucratic. We had migrated away from the Council on Environmental Quality Guidance that emphasizes clear, concise, and analytical analyses rather than encyclopedic documents. On average, EISs were taking 3½ years to complete and EAs half that time. Our decisionmaking process was being crippled by such tasks as elaborate internal reviews and steps that added very little value to the quality of the analysis.

In September 2010, we issued a policy to refocus our NEPA process. The policy emphasizes use of performance-based contracts to incentivize contractors to provide quality environmental analyses that are fully compliant with the spirit and intent of NEPA, that are aimed at better decisionmaking. Likewise, to refocus our internal reviews the policy sets goals for completion of EISs in 12 months and EAs in 6 months. To execute the new policy the Air Force established a NEPA center of excellence to standardize the Air Force approach to NEPA management and contracting and to provide reach back to major commands and installation NEPA professionals. Results to date are very promising; our first contract actions are hitting the 12-month and 6-month schedules and we're doing this without sacrificing quality.

We also have some initiatives underway that will change how the Air Force manages waste. Pollution prevention and waste minimization provide great potential to realize efficiencies while at the same time sustaining the Air Force mission, maintaining a safe and healthy workplace for our people, and improving the environment in which we live. This year, we are establishing pollution prevention and waste minimization goals; we will use our environmental management system to achieve these goals; and we fully expect to see our operations become more efficient, more protective of the workforce, while realizing cost-savings. We are also striving to change how our culture considers waste and the environment. The Air Force believes that "green" is a smart way to do business. Simply put: Green is money; green is innovation; green is safety; and green is good stewardship.

Our pollution prevention initiative provides a great segue to something the Air Force is very excited about. We are embarking on an aggressive initiative to transform how the Air Force manages energy, water, green house gas production, and solid waste. This year, we are rolling out a net zero policy for the Air Force. This

initiative will strengthen the Air Force's commitment to supporting the Air Force's operational mission by leading in energy and environmental management. We will do this by complying with legal requirements, reducing unacceptable risk to operations from energy-related considerations and environmental impacts, by continuously improving energy and environmental management practices to be more effective and efficient, and to ensure sustainable management of the resources we need to adequately fly, fight, and win into the future. There is no question that responsible and prudent stewardship of the natural and other resources with which we are entrusted is of great importance to national and economic security.

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

#### CONCLUSION

Our fiscal year 2013 budget request satisfies our most pressing needs while supporting the greater good of the Nation's fiscal security. It stays true to the fundamental priorities of our Air Force:

- Continue to strengthen the nuclear enterprise;
- Partner with the Joint and Coalition team to win today's fight;
- Develop and care for our airmen and their families;
- Modernize our air, space, and cyber inventories, organizations, and training; and
- Recapture acquisition excellence.

We continue to mature our use of centralized asset management principles to mitigate accepted risk in facilities funding. Our total force airmen and their families can rest assured that they are cared for as we strive to eliminate inadequate family housing by 2018 and privatize housing in the United States by 2013.

Finally, we continue to think about the taxpayer with every dollar we spend. Our commitment to continued efficiencies, a properly sized force structure, and right-sized installations, combined with steadfast stewardship of our energy resources and environment, will enable us to provide our trademark support to the Joint fight without imposing fiscal hardship on the Nation.

Senator JOHNSON. Thank you, Mr. Secretary.

General Etter, please proceed.

General ETTER. Yes, sir. Chairman Johnson, Senator Tester, thanks for having us here today. I'm honored to be here before you today representing over the 106,000 dedicated men and women of our Nation's Air National Guard.

The Air National Guard's military construction priorities for fiscal year 2013 include bedding down new missions and facilitating mission changes to provide the best possible environment to support both the training and deployment of our guard airmen.

Our four major projects in the fiscal year 2013 President's budget request allow for the conversion of two weapons systems, conversion of a facility at Kirtland Air Force Base, New Mexico, for incoming intelligence mission and construction of the building of the first simulator in Cheyenne, Wyoming.

These projects are mission essential and would help ensure the men and women of your Air National Guard will continue to protect both the Nation and their local communities.

In addition, there are four MILCON projects previously funded by Congress that we request to be rescope and reauthorized and executed in the same locations. The first of these four projects is at Fort Wayne, Indiana. Four-million dollars were appropriated in fiscal year 2012 for Air National Guard MILCON to convert the facilities of F-16s for the A-10. The 122nd Fighter Wing is now programmed to convert to MC-12s.

We request your support in keeping these funds available to bed down the 122nd's new mission and provide appropriate operations and maintenance facilities for this MC-12.

The second project is at Nashville, Tennessee. The 118th Airlift Wing had been programmed to bed down the intelligence squadron and a C-130 flying training unit. Subsequently, the wing was designated to convert to an intelligence group, a cyberwarfare group and a remotely piloted aircraft remote split operations unit.

Congress appropriated \$5.5 million in fiscal year 2011 to Air National Guard MILCON for the intelligence-squadron conversion and for the C-130 training units. We request your support to keep these funds available to provide operations facilities for the new missions just assigned.

The third project is at Otis Air National Guard Base in Massachusetts. At Otis Air National Guard Base in Massachusetts the 102nd Intelligence Wing had expected to bed down a component numbered Air Force (CNAF) augmentation unit.

Congress appropriated \$7.8 million in fiscal year 2012 to Air National Guard MILCON to provide facilities for this unit. However, the Air Force has determined that the CNAF unit is no longer needed. It will not be assigned to Otis.

We request your support in keeping these funds available to construct the facilities to consolidate remaining functions at Otis in the most efficient campus environment possible.

The fourth project is at Martin State in Maryland. At Martin State Airport near Baltimore, Maryland, the 175th Wing had been programmed to convert to C-27 aircraft. Congress appropriated \$4.9 million in fiscal year 2012 to Air National Guard MILCON to provide a squadron operations facility for the inbound C-27s.

The Air Force has determined that the unit will instead convert to an intelligence, surveillance, and reconnaissance group and a network warfare squadron while continuing to host A-10 attack aircraft.

We request your support to keep the funds available to provide operations facilities for the new cyber and intelligence missions just assigned.

Thank you for inviting me here today. Thank you for your service to the Nation and your support of the Air Force and its Reserve components. I look forward to your questions, Mr. Chairman.

Senator JOHNSON. Thank you. General Jackson.

General JACKSON. Mr. Chairman, Senator Nelson, and Senator Tester, thank you very much for your invitation today. Just a few brief opening remarks and then we'll be happy to entertain your questions.

I appreciate the opportunity to appear before you today, obviously, and to discuss the state of the Air Force Reserve, and particularly our military construction program.

First, I'd like to take a moment to thank this subcommittee for the tremendous support we've received in past military construction appropriations. Your generous support allows us to continue to meet the needs of the combatant commander and the Nation with a viable operational and strategic Air Force Reserve. Thank you.

During budget formulation this year, the Air Force total force, the Air National Guard and the Air Force Reserve, again applied

asset-management principles to ensure maximum efficiency, building only where infrastructure was required.

As a part of the broader Air Force strategy, we are also taking a deliberate pause in funding for current mission projects. The total force MILCON request ensures construction is closely aligned with weapons system deliveries and strategic base initiatives.

The Air Force Reserve MILCON budget request for fiscal year 2013 is a \$10.9 million request. This request funds only one mission project, as you know, the construction of a regional C-130 flight simulation facility at Niagara Falls Air Reserve Station in New York, home of the 911th Airlift Wing.

It provides planning and design funds needed to prepare for the fiscal years 2014 and 2015 programs, along with some minor construction funding. They'll be used to accomplish urgent and compelling projects which cost less than \$2 million.

Mr. Chairman and members of this subcommittee, I take great pride in the fact that when our Nation calls on the Air Force Reserve, we are trained and ready to go to the fight. Your support enabled us to contribute and be proud members of the total Air Force team. We are a strategic reserve leveraged every day for an operational use, and we thank you very much for your support.

Senator JOHNSON. Thank you, General Jackson.

Secretary Yonkers, Ellsworth Air Force Base is scheduled to activate a new MQ-9 Reaper operation mission this spring. Drones are an increasingly important component of American military power, and it seems reasonable to expect the Air Force's drone fleet to increase over the next decade. As the Air Force reviews its force structure, is it examining whether to increase Ellsworth Air Force Base's role in drone operations?

Mr. YONKERS. Thank you, Senator. As you know, we're going in our unmanned aerial vehicle RPA program to 65 combat air patrols. It is a growth industry for us. I think it's recognized across the Department of Defense as a very important role, an asset for intelligence, surveillance, and reconnaissance, and where it eventually goes is yet to be determined.

In terms of specifics for Ellsworth Air Force Base, it is going to support five combat air patrols in the future. And I'd like to see if either one of the other panel members would have comments with regards to your specific roles at South Dakota.

General ETTER. Yes, sir. From the Air National Guard there's no specific change to Ellsworth Air Force Base at this time.

Senator JOHNSON. Ms. Ferguson, last November, the Air Force selected a company to carry out its final housing organization plan, the Northern Group Housing Initiative, which includes Ellsworth Air Force Base.

Could you give me an update on where we are with Northern Group Housing as well as what type of oversight the Air Force will provide to ensure that our servicemen and women receive quality housing under this program?

Ms. FERGUSON. Mr. Chairman, thank you for that question. I appreciate the patience of you and your staff as we've worked our way through the Northern Group. As you know, it's taken us quite a long time to get there.

We are happy to announce we are in final negotiations with our selected privatized contractor, Balfour Beatty, and we are anticipated to close that project by the end of this fiscal year, by the end of September.

Senator JOHNSON. General Etter and General Jackson, the Air National Guard and the Air Force Reserve offer this country tremendous value for a relatively small investment. Guard and Reserve units have served admirably in Iraq and Afghanistan, and after a decade of war, it is important that we continue to make MILCON investments that will preserve the unit cohesiveness and ability to fight future missions.

The fiscal years 2013 through 2017 FYDP shows Guard and Reserve MILCON decreasing by a combined 17 percent below the estimates in the fiscal year 2012 FYDP. Given current funding constraints and the uncertain budget outlook for the future, what are the key military construction challenges and priorities that the Guard and Reserve face over the next 5 years? General Etter.

General ETTER. Mr. Chairman, thank you for that categorization. We are proud of the service of our Guard and Reserve component.

We have difficult times. We need to make very informed and intelligent choices here as we move forward. New mission is currently our priority and it will probably remain so for the next couple of years, and then, at some point in time, we'll, of course, have to go back to our existing missions to catch up.

But at this point in time, the new missions and the changes that have occurred with the fiscal year 2013 are probably going to drive our decisions for the next couple of years.

Senator JOHNSON. General Jackson, as I indicated in my opening statement, I'm very disappointed with the meager budget request for the Air Force Reserve. This is not the first time that the Air Force Reserve has been, in my opinion, short changed in the budget process.

I hope this year is an exception, but even in the best of times, the Air Force Reserve MILCON budget is not robust. What is the current quality rating, on average, for Air Force Reserve facilities and what is the current rehabilitation rate?

General JACKSON. Mr. Chairman, thank you very much for the question. As you mentioned, and General Etter did also, the Air Force takes a total force look at all the requirements for military construction. We bring our projects to the table, and some of those, to be honest, do not score out very well because they're a current mission or because there are training requirements.

So we support the process that's in place, and we believe that going into next year, as you mentioned, Mr. Chairman, we should have a better look and a capability to go ahead and increase our MILCON percentage there.

As for the recapitalization rate, sir, it's approximately \$1.25 billion to go ahead and recapitalize the Air Force Reserve Command infrastructure, and we're monitoring that very closely.

Our A-7 has gone out to every location, done a focus study on every single one of our locations to make sure we know where the priorities are, and we're taking those scarce resources and applying those, as required, to those priorities, sir.

Senator JOHNSON. Secretary Yonkers, the Air National Guard provides 35 percent of the Air Force's capability with 6 percent of the budget. The Air Force Reserve provides 20 percent of the Air Force capability with only 4 percent of the total Air Force budget.

The Guard and Reserve are truly the work horses of the Air Force. Are you comfortable with the share of the fiscal year 2013 Air Force MILCON budget request directed to the Guard and Reserve?

Mr. YONKERS. Sir, as we talked about in our opening remarks, we did make some hard choices in fiscal year 2013 to try to balance the requirements across the Air Force in our enterprise.

Next year and the following years in the FYDP we are going to be returning to a more robust military construction program, \$1.5 billion in 2014, the same in 2015, going to almost \$2 billion in 2016.

So, at this point in time, given the constraints that we have and looking at the distribution of \$442 million to meet primary mission requirements, I am comfortable with where we are.

Senator JOHNSON. Secretary Yonkers, the Air Force FYDP includes a \$215-million wedge between fiscal years 2014 and 2016 for specific resiliency initiative. Can you explain what this program is, where the funding would be used and what types of projects it would fund?

Mr. YONKERS. Similar to the response that the Navy gave, this is an operations plan that is yet evolving. The wedge is to look at the possibilities, but until such time as that game plan comes together, sir, we haven't got any specifics for you.

Senator JOHNSON. Is this program linked to the Air Force expansion plans at Anderson Air Force Base in Guam?

Mr. YONKERS. Sir, for the most part, the Guam strike projects that we funded in the past and the one in the fiscal year 2012 budget for the fuel maintenance hangar are apart from the resiliency part of the Pacific laydown.

Senator JOHNSON. Senator Tester.

Senator TESTER. I'll defer to the good Senator from Alaska and then go after her.

Senator MURKOWSKI. Mr. Chairman, thank you, and thank you to my colleague. I appreciate it. I know we're all trying to be in two different places at once, so, gentlemen, Ms. Ferguson, thank you for being here.

I want to ask questions about the status as it relates to the proposal at Eielson moving the F-16 squadron. I would ask, Secretary Yonkers, for a clear statement in terms of what the Air Force plan is for Eielson Air Force Base, how many positions will be eliminated when that plan is fully implemented?

Mr. YONKERS. Ma'am, right now, there's actually two things that are going on with regards to personnel across the Air Force. One is the 9,900 military reduction, but the other part of it is the Resource Management Decision (RMD) 703, which got at the civilian force. For the civilians at Eielson Air Force Base, there's about 41 of those positions that are going to be reduced as a matter of the RMD 703. For the move of the F-16s from Eielson Air Force Base to Joint Base Elmendorf-Richardson, that composition, in terms of military, is about 630 or 640 personnel.



Senator MURKOWSKI. Six-hundred and thirty. What is the business justification for moving the Aggressor squadron from Eielson Air Force Base to Joint Base Elmendorf-Richardson, and ultimately, putting Eielson Air Force Base in a warm-basing status?

Mr. YONKERS. There's still, ma'am, a viable KC-135 mission that will be remaining at Eielson Air Force Base, and the force protection, civil engineering, maintenance, control tower, and other functions that are associated with a robust mission will stay resident at Eielson Air Force Base.

The justification or the rationale for moving the Aggressors from Eielson Air Force Base to Joint Base Elmendorf-Richardson was a cost-savings justification.

Senator MURKOWSKI. Talk to me a little bit about the cost-savings. Have we identified how much will actually be saved, where that comes from, whether it's in personnel reductions or from infrastructure cost reductions?

Mr. YONKERS. It'll be a little bit of both, but it's primarily going to come from personnel, and we're looking at about \$165 million across the FYDP in savings by consolidating one jet fighter squadron now at Eielson Air Force Base down to Joint Base Elmendorf-Richardson.

Senator MURKOWSKI. We've been trying to get some understanding in terms of how this tabletop exercise was conducted, and what specifically was used in terms of data, how reliable that data was and whether or not it was any different than that which was used back in 2005 when Eielson Air Force Base, again, was considered under that BRAC round. Can you give me some more details on that tabletop exercise?

Mr. YONKERS. I can give you some, and I'll ask Ms. Ferguson to embellish here. The analytics that went behind it, ma'am, were looked at—a number of different things, certainly, in terms of the consolidation of the one fighter wing into Joint Base Elmendorf-Richardson.

We looked at personnel. We looked at base-operating support. We looked at some of these other service functions that I've talked about. And when you do the analytics, it comes out that it is actually more efficient to move the Aggressors from Eielson Air Force Base to Joint Base Elmendorf-Richardson, and as I mentioned, about \$165 million savings across the FYDP as a result of doing—

Senator MURKOWSKI. But, again, was there any data that was different this go-around in this tabletop exercise than what we saw back in 2005?

Mr. YONKERS. I would like to defer to Ms. Ferguson. She was in the building when that study was done.

Ms. FERGUSON. Okay. We'd like to take that for the record. I don't think either one of us was actually in the analytical phase of this, but we'll take that back and—

[The information follows:]

#### 2005 TABLE TOP EXERCISE

Senator, thank you for your question. The Air Force's 2005 BRAC recommendation called for the realignment of the F-16 Aggressors to Nellis Air Force Base whereas the move in the Air Force's recent force structure announcement relocates the F-16 Aggressors to Joint Base Elmendorf-Richardson (JBER), where they will

be located with the 3rd Wing. The F-16 Aggressors will support air-to-air training for the F-22 Raptors assigned to Joint Base Elmendorf-Richardson and will continue to support RED FLAG-Alaska exercises. The movement of the F-16 Aggressors will garner efficiencies by reducing maintenance supervision overhead and support base functions.

Senator MURKOWSKI. I'd be curious to know because it was—again, we're looking at this and saying this is exact same exercise that we saw back in 2005. It was rejected. Now, it's before us. So I am trying to drill down and discern whether there is something new that we have learned. So if we can get that information, I would appreciate that.

The site survey team is going to be coming up to the State in April, going to the interior to validate the information that apparently was generated during this tabletop exercise. But there seems to be some ambiguity in terms of what the site survey team's mission actually is. Some think that it's an effort to validate both the short-term and the long-term plans for Eielson Air Force Base.

Others say it's simply to figure out how to implement the short-term plan for Eielson Air Force Base, which is moving the Aggressors there to Joint Base Elmendorf-Richardson. Can you tell me what exactly the mission of the site survey team is?

Mr. YONKERS. Ma'am, as I understand it, the site survey team was going to look at the more focused move of the F-16s to Joint Base Elmendorf-Richardson. But based on your comments and observations, it seems prudent to me that we take a broader look, and I'm going to have that conversation with the folks out at the Pacific Air Forces.

Senator MURKOWSKI. I would appreciate that a great deal. I've had an opportunity to sit and visit with many of the leaders within the interior community there. Of course, they're very engaged in this, and we have asked for a level of discussion when the members of the site survey team come.

The mayor of the Fairbanks North Star Borough has requested a meeting with the survey team to basically share some relevant information on local issues. Can you think of any reason why you should not be able to accommodate that meeting?

Mr. YONKERS. I think we can accommodate it, but we'd like to accommodate it with the wing commander who has had that long-term relationship with those community leaders as sort of being a focal point for those discussions.

Senator MURKOWSKI. So the wing commander with the local mayor?

Mr. YONKERS. They have a close relationship. And that's part of the function and role and responsibility of the wing commander is that outreach and having that discussion with local civic leaders on all issues affecting that airbase.

Senator MURKOWSKI. And I do understand that he is that liaison, but I also recognize that our wing commanders are there for very brief periods and then they move on. We appreciate all the good work that they do, but if there is any way to include a meeting with the mayor of the Fairbanks North Star Borough so that he can share, again, some of these very local issues that I think are relevant I would certainly encourage that.

And we will wait for further information from you and Ms. Ferguson.

And again, I thank my colleague my colleague from Montana. Thank you, Mr. Chairman.

Senator JOHNSON. Senator Tester.

Senator TESTER. Yes, thank you, Mr. Chairman. And thank you all for being here, and thank you for the people that you represent. Thank you for your service.

I will echo what I told the Navy folks. Thank you for your work on energy. I think it's critically important work. I think it's good work. I think Montana can help in that work.

We've got a facility—we've got a university 100 miles away from the facilities in Great Falls. Montana State University-Northern is doing some great work in biofuels. I encourage you to utilize them when you need them.

I also want to thank particularly you, Mr. Yonkers and General Etter, for meeting with the Central Montana Defense Alliance, taking time out of your busy day. Those are great supporters of our installations in Great Falls, and they're great supporters of the military. So I thank you for taking time out for that.

I am appreciative of the fact that myself and members of the Great Falls community were able to welcome the Air Force announcement of a C-130 mission for the State of Montana. While I oppose the loss of the F-15 fighter mission, I'm thankful the Air Force worked with myself and Senator Baucus to identify a new mission that's particularly well suited for Montana, particularly, we have airmen with a world-class reputation.

This fleet of C-130s, as you well know, placed in Great Falls would ensure that we have those Montana airmen play a critical role. They are a great asset to our Nation's defense. It would also help the State, the region and the country better address critical and urgent disaster response.

And I look forward to work with you to make sure the mission conversion happens in an efficient, a timely manner, and that the Montana Air National Guard is able to maintain its status as one of the best in the country.

Secretary Yonkers, in carrying out the Air Force's proposal of restructuring, I believe it's critical we start now. Before we can get those planes on the ground, we need to compete necessary design work and we need to get funds flowing to address any construction needs that are needed up there. Could you give me an idea when the C-130s will arrive in Great Falls, Montana?

Mr. YONKERS. General Etter can give you a lot more of the specifics, but we have accommodated, in the fiscal year 2013 budget request, I think it's about \$27 million to look at doing modifications, as necessary, to accommodate the eight C-130Hs that are planned to be there.

Senator TESTER. Major General.

General ETTER. Yes, Senator, we're looking at fiscal year 2014. Of course, we'd like to do that as early as possible, but we're still in the planning stages, so I'm unable to commit to an exact order. But we do know that we need to do that to dovetail in, as one mission draws down that another mission comes up. Of course, we need time to send folks to school.

Additionally, we've stood up an operations execution working group, which is a number of people from all around the country to

make sure that we address not only the MILCON issues, but also those of training, conversion, new facilities, and sequencing.

Senator TESTER. Okay. When will you have a time for the C-130s' arrival? When will that be set into stone? The point you make is absolutely correct. If there's a huge mission gap between the F-15s leaving, the C-130s leaving, we are in trouble. You've said when the F-15s are leaving. When will you know the C-130s are coming?

General ETTER. Sir, I think we can do that within 90 days and get back to you. And of course, we know when the last mission changed there was going to be a little bit wider point of time between the two aircraft, and I don't believe that'll be a factor this time. But we'll get back to you within 90 days, hopefully earlier than that, sir.

[The information was not available at press time.]

Senator TESTER. Thank you very much.

The timetable—you talked about \$27 million available for construction. When do you anticipate that to start? The conversion construction, because it's—there are different—I don't have to tell you guys that, you know.

Mr. YONKERS. I think, going back to General Etter's point, when the specifics are laid down with regards to the arrival of the aircraft, we'll define the requirement better than we have right now, and then look at how we sequence that construction project, so that when those airplanes show up, there's no hang-up with regards to where we're going to put them or how we're going to take care of them.

Senator TESTER. Okay. We're talking March 2012 right now, potentially 2 years from now. Right now, those planes could be on the ground, potentially. Do you plan on starting the military construction conversion upon their announcement within the 90 days? When do you plan on starting it?

Mr. YONKERS. Do you want to address that?

General ETTER. Yes, sir. There is definitely a possibility that this is moving so fast that the hangar will not be done before the first aircraft arrives. That said, they do have hangars where they can nose in the aircraft and stuff like that, sir.

So we know that we need to move forward with this quickly, but it's not a fiscal year 2013 MILCON project at this time. Therefore, we would be in fiscal year 2014 to try to do that design and construction.

Senator TESTER. The \$27 million is adequate for fiscal year 2013 to get the job done for this year—for that year?

General ETTER. Sir, I believe that's a fiscal year 2014 number, not a fiscal year 2013 number.

Senator TESTER. Okay. Okay. What is in the fiscal year 2013 budget?

General ETTER. This particular construction project is not in the fiscal year 2013 budget, sir.

Senator TESTER. Okay. So we don't anticipate any conversion going in the next fiscal year.

General ETTER. We have started conversions in the past without the MILCON being completely finished, and I believe that we

would track down that. So if it's okay, I could get you a detailed plan on how we get from A to B.

Senator TESTER. I would really like that a lot.

General ETTER. Yes, sir.

Senator TESTER. Thank you. I want to talk about intercontinental ballistic missiles (ICBMs) for a second. There are challenges facing the Air Force and the Defense Department and a number of ways we could achieve savings when it comes to a nuclear arsenal. I think ICBMs—it's the wrong direction to go. I think the most cost efficient, we get some great airmen on the ground. Are there any changes to the ICBM portion of this budget that require military construction dollars?

Mr. YONKERS. Sir, the plan for the ICBM portion of the triad is fully funded in the FYDP for construction and the other modifications that need to be made.

Senator TESTER. Okay. So this budget does not apply to those changes to the ICBM portion. We're talking about potentially idling 30 ICBM over three bases. That's not in this budget?

Mr. YONKERS. As I understand it, and you're way out of my swim lane here, those discussions and how those weapon warheads are going to be allocated are yet in discussion. So, at this point in time, I couldn't give you a definitive answer.

Senator TESTER. We need to catch the swimmer that's in that lane, and so if you could give us that name that'd be great.

One last question, and then I'll boogey on here. The Air Force continues to consider alternative missions you guys talked about, RPAs, but the fact is there are alternatives—leave the RPAs out of it. There are alternatives particular to a proposal by the Council of Governors in regard to C-130s, which has been an interesting debate over the last 2 weeks. As far as the Council of Governors' proposal, can you update me where we're at in that process? Go ahead.

Mr. YONKERS. I can give you a little bit, and then, General Etter, if you want to embellish. This is something that Secretary Panetta said that he would take under consideration. So as far as I know, he is still taking that under consideration.

Senator TESTER. Okay. Go ahead, Major General.

General ETTER. Yes, sir. I could probably expand just a small amount on that. There's been three meetings subsequent to that between representatives of the Council of Governors, adjutant generals, and the top four leaders of the United States Air Force. These discussions are still ongoing. I don't know when there will be a conclusion to that, but they're still active and ongoing at this time, sir.

Senator TESTER. Okay. One last question. Given the cost of permanently stationing C-130s overseas, would it not make more sense to bring those C-130s back to—you can say yes.

Mr. YONKERS. I'd like to take it for the record, but I'll tell you—in the specifics—but the European assets that we have over there serve definite missions with regards to airlift.

So, as you all know, we're looking at a BRAC-like European reduction in the overall facility footprint over there, and those discussions and that work is still continuing as well.

[The information follows:]

## C-130 STATIONING

Senator, thank you for your question. While cost-savings are part of the decision-making process, the most important factor is the Air Force's ability to provide the capabilities required by the new Defense Strategic Guidance.

There is only one squadron of C-130s remaining in Europe and they provide support to two combatant commanders: U.S. European Command and U.S. Africa Command. These aircraft are critical to our overseas engagement strategy and provide valuable intra-theater support training to NATO and our Eastern Europe and African partners. The Air Force does maintain special operations C-130s in Europe, but these aircraft are of a specialized nature and are used in Africa, Europe, and the Middle East.

Senator TESTER. I want to thank you very much for your service, once again.

Thank you for the flexibility, Mr. Chairman.

Senator JOHNSON. Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman. And welcome to our panelists today. Thank you for your service and for the men and women in uniform all across our world.

Secretary Yonkers, I think we've had this conversation before, but not before this subcommittee. As you know, currently, progress is being made toward constructing a new command-and-control complex for United States Strategic Command (USSTRATCOM) with military construction funds requested by the President and authorized and appropriated by this Congress for the fiscal year 2012.

The mission of USSTRATCOM is at the forefront of our national security, and as the command and control of our nuclear enterprise, USSTRATCOM plays an important role. As America complies with a new START Treaty, it's imperative that our nuclear command-and-control node have all the support and resources that it needs to carry out its mission.

And as you know as well, the entire project has been authorized, but because of the nature of this project, size just alone, the Defense Department will have to request phased or incremental funding for construction funds until the project is complete.

Secretary Panetta has visited the current headquarters, and knows that the facility's shortcomings put at risk the mission and personnel, and that a continued acceleration of the construction of the new headquarters is in the best interest of our national security.

In this time of constrained budgets, hard choices have to be made within the Department of Defense. And I know this is one of those hard choices, but one that I believe we all agree protects our strategic missions for cyber, missile defense, nuclear command-and-control now and the future, where these threats will not likely dissipate, certainly not any time soon.

Originally, the project was scheduled to receive incremental funding over a 3-year period. Last year, however, the \$150 million requested for the project was cut to \$120 million requiring that the funding be spread out over 4 years as opposed to 3 years. Is the full \$161-million request for fiscal year 2013 actionable on the project for the year?

Mr. YONKERS. Sir, as you noted, the project was reconfigured last year and now is in 4 years as opposed to 3.

And as far as the \$161.0 million that's in the fiscal year 2013 budget, it is executable. But as we talked about before, we're still waiting to fine-tune this.

With the Army Corps of Engineers about ready to make that award in the next several weeks, what we're looking for from the award winner will be their sequencing of how they think they're going to proceed with the construction of that project.

And so we'll have a much better feel, in a few weeks, as to how that will actually get executed. But right now, we think we've got the game plan pretty well marked out.

Senator NELSON. Okay. I hope we can continue to work toward funding at that level. I do understand awarding the contract, but if it's executable within that budget sequencing will be important, but we want to make sure that as much of the \$161-million allocation will be used during this timeframe. Is that fair?

Mr. YONKERS. It's fair, sir.

Senator NELSON. Turning to BRAC, one of everyone's favorite subjects in Washington, the budget is asking for two more rounds. Obviously, the economy is slow. A lot of the progress made is fragile, and I am very concerned about it being reversible as well.

The last round of BRAC took place in 2005, and the changes it implemented were only completed this past fall. Your request seeks authorization for the first BRAC in 2013 to be followed by another in 2015. And reportedly, the two new rounds of closures could reap savings in 5 to 8 years, but would have a great cost up front to move personnel, equip it, and the overall costs of shutting down and associated environmental impacts.

In Europe, we're eliminating two heavy brigades, and some of those missions and personnel will need to be relocated if bases are closed. Relocation of those missions and personnel back in the United States might make sense.

So wouldn't it make most sense to look at our bases globally first, not just here at home, to see what the needs are going to ultimately be here at home with any closure or realignment of overseas bases?

Mr. YONKERS. Sir, it does make sense, and we are looking at it globally. And the Department of Defense, led by Dr. Dorothy Robyn's team, has already made two trips to Europe to start that view of what is or what can be done over in the European Theater.

As you know, the Air Force has taken one squadron of A-10s out of Spangdahlem Air Base, Germany. There is more that can be done over there, and we're going to take a look at that.

We hoped that if the Congress were to approve a 2013 BRAC round we would do this in parallel. The driver here obviously is we're spending a lot of money on infrastructure that we don't need, and so does it make sense to continue those expenditures when we've got a lot of other things that we could spend that money on?

Senator NELSON. One of the things we always want to pursue is reassessment of our needs as circumstances change.

Now, in the fiscal year 2012 NDAA, there was a provision that would require an independent study on these overseas basing decisions in the presence of overseas forces. The study is designed to look at the location.

Ms. Ferguson, is there any indication for that independent study as to what should be accomplished in terms of needs on our overseas bases?

Ms. FERGUSON. Senator Nelson, my understanding is those will be looked at as part of a study. The Office of the Secretary of Defense (OSD) is leading that effort in accordance with the NDAA. And our anticipation is they will look at those things, as Mr. Yonkers pointed out, in concert as well with the ongoing visits that OSD, Acquisition, Technology, and Logistics, and the services are accomplishing overseas.

Senator NELSON. If we don't have the study completed at the moment, so that we don't know what the recommendations are going to be, but we're moving forward with a budget request; is the cart before the horse here? Can it be done parallel?

Do we know what time the study will be accomplished or will we be appropriating within the budget for something that we don't have the study accomplished for to tell us where the money would be spent?

Ms. FERGUSON. We believe that it will all be tied together, that the OSD study will be done in time and would help inform the force structure requirements and what would be required in the continental United States (CONUS).

Senator NELSON. Is there a date when we can expect and have a pretty sufficient guarantee that the study will be done? A date? Timeline? Secretary Yonkers?

Mr. YONKERS. Sir, I haven't seen a timeline. I know that it was required in the NDAA this year to perform that study, and I know that we are moving ahead on it.

Senator NELSON. But I always worry about a study that's not done, in anticipation we're going to authorize and/or appropriate money on the assumption of what the study's going to say before we have the actual conclusions of the study, if you follow my linear approach to it.

Mr. YONKERS. I see your observation, sir.

Senator NELSON. Okay. All right. I hope you'll keep that in consideration as we move forward. Thank you.

And thank you, Mr. Chairman.

Senator JOHNSON. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman, and thank you for hosting this hearing today.

And Secretary Yonkers, I would like to start with you. But first, I want to thank General Jackson and General Etter for coming into the office in recent weeks to talk about one of the things I want to talk to you about today. That is my concern that during the process of creating this budget the National Guard and Reserve components were perhaps at the table, but perhaps not listened to when it came to some of the priorities for funding.

And one of those in particular that touches my State is the funding for A-10s and moving the A-10s, or some of the A-10s, out of the National Guard system.

We have the 188th in Fort Smith, Arkansas, and they have this winning combination there. Of course, they have very well-trained personnel, and they're phenomenal in all the things that they've done, but they also have great facilities. They have great air space,



which I know is a premium, but in the area where they are located, they're over some national forests and they have this great training space over very mountainous terrain.

Additionally, something that you just cannot find anywhere else is they have the National Guard Training Center there just off the end of the runway at Fort Chaffee. And so not only do National Guard units from all over the country train in Fort Chaffee, Arkansas, but the Navy Seals and many others train there as well.

So it's just an unbeatable combination, and I'm very concerned that all of this was not taken into consideration when it came time to make decisions on the budget.

So let me start with questions about that. The numbers I've seen indicate that it is cheaper to fly and train and house the A-10s in the National Guard as opposed to the Active Duty. I've asked repeatedly for a cost analysis used by the Air Force, and there's been reluctance on behalf of the Air Force to share the cost analysis with me. I'm not sure I understand why, and I'd ask you if you've seen the cost analysis? I'd like for you to share it with the subcommittee and with my office.

Mr. YONKERS. Sir, I haven't seen any of the cost analysis. Again, it's something that I would typically not look at. I mean, I'd look at the military construction and that part of those decisions.

I think when you look at the A-10s, and again, we're taking about one-third of them out of the inventory. And the idea here, as we went through the budget considerations, was to pull out those aircraft, whether they were heavy-lifters, fighters, et cetera, that were the oldest and the most expensive for us to operate and maintain.

Senator PRYOR. And that's what's hard for us to know, if we don't know the cost analysis, if we don't know the real numbers.

Also, this is something else I'd be very interested in getting from someone at the Department of Defense and the Air Force, I'd like the amount of construction money that will have to follow these moves. And it sounds like, based on what you're saying and the way I read the numbers, it sounds like the airplanes would move in fiscal year 2013, but I'm not sure there's sufficient construction money to have the planes go somewhere and be housed properly somewhere in 2013. Do you know the answer to that?

Mr. YONKERS. It's part of the deliberate pause. I mean, we went through the force structure considerations and weren't quite sure how that was going to work out with regards to the military construction. So that's part of the reason that we only looked at new mission in the military construction program this year.

We should catch up next year when we start looking at where the implications of those particularly Guard and Reserve were in the force structure announcements that were made just a few weeks ago.

Senator PRYOR. And I understand that we are in a shrinking-budget environment. I completely get that and appreciate that.

At the same time, one of the reasons why I'm so interested in the cost analysis is because I'm curious about how there can be real savings here. If you can house and train and maintain the aircraft in a National Guard facility cheaper than you can in Active Duty,

and you have to pay some construction cost in the out-years, it's hard for me to understand where the savings are coming from.

So if you could help provide any sort of cost analysis or put in a good word with whoever might have that information, I think it's important that this subcommittee see that.

Mr. YONKERS. Sir, we'll look at that and see what we can get you. I think you need a full explanation, though, of everything that went into the logic here.

I mean, part of it, and I'll defer to, again, to General Etter, but a lot of this had to do with trying to balance the total force and looking at things such as dwell times.

I think the chief had talked in terms of the objective for Guard and Reserve to be a dwell of about 1 point—a 1-to-4 or a 1-to-5. They have their day jobs. So, being on station 6 months and home for 2 or 2½ years was something that would ease that burden on the employers that they work for, and also for the Active Duty. But I'll see if General Etter has something he wants to add to this.

General ETTER. Sir, I think Secretary Yonkers described this correctly that it was a balance between cost and the dwell to deploy time. So I think you categorized that correct, sir.

Senator PRYOR. Like I said, I'd still like to see the numbers to satisfy my curiosity about how much we'd actually be saving there.

Let me ask about BRAC. I know you've had several questions about BRAC. I haven't done an exhaustive survey of our colleagues in the Senate, but my impression is that there's not a lot of enthusiasm for a BRAC round. And if there is, it would be probably structured more along the lines of doing an overseas BRAC first and then a domestic BRAC second.

We can talk about that and have that discussion, and I'm sure that you all will need to be talking to lots of Senators about that because there's not a lot of support for that right now, for the BRAC as you propose it right now.

But back on the A-10s, I don't understand the sequence there if you're making decisions about A-10, C-130s, all these other things that we're making decisions on in this budget, and then if you're also, at the same time, asking for a BRAC. It seems inconsistent or incompatible because it's almost like you're making BRAC-type decisions before there is a BRAC.

And what if BRAC comes back and tells you something totally different and says, no, you need to restructure it this other way. And now we've lost 1 year and have all the wasted spending and wasted time. So why is the idea to do all these changes now and then have a BRAC?

Mr. YONKERS. Let me see if I can respond to you. First of all, the Budget Control Act was a player here, and certainly the new defense strategy, as we looked across what has changed in the last year or so and looking at how we would go to war with one major effort and trying to halt any aggressors in another location.

That balanced out what we thought we needed with regards to the fighter force, with regards to the airlift and with regards to the other assets. So our fiscal year 2013 budget was based primarily on that new defense strategy and those changing requirements independent of BRAC.

When we looked at where we ended up after BRAC 2005—and you will recall that we actually had put on a couple of installations to foreclose that the commission changed and so we didn't go down that path, but when you look at that and look at the analysis that was done at the end of—or that 2005 timeframe, we had 24-percent excess capacity in the continental United States.

And so now, after 7 years, we've taken almost 500 airplanes out of the inventory, from the combat air forces reduction that went into place 3 or 4 years ago, as well as what is in the fiscal year 2013 proposal, and we're going to have fewer aircraft, which begs the question how do you sustain or how do you continue to sustain the same facility footprint that you have with fewer aircraft?

Senator PRYOR. Let me also make this point, and I know Senator Tester asked good questions a few moments ago and had to leave, but I do share a concern that he sort of raised, but I want to be clear on it.

For example, the C-130 is going to Montana and they may not have the proper facilities up there, which apparently they don't. The BRAC process moves forward and they look at Montana and they say, we need to get rid of these airplanes here, because they don't have the proper facilities, and it's going to be a lot more expensive to put them here than it is elsewhere, so let's move those planes somewhere else.

So it seems to me that could be a huge wasted effort, and not to mention that you're getting expectations up in Montana. It could be a huge wasted effort. And so that's why I question the sequencing of how you're doing this. I understand the Budget Control Act and I get all that, but I am not sure that it all makes sense. That's one of the reasons why I think there's quite a bit of reluctance in the Senate on a BRAC round this time.

And plus, in addition to that, you take a community like Montana or Fort Smith, Arkansas, and some of these things may change later. In a BRAC round you actually get some financial support through the whole BRAC process to help that community adjust after the fact.

Whereas, if you just do what you're doing now, you don't get that, and whether it goes through a BRAC or whether it's just a decision at the Pentagon, it still hurts that community and there's a void in that community that they just don't have much of a chance to fill.

Mr. YONKERS. Sir, if I could respond, I spent 6 years standing up the base realignment and closure office in the Air Force back in 1990, and I've looked at the first 88, 91, 93, and 95 rounds of BRAC. They were painful for definitely the communities, painful for Members of Congress and painful for the Air Force and the other services that had to go through those—

Senator PRYOR. We lost an airbase in one of those—

Mr. YONKERS. But I think when you look at the financial situation that we're in, we're having to make some really difficult choices here. And the longer we delay on implementing or approving a BRAC, the more those expenses pile up. And so that was part of the reason for trying to execute something in 2013 or get a 2013 BRAC round started. The idea was with 2015 to make the adjustments, if there were any needed to be done, as a follow-on to it.

So, I mean, this is part of the logic. It's not something that any of us, I think, look forward to, but under the financial considerations today, it's one of the options I think we have to consider.

Senator PRYOR. Mr. Chairman, I way exceeded my time, but just one last point. I think that is one reason why you're seeing some reluctance. Obviously, there are political reasons too, but some reluctance in the Senate, in the committee, and in the subcommittee specifically, because we don't have the data and analysis to look inside those numbers to understand the savings and all the things we're talking about. We all agree that we're going to have to find savings. It's hard for us to agree if we only are working with a little part of the information, not the whole picture. So thank you, again. Thank you, Mr. Chairman.

Senator JOHNSON. I would like to thank all of our witnesses for appearing before this subcommittee today. We'll look forward to working with you this year.

#### ADDITIONAL COMMITTEE QUESTIONS

For the information of members, questions for the record should be submitted by the close of business on April 18.

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

#### QUESTIONS SUBMITTED TO HON. TERRY A. YONKERS

##### QUESTION SUBMITTED BY SENATOR TIM JOHNSON

*Question.* Secretary Yonkers, the Air Force Future Years Defense Plan (FYDP) includes a \$215 million wedge between fiscal year 2014 and 2016 for a "Pacific Resiliency" initiative. Can you explain what this program is, where the funding would be used, and what types of projects it would fund? Is this program linked to the Air Force expansion plans at Anderson Air Force Base on Guam?

*Answer.* Pacific Resiliency refers to the ability to mitigate risk to operational plans and contingency responses by providing resiliency through various measures to include hardening, distributed basing, passive/active defense capabilities, and pre-positioned equipment throughout the Pacific area of responsibility. Early phases of this initiative provided money to harden two hangars on Guam. Future projects around the Pacific theater include hardening POL systems, increasing bulk fuel storage locations, aircraft parking aprons, and fuel hydrants. The remaining phases are not necessarily tied to Guam, nor are they linked to other programs such as Guam Strike or the Marine relocation to Guam.

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##### QUESTION SUBMITTED BY SENATOR MARK KIRK

##### ENERGY CONSERVATION INVESTMENT PROGRAM

*Question.* Secretary Yonkers, I am concerned that the Air Force participation in the Energy Conservation Investment Program is disproportionately lower than that of the other services.

Can you offer your opinion as to why the Air Force did not compete well in the OSD selection process for ECIP funds?

*Answer.* The Air Force consistently receives approximately \$30 million in Energy Conservation Investment Program (ECIP) from the Office of the Secretary of Defense (OSD) per year, and is postured to execute ECIP much more aggressively through design-build, if OSD can increase the Air Force share of ECIP funding. Given the traditional conservation focus of ECIP, an increase of \$10 million to \$20 million per year would significantly help the Air Force meet Federal energy intensity and water intensity reduction goals. Additionally, under the new OSD grading criteria ECIP funding can also help the Air Force meet Federal renewable energy goals.

## QUESTION SUBMITTED BY SENATOR DANIEL COATS

*Question.* If Davis-Bacon was waived, how much money would it save the Department of the Air Force's MILCON program?

*Answer.* The Air Force does not collect cost differentials, attributable to Davis-Bacon Act (DBA) wages, between the Government and the private sector. The cost differential will be different based on location (i.e., area wages, cost of living, and union status) and the economy (i.e., when the economy is strong and overall prices high, the DBA impact is less. When the economy is weak and overall prices low, the relative DBA construction cost impact increases). While we cannot conclusively determine the monetary savings if Davis-Bacon were waived, we investigated the cost associated with the "Labor Statute Clauses" (to include Davis-Bacon Act, Project Labor Agreements, and Payroll Reporting Burden). We estimate the cost increase for Labor Statute Clauses when compared to commercial facility equivalent costs are an average of approximately 6 percent across the Air Force's military construction portfolio.

## CONCLUSION OF HEARINGS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 11:34 a.m., Wednesday, March 28, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]



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