

**MILITARY CONSTRUCTION AND VETERANS AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014**

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**HEARINGS**

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

ON

**H.R. 2216**

MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION, THE DEPARTMENT OF VETERANS AFFAIRS, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2014, 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 2014**

**THURSDAY, APRIL 18, 2013**

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

The subcommittee met at 2:43 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.

Present: Senators Johnson, Reed, Udall, Begich, Mikulski, Kirk, Collins, Murkowski, and Hoeven.

## **DEPARTMENT OF VETERANS AFFAIRS**

### **STATEMENT OF HON. ERIC K. SHINSEKI, SECRETARY OF VETERANS AFFAIRS**

#### **ACCOMPANIED BY:**

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

**HON. ALLISON HICKEY, UNDER SECRETARY FOR BENEFITS**

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

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

**STEPHEN WARREN, ACTING ASSISTANT SECRETARY FOR INFORMATION AND TECHNOLOGY**

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

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

Secretary Shinseki, I welcome you and your colleagues, and I thank you for your appearance before this subcommittee.

I'm also very pleased to welcome back my colleague and ranking member, Senator Mark Kirk. Senator Kirk has made great progress in his recovery due, I'm sure, as much to his sheer grit and determination as to his medical team. Senator Kirk has been a strong supporter and partner on this subcommittee, and I look forward to continuing our work on behalf of the Nation's vets.

Mr. Secretary, I'm pleased to see that eliminating the backlog in claims processing is among your top priorities. We must fix this problem once and for all. After fighting for our Nation on the battlefield, our vets simply cannot be subject to months, if not years, of fighting redtape to secure the benefits they have earned.

This subcommittee has provided every time the VA has requested to improve claims processing. I understand the challenges posed by the growing number and complexity of claims.

I understand the challenges of recruiting and training additional claims processors. But despite the VA's best efforts, the situation has grown worse, not better.

Mr. Secretary, I know you share my frustration. I look forward to hearing the VA's way forward to solve this problem sooner rather than later.

I'm also concerned with progress of efforts to integrate the Department of Defense (DOD) and VA health records. It is imperative that the DOD and VA develop an electronic health record system that will allow the seamless exchange of vets' medical records between the two agencies.

The original plan was to develop a single integrated system to serve both agencies. Recently, the agencies changed course and are now pursuing separate systems that can essentially talk to each other.

I certainly support a faster, cheaper way to allow DOD and the VA to share vets' health records, but I'm wary of any change in strategy that might result in the quick surface improvements, but not capture the full range of a patient's health history; in other words, settling for an executive summary instead of a full report.

Mr. Secretary, I look forward to your testimony, and I now ask my ranking member for any opening remarks he cares to make.

Senator Kirk.

#### STATEMENT OF SENATOR MARK KIRK

Senator KIRK. I'm mad at you for announcing your retirement. You have been an honorary member of my medical recovery team, with your wife and her support to my girlfriend. That has been really something.

Constantly through my medical recovery, I was asking, "What can Tim do?" and meet that area. It was always great to think about you back here rocking and rolling.

I will say, Mr. Secretary, very good to see you here today. I want to thank you. And I've thanked you over and over again for shepherding the Stryker vehicle through the U.S. Army. As a reservist in Afghanistan, I had an opportunity to use it. I will say, in the small time that I had in the vehicle, we did have a little problem with the coffeemaker. The espresso setting wasn't quite fully functional.

Let me just continue slightly. I want to continue on the unified record issue. Our vision is to have someone join the Navy and then retire, and the record all passes straight into the VA. That is what we were hoping. My understanding is we have a choice between two software systems—one in the VA called VistA, which handles the VA systems.

And the one thing I want to commend you on, Mr. Secretary, is you have released the code to what you own, is what I understand. My hope is that someday we would go with, for lack of a better term, we would have an android-kind of culture, an explosion of apps that the private sector can develop on the VistA or AHLTA backbone now that it's open source, and we have an explosion of

innovation in health records management of advantage to veterans and sailors everywhere.

#### PREPARED STATEMENT

Just a last thing to say, I have been in touch with Chairman Culberson to eventually bring an end to this combination process. I think at some date prior to the big markup of this subcommittee, that we should pick either VistA or AHLTA as the backbone, so just VA or DOD wins and so the taxpayer only pays for one software management system.

[The statement follows:]

#### PREPARED STATEMENT OF SENATOR MARK KIRK

Thank you, Mr. Chairman. I'm pleased to be back here today as ranking member of this subcommittee. I would like to join you in welcoming Secretary Shinseki and our other witnesses and guests to discuss the President's 2014 budget request for the Department of Veterans Affairs (VA).

#### OVERVIEW

The 2014 request for the Department of Veterans Affairs proposes \$149.6 billion, which consists of \$63.5 billion in discretionary funding, which is 4 percent above the 2013 enacted level, and \$86.1 billion in mandatory funding, which is 18 percent above the 2013 enacted level. In addition, the Department is requesting \$55.6 billion in advance appropriations for the medical care accounts in 2015. That is a total of \$205 billion before us today—a tremendous amount of money—and in a time of record-high deficits and debt, my priority and the priority of this subcommittee is not only to give our veterans the very best care this Nation can provide, but also to analyze this budget to ensure we are spending our taxpayers' dollars wisely, without excess or redundancy.

Mr. Chairman, the VA under the leadership of Secretary Shinseki is doing a great job taking care of our Nation's veterans and I would like to thank him for his hard work and dedication. There are many issues we need to discuss today but I want to focus on two issues that will play a significant role in the lives of all veterans: electronic health record and claims processing.

#### INTEGRATED ELECTRONIC HEALTH RECORD (IEHR)

Earlier this year, we learned the VA and DOD's decision to create a single, common, joint, integrated Electronic Health Record (iEHR) has changed, and now the two Departments are no longer planning to operate on one core system—instead, the VA will stay with a modernized VISTA system while the Department of Defense will select another system. This was due, we were told, to the exorbitant cost creep associated with the creation of a truly joint record. Secretary Shinseki, I hope to hear details today about your discussions with the new Secretary of Defense, and the plan you have to move forward on a joint, open-architecture, non-proprietary designed electronic health record system. Our men and women in uniform need to trust their health record will follow them seamlessly from the day they raise their right hand through their time as a proud veteran of this Nation and we will work with you and your Department to make this a reality.

#### CLAIMS PROCESSING

Mr. Secretary, you have stated numerous times one of your highest priorities was to eliminate the disability claims backlog by 2015. You also stated the Veterans Benefits Management System and the Veterans Relationship Management initiative would help your Department make significant headway in reducing the backlog, yet today, 70 percent of claims are older than 125 days and the average wait time is nearly a year. In Chicago, the average wait time actually increased by 141 days in 2012 to an astonishing 431 day wait. I look forward to hearing details from you today on how the Department will meet or beat the deadline you set for a reduction in the backlog. I know you are working hard on this process, but we desperately need results.

## CLOSING

Mr. Chairman, this subcommittee has always worked hard together to provide the Department with the all the resources it needs. I look forward to working with you to make sure we give our veterans all they have earned.

Thank you, Mr. Chairman.

Senator JOHNSON. Thank you, Senator Kirk.

Again, Mr. Secretary, welcome and thank you for appearing before this subcommittee. 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.

Please proceed.

## SUMMARY STATEMENT OF HON. ERIC K. SHINSEKI

Secretary SHINSEKI. Well, thank you very much, Chairman Johnson, Ranking Member Kirk—I understand Chairwoman Mikulski will be attending at some point; I acknowledge that—other distinguished members of the subcommittee.

Thank you for this opportunity to present the President's 2014 budget and 2015 advanced appropriations request for VA. We deeply value your partnership and support in providing the resources needed to ensure quality care and services for veterans. That's been true for the 4 years that I've served in this capacity.

Let me also acknowledge other partners who are here today, our veterans service organizations whose insights and support make us much better at our mission of caring for veterans, their families, and survivors.

Mr. Chairman, if I could just take a few seconds here to introduce the other members of my panel. Seated to my far left and to your right, Steph Warren is our Acting Assistant Secretary for Information and Technology. To my left is Todd Grams, our Chief Financial Officer. To my right is Dr. Randy Petzel, Under Secretary for Health, and then Allison Hickey, Under Secretary for Benefits. On the far right is Mr. Steve Muro, our Under Secretary for Memorial Affairs.

Mr. Chairman, thank you for accepting my written record.

Let me just say very quickly, the 2014 budget and the 2015 advanced appropriations requests demonstrate the President's steadfast commitment to our Nation's veterans. I thank the members for your resolute commitment to veterans as well and seek your support for these requests.

The latest generation of veterans is enrolling in VA at a higher rate than previous generations; 62 percent of those who deployed in support of operations in Iraq and Afghanistan have used at least one VA benefit or service.

VA's requirements are expected to continue growing for years to come. Our plans and resourcing must be robust enough to care for them all. What you'll see in our plan is that look to the future.

The President's 2014 budget for VA requests \$152.7 billion, with \$66.5 billion in discretionary funding, and \$86.1 billion in mandatory funding. An increase of \$2.7 billion in discretionary funding equates to about a 4.3-percent increase above the 2013 level.

This is a strong budget, which enables us to continue building momentum for delivering the three major goals we set for ourselves 4 years ago. One, to increase veterans' access to VA's benefits and



services, and we have done that. Two, eliminate the disability claims backlog in 2015, and we've put together a robust plan that's funded in order to accomplish that. Finally three, end veterans' homelessness in 2015 as well.

These were bold and ambitious goals 4 years ago, and they remain bold and ambitious goals today, because veterans deserve a VA that advocates for them and then puts the resources behind the promises it has made.

When it comes to access, of the roughly 22 million living veterans in the country today, more than 11 million now receive at least one benefit or service from VA, and that's an increase of over 1 million veterans in the last 4 years. We have achieved this by opening new facilities, renovating others, increasing investments in telehealth and telemedicine, sending mobile clinics and vet centers to remote areas where veterans live, and then using every means available, including social media, to connect more veterans to VA. Increasing access has been a success story for us and our numbers show it.

Backlog—too many veterans wait too long to receive the benefits they've earned and they deserve. We know this is unacceptable and no one wants to turn this around anymore than I do or Secretary Hickey, or the workers at the Veterans Benefits Administration (VBA); 52 percent of whom are veterans themselves. We are resolved to eliminate the claims backlog in 2015 when claims will be processed in 125 days or less at a 98 percent accuracy level.

Our efforts mandate investments in VBA's people, processes, and technology.

As far as people are concerned, more than 2,300 claims processors have completed training to improve the quality and productivity of their decisions. More are being trained today, and VBA's new employees now complete more claims per day than their predecessors.

In terms of processes, we use a disability benefits questionnaire—we call it a DBQ—an online form for submitting medical evidence. And that has dropped the average processing times of medical exams and increased accuracy.

There are now three lanes for processing claims: an express lane for those that will predictably take less time; a special operations lane, if you will, for unusual cases or those requiring special handling; and a core lane for probably the majority of claims that will be handled.

Technology is critical to this discussion. It is critical to ending the backlog. Our paperless processing system, and it is called Veterans Benefits Management System (VBMS) will be faster, improve access, drive automation, and reduce variance.

Thirty-six regional offices out of our 56 regional offices all now have VBMS, 36 of 56. We had planned to have this fielding completed by the end of this year, December. We're going to beat that milestone. We're pulling fielding to the left as far as we can. Those are all the adjustments that are underway.

In terms of homelessness, the last of our three priorities is to end veterans homelessness in 2015. Since 2009, we've reduced the estimated number of homeless veterans by 17 percent. The latest available estimate from January 2012 is 62,600 veterans remain homeless on the streets. There's more work to be done here, but

we've mobilized a national program that reaches into communities all across this country.

The rescue phase of this is intended to end in 2015. Continuing long beyond that, we expect that we're going to have a prevention of veterans homelessness program that will be the follow-on main effort, preventing veterans from ending up on the streets.

#### PREPARED STATEMENT

Mr. Chairman, we're committed to the responsible use of the resources Congress provides. Again, thank you for this opportunity to appear here today, and for your support of veterans. We look forward to your questions.

[The statement follows:]

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

Chairman Johnson, Ranking Member Kirk, 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 2014 budget and 2015 advance appropriations requests for the Department of Veterans Affairs (VA). This budget continues the President's historic initiatives and strong budgetary support and will have a positive impact on the lives of Veterans, their families, and survivors. We value the unwavering support of the Congress in providing the resources and legislative authorities needed to care for our Veterans and recognize the sacrifices they have made for our Nation.

The current generation of Veterans will help to grow our middle class and provide a return on the country's investments in them. The President believes in Veterans and their families, believes in providing them the care and benefits they've earned, and knows that by their service, they and their families add strength to our Nation.

Twenty-two million living Americans today have distinguished themselves by their service in uniform. After a decade of war, many Servicemembers are returning and making the transition to Veterans status. The President's 2014 budget for VA requests \$152.7 billion—comprised of \$66.5 billion in discretionary funds, including medical care collections, and \$86.1 billion in mandatory funds. The discretionary request reflects an increase of \$2.7 billion, 4.3 percent above the 2013 level. Our 2014 budget will allow VA to operate the largest integrated healthcare system in the country, with more than 9.0 million Veterans enrolled to receive healthcare; the ninth largest life insurance provider, covering both Active Duty members as well as enrolled Veterans; an education assistance program serving over 1 million students; 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 leads the Nation as a high-performing organization, with projections to inter about 121,000 Veterans and family members in 2014.

#### PRIORITY GOALS

Over the next few years, more than 1 million Veterans will leave military service and transition to civilian life. VA must be ready to care for them and their families. Our data shows that the newest of our country's Veterans are relying on VA at unprecedented levels. Through January 31, 2012, of the approximately 1.58 million Veterans who returned from Operations Enduring Freedom, Iraqi Freedom, and New Dawn, at least 62 percent have used some VA benefit or service.

VA's top three priorities—increase access to VA benefits and services; eliminate the disability compensation claims backlog in 2015; and end Veterans homelessness, also in 2015—anticipate these changes and identify the performance levels required to meet emerging needs. These ambitious goals will take steady focus and determination to see them through. As we enter the critical funding year for VA's priority goals, this 2014 budget builds upon our multiyear effort to position the Department through effective, efficient, and accountable programming and budget execution for delivering claims and homeless priority goals.

#### 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. Effective stewardship requires an unflagging commitment to use resources ef-

ficiently with clear accounting rules and procedures, to safeguard, train, motivate, and hold our workforce accountable, and to assure the effective use of time in serving Veterans on behalf of the American people. Striving for excellence in stewardship of resources is a daily priority. At VA, we are ever attentive to areas in which we need to improve our operations, and are committed to taking swift corrective action to eliminate any financial management practice that does not deliver value for Veterans.

VA's stewardship of resources begins at headquarters. Recognizing the very difficult fiscal constraints facing our country, the 2014 request includes a 5.0 percent reduction in the departmental administration budget from the 2013 enacted level. This reduction follows a headquarters freeze in the 2013 President's budget—a 2-year commitment.

Recent audits of the Department's financial statements have certified VA's success in remediating 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. In the past 4 years, we have also dramatically reduced the number of significant financial deficiencies from 16-to-1.

At VA, we believe that part of being responsible stewards is shutting down Information Technology (IT) projects that are no longer performing. Developed by our Office of Information and Technology, the Project Management Accountability System (PMAS) requires 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. Through PMAS, the cumulative, on-time delivery of IT functionality since its inception is 82 percent, a rate unheard of in the industry where, by contrast, the average is 42 percent. By implementing PMAS, we have achieved at least \$200 million in cost avoidance by shutting down or improving the management of 15 projects.

Through the effective management of our acquisition resources, VA has achieved savings of over \$200 million by participating in Federal strategic sourcing programs and establishing innovative IT acquisition contracts. In 2012, VA led the civilian agencies in contracting with Service-Disabled Veteran-Owned Small Businesses, which, at \$3.4 billion, accounted for 19.3 percent of all VA procurement awards. In addition, we have reduced interest penalties for late payments by 19 percent (from \$47 to \$38 per million) over the past 4 years.

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. Since taking on this responsibility, NCA has advised families of the burial benefits available to them, assisted in averting overpayments of some \$142 million in benefit payments and, thereby, helped survivors avoid possible collections. In addition, we implemented the use of Medicare pricing methodologies at the Veterans Health Administration (VHA) to pay for fee-basis services, resulting in savings of over \$528 million since 2012 without negatively impacting Veteran care and with improved consistency in billing and payment.

#### TECHNOLOGY

To serve Veterans as well as they have served us, we are working on delivering a 21st century VA that provides medical care, benefits, and services through a digital infrastructure. Technology is integrated with everything we do for Veterans. Our hospitals use information technology to properly and accurately distribute and deliver prescriptions/medications to patients, track lab tests, process MRI and X-ray imaging, coordinate consults, and store medical records. VA IT systems supported over 1,300 VA points of healthcare in 2012: 152 medical centers, 107 domiciliary rehabilitation treatment programs, 821 community-based outpatient clinics, 300 Vet Centers, 6 independent outpatient clinics, 11 mobile outpatient clinics, and 70 mobile Vet Centers. Technology supports Veterans' education and disability claims processing, claims payments, home loans, insurance, and memorial services. Our IT infrastructure consists of telephone lines, data networks, servers, workstations, printers, cell phones, and mobile applications.

No Veteran should have to wait months or years for the benefits that they have earned. We will eliminate the disability claims backlog in 2015; technology is the critical component for achieving our goal. VA is deploying technology solutions to improve access, drive automation, reduce variance, and enable faster and more efficient operations. Building on the resources Congress has provided in recent years to expand our claims processing capacity, the 2014 budget requests \$291 million for technology to eliminate the claims backlog—\$155 million in Veterans Benefits Man-

agement System (VBMS) for our new paperless processing system, and \$136 million in the Veterans Benefits Administration (VBA) to support a Veterans Claims Intake Program, our new online application system that will allow for the conversion of paper to digital images for our new paperless processing system, the Veterans Benefits Management System (VBMS). Without these resources, VA will be unable to meet its goal to eliminate the disability claims backlog in 2015.

#### *Information Technology*

At VA, advances in technology—and the adoption of and reliance on IT in our daily commercial life—have been dramatic. Technology is integral to providing high-quality healthcare and benefits. The 2014 budget requests \$3.683 billion for IT, an increase of \$359 million from the President's 2013 budget, reflecting the critical role technology plays in VA's daily work in serving and caring for Veterans and their families. Of the total request, \$2.2 billion will support the operation and maintenance of our digital infrastructure and \$495 million is for IT development modernization and enhancement projects.

The 2014 budget includes \$32.8 million for development of VBMS, our new paperless processing system that enables VA to move from its current paper-based process to a digital operating environment that improves access, drives automation, reduces variance, and enables faster, more efficient operations. As we increase claims examiners' use of VBMS version 4.2 to process rating disability claims, our major focus is on system performance, as we tune the system to be responsive and effective. VA will complete the rollout of VBMS in June 2013.

In addition, the 2014 budget includes \$120 million for development of the Veterans Relationship Management (VRM) initiative, which enhances Veterans' access to comprehensive VA services and benefits, especially in the delivery of compensation and pension claims processing. The program gives Veterans secure, personalized access to benefits and information and allows a timely response to their inquiries. Recently, VRM released Veterans Online Application Direct Connect (VDC), which enables Veterans to apply for VBA benefits by answering guided interview questions through the security of the eBenefits portal. Claims filed through eBenefits use VDC to load information and data directly into VBMS.

The Virtual Lifetime Electronic Record (VLER) is an overarching program which aims to share health, benefits, and administrative information, including personnel records and military history records, among DOD, VA, SSA, private healthcare providers, and other Federal, State, and local government partners. eBenefits is already reaching 2 million Veterans and Servicemembers and 1 million active users with BlueButton. The 2014 budget requests \$15.4 million for VLER to develop and support these functions as well as the Warrior Support Veterans Tracking Application; the Disability Benefits Questionnaires; a VA–DOD joint health information sharing project known as Bidirectional Health Information Exchange; and a storage interface known as Clinical Data Repository/Health Data Repository. All of these efforts are designed to enable the sharing of health, military personnel and personal information among VA, other Federal agencies, Veteran Service Organizations and private healthcare providers to expedite the award and processing of disability claims and other services such as education, training and job placement.

#### ELIMINATING THE CLAIMS BACKLOG

Too many Veterans wait too long to receive benefits they have earned. This is unacceptable. Today's claims backlog is the result of several factors, including: increased demand; over a decade of war with many Veterans returning with more severe, complex injuries; decisions on agent orange, gulf war, and combat PTSD presumptions; and, successful outreach to Veterans informing them of their benefits. These facts, in no way, diminish the urgency that we all feel at VA to fix this problem which has been decades in the making. VA remains focused on eliminating the disability claims backlog in 2015 and processing all claims within 125 days at a 98-percent accuracy level.

To deliver this goal, the Veterans Benefits Administration (VBA) is implementing a comprehensive transformation plan based on more than 40 targeted initiatives to boost productivity by over the next several years. However, as VBA transforms its people, processes, and technologies, its claims demand is expected to exceed on million annually. From 2010 through 2012, for the first time in its history, VBA processed more than 1 million claims in three consecutive years. In 2013, VBA expects to receive another million claims and similar levels of demand are anticipated in 2014. This is driven by successful outreach, claims growth not previously captured in VBA's baseline, and new requirements. Included are mandatory Servicemember participation in VOW/VEI benefits briefings and an expected increase upon successful completion of a transition assistance program, revamped by the President as

Transition: Goals, Plan, Success (GPS). As more than 1 million troops leave service over the next 5 years, we expect our claims workload to continue to rise. In addition, VBA is experiencing an unprecedented workload growth arising from the number and complexity of medical conditions in Veterans' compensation claims. The average number of claimed conditions for our recently separated Servicemembers is now in the 12 to 16 range—roughly five times the number of disabilities claimed by Veterans of earlier eras. While the increase in compensation applications presents challenges, it is also an indication that we are being successful in our efforts to expand access to VA benefits.

Investments in transformation of our people, processes, and technologies are already paying off in terms of improved performance. For example:

- People.*—More than 2,100 claims processors have completed Challenge Training, which improves the quality and productivity of VBA compensation claims decision makers. As a result of Challenge Training, VBA's new employees complete more claims per day than their predecessors—with a 30-percent increase in accuracy.

VBA's new standardized organizational model incorporates a case-management approach to claims processing that organizes its workforce into cross-functional teams that work together on one of three segmented lanes: express, special operations, or core. Claims that predictably can take less time will flow through an express lane (30 percent); those taking more time or requiring special handling will flow through a special operations lane (10 percent); and the rest of the claims flow through the core lane (60 percent). Initially planned for deployment throughout 2013, VBA accelerated the implementation of the new organizational model by 9 months due to early indications of its positive impact on performance.

VBA instituted Quality Review Teams (QRTs) in 2012 to improve employee training and accuracy while decreasing rework time. QRTs focus on improving performance on the most common sources of error in the claims processing cycle. Today, for example, QRTs are focused on the process by which proper physical examinations are ordered; incorrect or insufficient exams previously accounted for 30 percent of VBA's error rate. As a result of this focus, VBA has seen a 23-percent improvement in this area.

- Process.*—Disability Benefits Questionnaires (DBQs) are online forms used by non-VA physicians to submit medical evidence. Use of DBQs has improved timeliness and accuracy of VHA-provided exams—average processing time improved by 6 days from June 2011 to October 2012 (from 32 to 26 days).

Fully developed claims (FDCs) are critical to reducing “wait time” and “rework.” FDCs include all DOD service medical and personnel records, including entrance and exit exams, applicable DBQs, any private medical records, and a fully completed claim form. Today, VBA receives 4.5 percent of claims in fully developed form and completes them in 117 days, while a regular claim takes 262 days to process. Fulfilling the Veterans Claims Assistance Act, to search for potential evidence, is the greatest portion of the current 262-day process. The Veterans Benefit Act of 2003 allows Veterans up to 365 days, from the date of VA notice for additional information or evidence, to provide documentation. Of the 262 days to complete a regular claim, approximately 145 days are spent waiting for potential evidence to qualify the application as a fully developed claim.

VBA built new decision-support tools to make our employees more efficient and their decisions more consistent and accurate. Rules-based calculators provide suggested evaluations for certain conditions using objective data and rules-based functionality. The Evaluation Builder uses a series of check boxes that are associated with the Veteran's symptoms to help determine the proper diagnostic code of over 800 codes, as well as the appropriate level of compensation based on the Veteran's symptoms.

- Technology.*—The centerpiece of VBA's transformation plan is VBMS—a new paperless electronic claims processing system that employs rules-based technology to improve decision speed and accuracy. For our Veterans, VBMS will mean faster, higher quality, and more consistent decisions on claims. Our strategy includes active stakeholder participation (Veterans Service Officers, State Departments of Veterans Affairs, County Veterans Service Officers, and Department of Defense) to provide digital electronic files and claims pre-scanned through online claims submission via the eBenefits Web portal.

VBA recently established the Veterans Claims Intake Program (VCIP). This program will streamline processes for receiving records and data into VBMS and other VBA systems. Scanning operations and the transfer of Veteran data into VBMS are primary intake capabilities that are managed by VCIP. As

VBMS is deployed to additional regional offices, document scanning becomes increasingly important as the main mechanism for transitioning from paper-based claim folders to the new electronic environment.

There are other ways that VA is working to eliminate the claims backlog. VHA has implemented multiple initiatives to expedite timely and efficient delivery of medical evidence needed to process a disability claim by VBA. As a result, timeliness improved by nearly one-third, from an average of 38 days in January 2011 to 26 days in October 2012. Recently, VA launched Acceptable Clinical Evidence (ACE), an initiative that allows clinicians to review existing medical evidence and determine whether they can use that evidence to complete a DBQ without requiring the Veteran to report for an in-person examination. This initiative was developed by both VHA and VBA in a joint effort to provide a Veteran-centric approach for disability examinations. Use of the ACE process opens the possibility of doing assessments without an in-person examination when there is sufficient information in the record.

Another way to eliminate the claims backlog is by working closely with the DOD. The Integrated Disability Evaluation System (IDES) is a collaborative system to make disability evaluations seamless, simple, fast and fair. If the Servicemember is found medically unfit for duty, the IDES gives them a proposed VA disability rating before they leave the service. These ratings are normally based on VA examinations that are conducted using required IDES examination templates. In fiscal year 2012, IDES participants were notified of VA benefit entitlement in an average of 54 days after discharge. This reflects an improvement from 67 days in May 2012 to 49 days in September 2012.

The Benefits Delivery at Discharge (BDD) and Quick Start programs are two other collaborations for Servicemembers to file claims for service-connected disabilities. This can be done from 180 to 60 days prior to separation or retirement. BDD claims are accepted at every VA Regional Office and at intake sites on military installations in the United States, and at two intake site locations overseas. In 2012, BDD received more than 30,300 claims and completed 24,944—a 14-percent increase over 2011's productivity (21,657). During this same period of time Quick Start decreased their rating inventory by over 44 percent.

#### EXPANDING ACCESS TO BENEFITS AND SERVICES

VA remains committed to ensuring that Veterans are not only aware of the benefits and services that they are entitled to, but that they are able to access them. We are improving access to VA services by opening new or improved facilities closer to where Veterans live. Since 2009, we have added 57 community-based outpatient clinics (CBOCs), for a total of 840 CBOCs through 2013, and increased the number of mobile outpatient clinics and mobile Vet Centers, serving rural Veterans, to 81. Last August, we opened a state-of-the-art medical center in Las Vegas, the first new VAMC in 17 years. The 2014 medical care budget request includes \$799 million to open new and renovated healthcare facilities and includes the authorization request for 28 new and replacement medical leases to increase Veteran access to services.

Today, access is much more than the ability to walk into a VA medical facility; it also includes technology, and programs, as well as, facilities. 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 scarce, or by using social media sites like Facebook, Twitter, and YouTube to connect Veterans to VA benefits and facilities. Telehealth is a major breakthrough in healthcare delivery in 21st century medicine, and is particularly important for Veterans who live in rural and remote areas. The 2014 budget requests \$460 million for telehealth, an increase of \$388 million, or 542 percent, since 2009.

As more Veterans access our healthcare services, we recognize their unique needs and the needs of their families—many have been affected by multiple, lengthy deployments. VA provides a comprehensive system of high-quality mental health treatment and services to Veterans. We are using many tools to recruit and retain our large mental healthcare workforce to better serve Veterans by providing enhanced services, expanded access, longer clinic hours, and increased telemental health capabilities. In response to increased demand over the last 4 years, VA has enhanced its capacity to deliver needed mental health services and to improve the system of care so that Veterans can more readily access them. Since 2006, the number of Veterans receiving specialized mental health treatment has risen each year, from over 927,000 to more than 1.3 million in 2012, partly due to proactive screening. Outpatient visits have increased from 14 million in 2009 to over 17 million in 2012. VA believes that mental healthcare must constantly evolve and improve as new knowledge becomes available through research.

The 2014 budget includes \$168.5 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. Most recently, in November 2012, VRM added new features to eBenefits, a Web application that allows Veterans to access their VA benefits and submit some claims online. Veterans can now enroll in and manage their insurance policies, select reserve retirement benefits, and browse the Veterans Benefits Handbook from the eBenefits Web site. With the help of Google mapping services, the update also enables Veterans to find VA representatives in their area and where they are located. Since its inception in 2009, eBenefits has added more than 45 features allowing Veterans easier, quicker, and more convenient access to their VA benefits and personal information.

VBA has aggressively promoted eBenefits and the ease of enrolling into the system. We currently have over 2.5 million registered eBenefits users. Users can check the status of claims or appeals, review VA payment history, obtain military documents, and perform numerous other benefit actions through eBenefits. The Stakeholder Enterprise Portal (SEP) is a secure Web-based access point for VA's business partners. This electronic portal provides the ability for VSOs and other external VA business partners to represent Veterans quickly and efficiently.

VA also continues to increase access to burial services for Veterans and their families through the largest expansion of its National Cemetery System since the Civil War. At present, approximately 90 percent of the Veteran population—about 20 million Veterans—has access to a burial option in a national, State, or tribal Veterans cemetery within 75 miles of their homes. In 2004, only 75 percent of Veterans had such access. This dramatic increase is the result of a comprehensive strategic planning process that results in the most efficient use of resources to reach the greatest number of Veterans.

#### ENDING VETERAN HOMELESSNESS

The last of our three priority goals is to end homelessness among Veterans in 2015. Since 2009, we have reduced the estimated number of homeless Veterans by more than 17 percent. The January 2012 Point-In-Time estimate, the latest available, is 62,619. We have also created a National Homeless Veterans Registry to track our known homeless and at-risk populations closely to ensure resources end up where they are needed. In 2012, over 240,000 homeless or at-risk Veterans accessed benefits or services through VA and 96,681 homeless or at-risk Veterans were assessed by VHA's homeless programs. Over 31,000 homeless and at-risk Veterans and their families obtained permanent housing through VA specialized homeless programs.

In the 2014 budget, VA is requesting \$1.393 billion for programs to assist homeless Veterans, through programs such as Department of Housing and Urban Development—VA Supportive Housing (HUD—VASH), Grant and Per Diem, Homeless Registry, and Health Care for Homeless Veterans. This represents an increase of \$41 million, or 3 percent over the 2013 enacted level. This budget will support our long-range plan to end Veteran homelessness by emphasizing rescue and prevention—rescue for those who are homeless today, and prevention for those at risk of homelessness.

Our prevention strategy includes close partnerships with some 150 community nonprofits through the Supportive Services for Veteran Families (SSVF) program; SSVF grants promote housing stability among homeless and at-risk Veterans and their families. The grants can have an immediate impact, helping lift Veterans out of homelessness or providing aid in emergency situations that put Veterans and their families at risk of homelessness. In 2012, we awarded \$100 million in Supportive Service grants to help Veterans and families avoid life on the streets. We are currently reviewing proposals for the \$300 million in grants we will distribute later this year. In 2012, SSVF resources directly helped approximately 21,000 Veterans and over 35,000 household members, including nearly 9,000 children. This year's grants will help up to 70,000 Veterans and family members avoid homelessness. The 2014 budget includes \$300 million for SSVF.

To increase homeless Veterans' access to benefits, care, and services, VA established the National Call Center for Homeless Veterans (NCCHV). The NCCHV provides homeless Veterans and Veterans at-risk for homelessness free, 24/7 access to trained counselors. The call center is intended to assist homeless Veterans and their families, VA medical centers, Federal, State, and local partners, community agencies, service providers, and others in the community. Family members and non-VA providers who call on behalf of homeless Veterans are provided with information on VA homeless programs and services. In 2012, the National Call Center for Homeless

Veterans received 80,558 calls (123-percent increase) and the center made 50,608 referrals to VA medical centers (133-percent increase).

VA's Homeless Patient Aligned Care Teams (H-PACT's) program provides a coordinated "medical home" specifically tailored to the needs of homeless Veterans. The program integrates clinical care with delivery of social services and enhanced access and community coordination. Implementation of this model is expected to address health disparity and equity issues facing the homeless population. Expected program outcomes include reduced emergency department use and hospitalizations, improved chronic disease management, and improved "housing readiness" with fewer Veterans returning to homelessness once housed.

During 2012, 119,878 unique homeless Veterans were served by the Health Care for Homeless Veterans Program (HCHV), an increase of more than 21 percent from 2011. At more than 135 sites, HCHV offers outreach, exams, treatment, referrals, and case management to Veterans who are homeless and dealing with mental health issues, including substance use. Initially serving as a mechanism to contract with providers for community-based residential treatment for homeless Veterans, many HCHV programs now serve as the hub for myriad housing and other services that provide VA with a way to outreach and assist homeless Veterans by offering them entry to VA medical care.

VA's Homeless Veterans Apprenticeship Program was established in 2012—a 1-year paid employment training program for Veterans who are homeless or at risk of homelessness. This program created paid employment positions as Cemetery Caretakers at 5 of our 131 National Cemeteries. The initial class of 21 homeless Veterans is simultaneously enrolled in VHA's Homeless Veterans Supported Employment program. Apprentices who successfully complete 12 months of competency-based training will be offered permanent full-time employment at a National Cemetery. Successful participants will receive a Certificate of Competency which can also be used to support employment applications in the private sector.

Another avenue of assistance is through Veterans Treatment Courts, which were developed to avoid unnecessary incarceration of Veterans who have developed mental health problems. The goal of Veterans Treatment Courts is to divert those with mental health issues and homelessness from the traditional justice system and to give them treatment and tools for rehabilitation and readjustment. While each Veterans Treatment Court is part of the local community's justice system, they form close working partnerships with VA and Veterans' organizations. As of early 2012 there are 88 Courts.

The Veterans Justice Outreach (VJO) program exists to connect these justice-involved Veterans with the treatment and other services that can help prevent homelessness and facilitate recovery, whether or not they live in a community that has a Veterans Treatment Court. Each VA Medical Center has at least one designated justice outreach specialist who functions as a link between VA, Veterans, and the local justice system. Although VA cannot treat Veterans while they are incarcerated, these specialists provide outreach, assessment and linkage to VA and community treatment, and other services to both incarcerated Veterans and justice-involved Veterans who have not been incarcerated.

#### MULTIYEAR 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. The legislation requires VA to plan its medical care budget using a multiyear approach. This policy ensures that VA requirements are reviewed and updated based on the most recent data available and actual program experience.

The 2014 budget request for VA medical care appropriations is \$54.6 billion, an increase of 3.7 percent over the 2013 enacted level of \$52.7 billion. The request is an increase of \$157.5 million above the enacted 2014 advance appropriations level. Based on updated 2014 estimates largely derived from the Enrollee Health Care Projection Model, the requested amount would allow VA to increase funding in programs to eliminate Veteran homelessness; continue implementation of the Caregivers and Veterans Omnibus Health Services Act; fulfill multiple responsibilities under the Affordable Care Act; provide for activation requirements for new or replacement medical facilities; and invest in strategic initiatives to improve the quality and accessibility of VA healthcare programs. Our multiyear budget plan assumes that VHA will carry over negligible unobligated balances from 2013 into 2014—consistent with the 2013 budget submitted to Congress.

The 2015 request for medical care advance appropriations is \$55.6 billion, an increase of \$1.1 billion, or 1.9 percent, over the 2014 budget request. Medical care



funding levels for 2015, including funding for activations, non-recurring maintenance, and initiatives, will be revisited during the 2015 budget process, and could be revised to reflect updated information on known funding requirements and unobligated balances.

#### MEDICAL CARE PROGRAM

The 2014 budget of \$57.7 billion, including collections, provides for healthcare services to treat over 6.5 million unique patients, an increase of 1.3 percent over the 2013 estimate. Of those unique patients, 4.5 million Veterans are in Priority Groups 1–6, an increase of more than 71,000 or 1.6 percent. Additionally, VA anticipates treating over 674,000 Veterans from the conflicts in Iraq and Afghanistan, an increase of over 67,000 patients, or 11.1 percent, over the 2013 level. VA also provides medical care to non-Veterans through programs such as the Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) and the Spina Bifida Health Care Program; this population is expected to increase by over 17,000 patients, 2.6 percent, during the same time period.

The 2014 budget proposes to extend the Administration's current policy to freeze Veterans' pharmacy co-payments at the 2012 rates, until January 2015. Under this policy, which will be implemented in a future rulemaking, co-payments will continue at \$8 for Veterans in Priority Groups 2 through 6 and at \$9 for Priority Groups 7 through 8.

The 2014 budget requests \$47 million to provide healthcare for Veterans who were potentially exposed to contaminated drinking water at Camp Lejeune as required by the Honoring America's Veterans and Caring for Camp Lejeune Families Act of 2012, enacted last August. Since VA began implementation of the law and in January 2013, 1,400 Veterans have contacted us concerning Camp Lejeune. Of these, roughly 1,100 were already enrolled in VA healthcare. Veterans who are eligible for care under the Camp Lejeune authority, regardless of current enrollment status with VA, will not be charged a co-payment for healthcare related to the 15 illnesses or conditions recognized, nor will a third-party insurance company be billed for these services. In 2015, VA expects to start treating family members as authorized under the law and has included \$25 million for this purpose within the 2015 advance appropriations request. VA continues a robust outreach campaign to these Veterans and family members while we press forward with implementing this complex new law.

#### *Mental Healthcare and Suicide Prevention*

At VA, we have the opportunity and the responsibility to anticipate the needs of returning Veterans. Mental healthcare at VA is a system of comprehensive treatments and services to meet the individual mental health needs of Veterans. VA is expanding mental health programs and is integrating mental health services with primary and specialty care to provide better coordinated care for our Veteran patients. Our 2014 budget provides nearly \$7.0 billion for mental healthcare, an increase of \$469 million, or 7.2 percent, over 2013. Since 2009, VA has increased funding for mental health services by 56.9 percent. VA provided mental health services to 1,391,523 patients in 2012, 58,000 more than in 2011.

To serve the growing number of Veterans seeking mental healthcare, VA has deployed significant resources and is increasing the number of staff in support of mental health services. Consistent with the President's August 31, 2012, Executive order, VHA is on target to complete the goal of hiring 1,600 additional mental health clinical providers and 300 administrative support staff by June 30, 2013, to meet the growing demand for mental health services. In addition, as part of VA's efforts to implement the Caregivers and Veterans Omnibus Health Services Act of 2010, VA has hired over 100 Peer Specialists in recent months, and is hiring and training nearly 700 more. Additionally, VA has awarded a contract to the Depression and Bipolar Support Alliance to provide certification training for Peer Specialists. This peer staff is expected to be hired by December 31, 2013, and will work as members of mental health teams.

In addition to hiring more mental health workers, VA is developing electronic tools to help VA clinicians manage the mental health needs of their patients. Clinical Reminders give clinicians timely information about patient health maintenance schedules, and the High-Risk Mental Health National Reminder and Flag system allows VA clinicians to flag patients who are at-risk for suicide. When an at-risk patient does not keep an appointment, Clinical Reminders prompt the clinician to follow-up with the Veteran.

Since its inception in 2007, the Veterans Crisis Line in Canandaigua, New York, has answered over 725,000 calls and responded to more than 80,000 chats and 5,000 texts from Veterans in need. In the most serious calls, approximately 26,000 men

and women have been rescued from a suicide in progress because of our intervention—the equivalent of two Army divisions.

We recently completed a 2012 VA suicide data report, a result of the most comprehensive review of Veteran suicide rates ever undertaken by VA. We are working hard to understand this issue—and VA and DOD have jointly funded a \$100 million suicide research project. We will be better informed about suicides, but while research is ongoing, we are taking immediate action and are not waiting 10 years for final study outcomes. These actions include Veterans Chat on the Veterans Crisis Line, local Suicide Prevention Coordinators' for counseling and services, and availability of VA–DOD Suicide Outreach resources.

#### *The Affordable Care Act*

The Affordable Care Act (ACA) expands access to coverage, reins in healthcare costs, and improves the Nation's healthcare delivery system. The Act has important implications for VA. Beginning in 2014, many uninsured Americans, including Veterans, will have access to quality, affordable health insurance choices through Health Insurance Marketplaces, also known as Exchanges, and may be eligible for premium tax credits and cost-sharing reductions to make coverage more affordable. The 2014 budget requests \$85 million within the Medical Care request and \$3.4 million within the Information Technology request to fulfill multiple responsibilities as a provider of Minimum Essential Coverage under the Affordable Care Act, including: (1) providing outreach and communication on ACA to Veterans related to VA healthcare; (2) reporting to Treasury on individuals who are enrolled in the VA healthcare system; and (3) providing a written statement to each enrolled Veteran about their coverage by January 2015.

#### *Medical Care in Rural Areas*

VA remains committed to the delivery of medical care in rural areas of our country. For that reason, in 2012, we obligated \$248 million to support the efforts of the Office of Rural Health to improve access and quality of care for enrolled Veterans who live in rural areas. Some 3.4 million Veterans enrolled in the VA healthcare system live in rural or highly rural areas of the country; this represents about 41 percent of all enrolled Veterans. For that reason, VA will continue to emphasize rural health in our budget planning, including addressing the needs of American Indian and Alaska Native (AI/AN) Veterans.

VA is committed to expanding access to the full range of VA programs to eligible AI/AN Veterans. Last year, VA signed a Memorandum of Agreement with the Indian Health Service (IHS), through which VA will reimburse IHS for direct care services provided to eligible American Indian and Alaska Native Veterans. While the national agreement applies only to VA and IHS, it will inform agreements negotiated between the VA and tribal health programs.

This follows the agreement already in place between VA and IHS whereby nearly 250,000 patients served by IHS have utilized a prescription program that allows IHS pharmacies to use VA's Consolidated Mail Outpatient Pharmacy (CMOP) to process and mail prescription refills for IHS patients. By accessing the service, IHS patients can now have their prescriptions mailed to them, in many cases eliminating the need to pick them up at an IHS pharmacy.

#### *Women Veterans Medical Care*

Changing demographics are also driving change at VA. Today, we have over 2.2 million women Veterans in our country; they are the fastest growing segment of our Veterans' population. Since 2009, the number of women Veterans enrolled in VA healthcare increased by almost 22 percent, to 591,500. However, by 2022—less than a decade from now—their number is projected to spike to almost 2.5 million, and an estimated 900,000 will be enrolled in VA healthcare.

The 2014 budget requests \$422 million, an increase of 134 percent since 2009, for gender-specific medical care for women Veterans. Since 2009, we have invested \$25.5 million in improvements to women Veterans' clinics and opened 19 new ones. Today, nearly 50 percent of our facilities have comprehensive women's clinics, and every VA healthcare system has designated women's health primary care providers, and has a women Veteran's program manager on staff.

In 2012, VA awarded 32 grants totaling \$2 million to VA facilities for projects that will improve emergency healthcare services for women Veterans, expand women's health education programs for VA staff, and offer telehealth programs to female Veterans in rural areas. These new projects will improve access and quality of critical healthcare services for women. This is the largest number of 1-year grants VA has ever awarded for enhancing women's health services.

## MEDICAL RESEARCH

Medical Research is being supported with \$586 million in direct appropriations in 2014, with an additional \$1.3 billion in funding support from VA's medical care program and through Federal and non-Federal grants. VA Research and Development will support 2,224 projects during 2014.

Projects funded in 2014 will be focused on supporting development of New Models of Care, identifying or developing new treatments for Gulf War Veterans, 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 2014 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—potentially helping the health of America's Veterans and the general public. MVP recently enrolled its 100,000th volunteer research participant, and by the end of 2013, the goal is to enroll at least 150,000 participants in the program.

## VETERANS BENEFITS ADMINISTRATION (VBA)

The 2014 budget request of \$2.455 billion for VBA, an increase of \$294 million in discretionary funds from the 2013 enacted level, is vital to the transformation strategy that drives our performance improvements focused most squarely on the backlog.

Virtually all 860,000 claims in the VBA inventory, including the 600,000 claims that have been at VA for over 125 days and are considered backlogged, exist only in paper. Our transition to VBMS and electronic claims processing is a massive and crucial phase in VBA transformation. VA awarded two VCIP contracts in 2012 to provide document conversion services that will populate the electronic claims folder, or eFolder, in VBMS with images and data extracted from paper and other source material. Without VCIP, we cannot populate the eFolder on which the VBMS system relies. The 2014 request for \$136 million for our scanning services contracts will ensure that we remain on track to reach this key goal. In addition, the budget request includes \$4.9 million for help desk support for Veterans using the Veterans On-Line Application/eBenefits system.

VBA projects a beneficiary caseload of 4.6 million in 2014, with more than \$70 billion in compensation and pension benefits obligations. We expect to process 1.2 million compensation claims in 2014, and we are pursuing improvements that will enable us to meet the emerging needs of Veterans and their families.

*Veterans Employment*

Under the leadership of President Obama, VA, DOD, the Department of Labor, and the entire Federal Government have made Veterans employment one of their highest priorities. In August 2011, the President announced his comprehensive plan to address this issue and to ensure that all of America's Veterans have the support they need and deserve when they leave the military, look for a job, and enter the civilian workforce. He created a new DOD-VA Employment Initiative Task Force that would develop a new training and services delivery model to help strengthen the transition of our Veteran Servicemembers from military to civilian life. VA has worked closely with other partners in the Task Force to identify its responsibilities and ensure delivery of the President's vision. On November 21, 2012, the effective date of the VOW Act, VA began deployment of the enhanced VA benefits briefings under the revised Transition Assistance Program (TAP), called Transition GPS (Goals, Plans, Success). VA will also provide training for the optional Technical Training Track Curriculum and participate in the Capstone event, which will ensure that separating Servicemembers have the opportunity to verify that they have met Career Readiness Standards and are steered to the resources and benefits available to them as Veterans. Accordingly, the 2014 budget requests \$104 million to support the implementation of Transition GPS and meet VA's responsibilities under the VOW Act and the President's Veterans Employment Initiative.

*Veterans Job Corps*

In his State of the Union address in 2012, President Obama called for a new Veterans Job Corps initiative to help our returning Veterans find pathways to civilian employment. The 2014 budget includes \$1 billion in mandatory funding 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. Jobs will include park maintenance projects, patrolling public lands, rehabilitating natural and recreational areas, and administrative, technical, and law enforcement-related activities. 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.

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

Since 2009, VA has provided over \$25 billion in Post-9/11 GI Bill benefits to cover the education and training of more than 893,000 Servicemembers, Veterans, family members, and survivors. We are now working with Student Veterans of America to track graduation and training completion rates.

The Post-9/11 GI Bill continues to be a focus of VBA transformation as it implements the Long-Term Solution (LTS). At the end of February we had approximately 60,000 education claims pending, 70 percent lower than the total claims pending the same time last year. The average days to process Post-9/11 GI Bill supplemental claims has decreased by 17 days, from 23 days in September 2012 to 6 days in February 2013. The average time to process initial Post-9/11 GI Bill original education benefit claims in February was 24 days.

#### NATIONAL CEMETERY ADMINISTRATION (NCA)

The 2014 budget includes \$250 million in operations and maintenance funding for the National Cemetery Administration (NCA). As we move forward into the next fiscal year, NCA projects our workload numbers will continue to increase. For 2014, we anticipate conducting approximately 121,000 interments of Veterans or their family members, maintaining and providing perpetual care for approximately 3.4 million gravesites. NCA will also maintain 9,000 developed acres and process approximately 345,000 headstone and marker applications.

#### *Review of National Cemeteries*

For the first time in the 150-year history of National Cemeteries, NCA has completed a self-initiated, comprehensive review of the entire inventory of 3.2 million headstones and markers within the 131 National Cemeteries and 33 Soldiers' Lots it maintains. The information gained was invaluable in validating current operations and ensuring a sustainment plan is in place to enhance our management practices. The review was part of NCA's ongoing effort to ensure the full and accurate accounting of remains interred in VA National Cemeteries. Families of those buried in our national shrines can be assured their loved ones will continue to be cared for into perpetuity.

#### *Veterans Employment*

NCA continues to maintain its commitment to hiring Veterans. Currently, Veterans comprise over 74 percent of its workforce. Since 2009, NCA has hired over 400 returning Iraq and Afghanistan Veterans. In addition, 82 percent of contracts in 2012 were awarded to Veteran-owned and service-disabled Veteran-owned small businesses. NCA's committed, Veteran-centric workforce is the main reason it is able to provide a world-class level of customer service. NCA received the highest score—94 out of 100 possible—in the 2010 American Customer Satisfaction Index (ACSI) sponsored by the University of Michigan. This was the fourth time NCA participated and the fourth time it received the top rating in the Nation.

#### *Partnerships*

NCA continues to leverage its partnerships to increase service for Veterans and their families. As a complement to the National Cemetery System, NCA administers the Veterans Cemetery Grant Service (VCGS). There are currently 88 operational State and tribal cemeteries in 43 States, Guam, and Saipan, with 6 more under construction. Since 1978, VCGS has awarded grants totaling more than \$500 million to establish, expand, or improve Veterans' cemeteries. In 2012, these cemeteries conducted over 31,000 burials for Veterans and family members.

NCA works closely with funeral directors and private cemeteries, two significant stakeholder groups, who assist with the coordination of committal services and interments. Funeral directors may also help families in applying for headstones, markers, and other memorial benefits. NCA partners with private cemeteries by furnishing headstones and markers for Veterans' gravesites in these private cemeteries. In January of this year, NCA announced the availability of a new online funeral directors resource kit that may be used by funeral directors nationwide when

helping Veterans and their families make burial arrangements in VA National Cemeteries.

#### CAPITAL INFRASTRUCTURE

A total of \$1.1 billion is requested in 2014 for VA's major and minor construction programs. The capital asset budget reflects VA's commitment to provide safe, secure, sustainable, and accessible facilities for Veterans. The request also reflects the current fiscal climate and the great challenges VA faces in order to close the gap between our current status and the needs identified in our Strategic Capital Investment Planning (SCIP) process.

##### *Major Construction*

The major construction request in 2014 is \$342 million for one medical facility project and three National Cemeteries. The request will fund the completion of a mental health building in Seattle, Washington, to replace the existing, seismically deficient building. It will also increase access to Veteran burial services by providing a National Cemetery in Central East Florida; Omaha, Nebraska; and Tallahassee, Florida.

The 2014 budget includes \$5 million for NCA for advance planning activities. VA is in the process of establishing two additional National Cemeteries in Western New York and Southern Colorado, according to the burial access policies included in the 2011 budget. These two new cemeteries, along with the three requested in 2014, will increase access to 550,000 Veterans. NCA has obligated approximately \$16 million to acquire land in 2012 and 2013 for the planned new National Cemeteries in Central East Florida; Tallahassee, Florida; and Omaha, Nebraska.

##### *Minor Construction*

In 2014, the minor construction request is \$715 million, an increase of 17.8 percent from the 2013 enacted level. It would provide for constructing, renovating, expanding and improving VA facilities, including planning, assessment of needs, gravesite expansions, site acquisition, and disposition. VA is placing a funding priority on minor construction projects in 2014 for two reasons. First, our aging infrastructure requires a focus on maintenance and repair of existing facilities. Second, the minor construction program can be implemented more quickly than the long-term major construction program to enhance Veterans' services.

In light of the difficult fiscal outlook for our Nation, it's time to carefully consider VA's footprint and our real property portfolio. In 2012, VA spent approximately \$23 million to maintain unneeded buildings. Achieving significant reduction in unneeded space is a priority for the Administration and VA. To support this priority, the President has proposed a Civilian Property Realignment Act (CPRA), which would allow agencies like VA to address the competing stakeholder interests, funding issues, and red tape that slows down or prevents the Federal Government from disposing of real estate. If enacted by Congress, this process would give VA more flexibility to dispose of property and improve the management of its inventory.

#### LEGISLATION

Besides presenting VA's resource requirements to meet our commitment to the Nation's Veterans, the President's budget also requests legislative action that we believe will benefit Veterans. There are many worthwhile proposals for your consideration, but let me highlight a few. For improvements to Veterans healthcare, our budget includes a measure to allow VA to provide Veterans with alternatives to long-stay nursing homes, and enhance VA's ability to provide transportation services to assist Veterans with accessing VA healthcare services. Our legislative proposal also request that Congress make numerous improvements to VA's critical homelessness programs, including allowing an increased focus on homeless Veterans with special needs, including women, those with minor dependents, the chronically mentally ill, and the terminally ill.

We also are putting forward proposals aimed squarely at the disability claims backlog—such as establishing standard claims application forms—that are reasonable and thoughtful changes that go hand-in-hand with the ongoing transformation and modernization of our disability claims system. We are offering reforms to our Specially Adaptive Housing program that will remove rules that in some circumstances can arbitrarily limit the benefit. The budget's legislative proposals also include ideas for expanding and improving services in our National Cemeteries.

Finally, this budget includes provisions that will benefit Veterans and taxpayers by allowing for efficiencies and cost savings in VA's operations—for example, we are forwarding a proposal that would require that private health plans treat VA as a "participating provider"—preventing those plans from limiting payments or exclud-

ing coverage for Veterans' non-service-connected conditions. VA merits having this status, and the additional revenue will fund medical care for Veterans. We are also requesting spending flexibility so that we can more effectively partner with other Federal agencies, including DOD, in pursuit of collaborations that will benefit Veterans and Servicemembers and deliver healthcare more efficiently.

#### SUMMARY

Veterans stand ready to help rebuild the American middle class and return every dollar invested in them by strengthening our Nation. And we, at VA, will continue to implement the President's vision of a 21st century VA, worthy of those who, by their service and sacrifice, have kept our Nation free. Thanks to the President's leadership and the solid support of Congress, we have made huge strides in our journey to provide all generations of Veterans the best possible care and benefits through improved technology that they earned through their selfless service. We are committed to continue that journey, even as the numbers of Veterans using VA services increase in the coming years, through the responsible use of the resources provided in the 2014 budget and 2015 advance appropriations requests. Again, thank you for the opportunity to appear before you today and for your steadfast support of our Nation's Veterans.

Senator JOHNSON. Thank you.

For the information of my colleagues, we will limit questions to 6-minute rounds to ensure that everyone has a chance to be heard. If needed, we will have a second round.

#### BLACK HILLS

Secretary Shinseki, I was surprised to find that the fiscal year 2014 budget request includes a request for an authorization for a new residential rehab treatment facility and multispecialty outpatient clinic in Rapid City, South Dakota. This goes against your repeated assurances to me and other members of the South Dakota delegation, and our constituents, that a final decision has not been made regarding the VA's proposed realignment of Black Hills' healthcare systems.

How can we believe that you are honestly still considering other alternatives when the budget sets the VA's proposal in motion?

Secretary SHINSEKI. Chairman Johnson, let me apologize for the language that appears in the budget submission on Black Hills. It wasn't appropriate, and it's an oversight on our part.

As you and I have agreed, this is a dialogue that's underway. I assure you I have not made a decision, and this is also proof that I don't read every line in the budget. It shouldn't have been there, and next time I'll be more thorough.

Senator JOHNSON. Do you intend to notify the authorization committees that this was a mistake?

Secretary SHINSEKI. I will do that.

#### VETERANS BENEFITS MANAGEMENT SYSTEM (VBMS)

Senator JOHNSON. One of the key elements in the VA's strategy to break the claims backlog is the successful deployment of the VBMS, or paperless claims processing system. I noted from your testimony that the Department plans to have this system deployed by 2013. However, I'm concerned about reports of the system's performance failures.

Will VBMS be deployed on time? Will it work? And when can we expect tangible results from its implementation? In other words, when will this system speed up the process for vets?

Secretary SHINSEKI. Mr. Chairman, let me assure you that VBMS works. As I indicated, we had set in our plan by December 2013 to have it fully fielded. We began fielding in September 2012 and here we are, 6 months later, in 36 of our 56 regional offices. We intend to complete fielding to the remaining 20 as soon as we can. I am confident that it's not going to take us until December.

I believe the reference to the problem that you're hearing about is the last issuance of VBMS. We started with VBMS 1.0, and then 2.0, and 3.0. We just fielded 4.2, which has probably 100 patches associated with it. One of them wasn't functioning properly. Everything else went.

We held this off because it wasn't performing the way we wanted and it was creating some concern. We held it off for a week and retested it. It is finally now updated with 4.2. We're on schedule, and it's functioning.

#### ACCESS TO VA

Senator JOHNSON. Mr. Secretary, the budget request includes an additional \$158 million for medical services in fiscal year 2014, of which \$85 million is projected to impact the Affordable Care Act (ACA) on the VA healthcare system. Is this funding intended to implement any aspect of the ACA?

As I said, the ACA is expected to bring more eligible vets into the VHA healthcare system, more specifically, vets who do not currently have health insurance. Will this help VA's goal to give more eligible vets access to VA healthcare?

Secretary SHINSEKI. Mr. Chairman, I'm going to call on Dr. Petzel here in a second to provide some details, but I'd like to be very clear up front.

VA will continue to provide eligible veterans with high-quality care, comprehensive healthcare, and benefits they have earned. That will not change.

We do modeling whenever we think there's going to be a major change in the delivery of a service. Through our modeling, it was suggested that we might have a modest increase. The \$85 million is put in there to be prepared in case this is realized.

I will assure you that the veterans who are currently using VA will see no degradation in the quality or the timeliness of the service they receive.

Dr. Petzel.

Dr. PETZEL. Thank you, Mr. Secretary.

Mr. Chairman, as the Secretary relayed, the Affordable Care Act will not affect the care that we deliver to veterans. As he said, there is a modest increase that may occur as a result of the implementation of it.

There are two aspects to the Affordable Care Act, just very briefly: First is the mandate that one have insurance; the VA healthcare system does provide the minimum essential coverage, as does our CHAMPVA program. Second is the effects that it may have on Medicare.

When we looked at those two aspects of the Affordable Care Act and evaluated the potential impact on VA, as the Secretary has mentioned, the indications were that there may be some net in-

crease in the number of people moving to the VA. Thus, the \$85 million is to cover the cost of that increased care.

Senator JOHNSON. Senator Kirk.

Senator KIRK. Let me do a drill down here since the ACA might be somewhat controversial.

You guys are basically saying, for an Illinois veteran who has signed up to the Illinois exchange, it's more likely they seek care in the VA, is what you're estimating?

Secretary SHINSEKI. I wouldn't say we have specifically focused on Illinois. I think it has to do with whether States make decisions regarding Medicaid, or not.

Senator KIRK. I am going to interrupt you one second. Usually, my questions kind of tend to the State of Illinois.

Secretary SHINSEKI. Yes, I know. I'm not familiar with where Illinois stands on its decision.

It was based on those decisions by States that, we thought there might be an influx, a slight influx of veterans.

#### CLAIMS BACKLOG

Senator KIRK. I will massively suck up to my chairwoman and ask about Baltimore, where, I understand, Madam Chair, I understand that we're up to 380 days for adjudication of VA disability in Baltimore. I think you're extremely concerned about Baltimore veterans.

Senator MIKULSKI. I'm hot about it. But, please, go ahead.

Senator JOHNSON. Go ahead.

Senator KIRK. Thank you, Mr. Chairman.

I just want to say one thing. I understand that in Chicago, it is at 431 days, and we would want to shorten it, as you have laid out.

Secretary SHINSEKI. Senator Kirk, I'll just say that this is something we've been working on for a number of years now.

We were, 4 years ago, a paper process. And it's a huge paper juggernaut. We get paper from DOD. We process paper. We get claims submitted in paper. That's traditionally the way things are done.

After over a decade of war now, requirements have gone up. There's greater complexity. If we're going to end the backlog, we have to do something different than just to continue to process the way we have been.

What we have done is approach DOD and ask for electrons. They have agreed that, by the end of this year, they're going to begin sending us their records in electrons. Also veterans need an online capability to submit claims electronically. We are now providing that.

We have about 800,000-plus claims today already in our inventory. We're taking the ones that it's smart to do and putting them through a scanning process, creating electrons to be stored into our electronic tool as we stand the system up.

There are some that are already started in paper. It makes sense to just finish them in paper. So we're just going to suck it up and keep driving on.

But at the same time, now we need a catcher's mitt to gather all these electrons, and that's what VBMS is about. It's taken us about 2 years to develop. Six months ago, we started fielding it. As I said before, here we are 6 months later, we're at 36 out of 56.



This comes together this year. It's what we've been planning. The increase in the number of claims in the inventory is a set of decisions we made in 2010 that was intended to clean up some unfinished business.

This was Vietnam veterans, and agent orange with three diseases were added to the workload. These were new adds, not anything that VA had been resourced to deal with. Desert Storm 1 had nine diseases associated with gulf war illness that were added to the workload; more paper workload.

Finally, for combat veterans, post-traumatic stress disorder (PTSD) is as old as combat. What we have done is to just say, if you have verifiable PTSD and you've been in combat, then whatever other reasons there may be, this is good enough. Let's go ahead and take care of our responsibilities here.

Those three decisions have added to the inventory.

Three years ago, when we made the decision, in testimony we said, "Look, this is going to grow the inventory, but we're going to build an automation tool that in time will take this down." I think we even predicted that the number of waiting days was going to go up fairly high.

It has. All of that's borne out. It doesn't excuse the fact that veterans are waiting too long for decisions. I am committed to ending the backlog and correcting all of this.

That's why this year's budget, it increases VBA, our benefits administration, by 13.6 percent, and increases the information technology tool, VBMS, among others. Increasing the information technology (IT) budget by 10.8 percent is critical for us to make this crossover from what has been a paper process to a digitized one.

Senator JOHNSON. The chairwoman of the full committee has joined us. At this point, I want to welcome her, and call upon her for any statement or questions she may have.

Chairwoman Mikulski.

Senator MIKULSKI. Thank you very much, Senator Johnson. And thank you for the great job you've been doing.

And, Senator Kirk, it's so good to see you back at the table.

I used to chair the VA in the old VA-HUD days, so it's déjà vu to rejoin you at the table.

And I wanted to come and just, first of all, affirm my support for both of you. And I note that the President has submitted a Department of Veterans Affairs appropriations request of \$152.7 billion.

This is the number three subcommittee under the entire full committee. Number one is Defense at \$600 billion. Then there's HHS-Labor, which is really three agencies. And then the Department of Veterans Affairs itself at \$152.7 billion.

\$86 billion of that is in mandatory. \$63 billion of that is in discretionary. And then there's \$3 billion in third-party collections.

So there's a tremendous amount of money and resources that we need to ponder in what is the most effective way to work with the executive branch to serve our veterans.

I want you to know, we intend to follow regular order. We hope to mark up at a topline of the \$1.05 trillion, which is mandated by the Budget Control Act. The House Budget Act number is \$966 billion, so there are some resolutions that need to occur.

But we're going to work together on this and work with you on how you want to do this.

BALTIMORE REGIONAL OFFICE

So I wanted to come to affirm our support for working together. But like you, I'm ballistic about this backlog, and I was mortified over the fact that Baltimore was one of the top worst claims areas in the entire Nation.

Senator Kirk, you already gave some of the numbers. But we were in the top three of a very embarrassing list.

Now, General Shinseki, you came to Baltimore, and I appreciated that, with your team. And then you made certain promises, which are being followed through.

But what happened is, that as you said now, the entire Baltimore office is being shut down for training. Are you aware of that?

Secretary SHINSEKI. I'm not aware they've been shut down. My understanding is they're continuing to process claims. Training has been integrated into their day-to-day work.

Senator MIKULSKI. Well, sir, that's not the way it is on boots on the ground.

The entire Baltimore office is now in training. There is one person answering the phone—one person answering the phone.

Now, there were 10 people on the phone to answer our questions, 10 people from there. We can't have this, that we're going to shut down a whole office so they're more fit for duty, which we like the training, which you said you would do, and we're excited about that. But we can't shut it down. Or if we can, we need you to send temporary claims processors to Baltimore to take in the cases and begin the methodology that's established while this 4-week training is going on.

Secretary SHINSEKI. I understand we have help teams that have been added to Baltimore. Let me ask Secretary Hickey for some details.

Ms. HICKEY. Chairwoman Mikulski, my apologies to you. There was some miscommunication, I believe, to you about the nature of what was happening in Baltimore. So I will accept responsibility for that miscommunication.

There are 4 hours a day where they are literally still working claims. The other 4 hours, they are in a class, but while they're in that class, but they're working live claims that belong to the Baltimore regional office.

That's the way the training is designed. It's designed so they actually work claims, and they go through a training process while that happens.

In the meantime, I know about your concern, and I'm very sensitive to that concern. We are continuing to get the support of three other regional offices, as I committed to you, to ensure that the Baltimore backlog is coming down. They continue to do those claims and are still working them.

We are also looking to see if we can bring one more team in while they're working in the training environment to supplement the additional support during the training period.

I will share with you that we have already seen production increases in Baltimore since we visited with you. I appreciate your taking time out of your schedule to visit Baltimore.

Not only increases in production have been seen, but also increases in the quality, as a result of bringing in some of those help teams, with subject-matter experts who come in and help coach, and facilitate some improvements in Baltimore.

Senator MIKULSKI. Well, I think we need to talk about it. I don't want to take the time of the subcommittee.

There has been a breakdown in communication. And there's a breakdown in communication even in the way the director of that office talks with us. He was silent on the phone.

When we asked, "Where would these records go?" we heard they were in the cloud. Nobody could tell us where these records were going. We're not happy.

But rather than go on and turn this into a discussion on Baltimore, what I fear is that this is the problem everywhere, and not only a backlog, but then the lack of communication. Yes, they do work in the afternoon, but we hear it's a very few set of coaches with a very few set of cases with coaches.

So let's really talk and get this straight, and let's not take the time.

#### COLLABORATIONS

I'd like to go nationally, and if I could, General Shinseki, did I hear you right—and it goes to what we're all raising—we understand that in order for VA to do their job, they need the cooperation of four other agencies, plus the National Guard. They need the cooperation of VA, the Social Security Administration (SSA) to send you records, and, to a certain extent, the Internal Revenue Service (IRS). Is that correct?

Now, in the hearing, does VA really cooperate with you? Or you don't want to say, because you're a good guy, and used to be in the chain of command, and hoorah, hoorah?

Secretary SHINSEKI. No. Madam Chairman, I would tell you that I spent 38 years in uniform, as you know. In all that time, I knew there was a VA, but there was almost no interaction between my duties in uniform and the Department.

And so when I became Secretary of this Department, I realized how little education I had received. One of the first things that Secretary Bob Gates and I did was to agree, with a handshake as we were standing in line waiting to be sworn in to our respective duties, to bring our departments together.

And so it began with Bob Gates. It continued with Leon Panetta. It continues now with Secretary Hagel.

The whole point is that our departments culturally look in two different directions. That's not good enough. We are working to bring our departments into greater synergy.

Part of that has to do with this seamless transition that we talk about, which includes getting electronic records from DOD, and allowing us to match up.

Senator MIKULSKI. Well, is that happening?

Secretary SHINSEKI. In terms of information that arrives for us to be able to use, with personnel records, we have an agreement

with DOD that by December of this year, 2013, we will begin to receive electronic records.

We're working on—and this is probably the more critical one—a single, common, joint, integrated electronic health record that is open in architecture and nonproprietary in design. All those terms are code word to force us to come up with a single system that applies to both departments.

#### ROUNDTABLE

Senator MIKULSKI. Thank you.

Mr. Chairman, Senator Kirk, colleagues, I'm going to suggest this, as the full committee chair, the subcommittee does their business, and they've been doing a great job on this. But as the full committee chair, I thought I would convene a roundtable of the four agencies that have to serve our veterans, and actually get Hagel in the room with Shinseki, and their assistant deputy coordinator of the health records, and techno-micro-chips. Does this sound like a good idea?

Senator KIRK. That sounds like an awesome idea. We get both secretaries in here to explain why we haven't combined the two systems.

And I would give you a little partisan edge on that, a partisan edge. By that I mean, in VA versus DOD, and just say that I don't understand why the taxpayer has to pay for two totally separate systems.

And I want DOD to insist on why they need to have a separate system, that I think we should go date-certain with just VistA, which is the VA system, and force DOD to say why we have to slow down and have a separate system.

Senator MIKULSKI. Well, this subcommittee has been the driving force. I thought we could get DOD, bring Social Security and IRS in. And I'd really love for Appropriations to be the committee that cracks the code on the VA backlog. It would be a great tribute to you as a veteran.

Senator JOHNSON. Madam Chairwoman, that is an excellent idea. The details need to be figured out, but I'll take charge of that.

Senator MIKULSKI. Yes. And we look forward to working with you to do that. Thank you.

Senator JOHNSON. Senator Reed.

Senator REED. By order of appearance, or if it's back and forth, I'd be happy to yield to one of my colleagues.

Senator JOHNSON. Senator Kirk had the last comments. I'll turn to Senator Reed.

Senator REED. Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

#### TRANSITION ASSISTANCE

I have a series of simple questions, which might actually be pretty dumb questions. But is entry into the VA automatic upon discharge from the service? Or does a discharged military person have to formally apply to VA?

Secretary SHINSEKI. Today, it is not automatic. But this is what the Secretary of Defense and Secretary of VA are working on.

As you know, the Department of Defense has a transition assistance program. That is their transition program.

We have included ourselves in that process before the uniform comes off. Whatever claims that need to be addressed, we want to start that early.

Senator REED. It just seems to me, Mr. Secretary, and, you know, you said you spent 38 years in Active Duty. The day you raise your hand as an E-1, or whatever, you're probably going to be a veteran with perhaps 1 percent, 2 percent deviation there.

Have we missed the focus? Shouldn't we be looking not at the transition point from active service to another service, but actually the point of induction, or basic training?

Secretary SHINSEKI. We agree. That's what we've been working on. Today, we at VA, have created an eBenefits automation tool. As young men and women are being inducted into the military, they have access to that tool.

As you know, they participate in some of our education programs, and mortgage programs. For the military, with servicemembers group life insurance, we are their insurer.

So this ought not to be a decision to be made when the uniform comes off. It ought to be seamless. It ought to be mandated. Making that commitment is all about what the electronic health record is designed to do.

Senator REED. Does that require any further legislation, or that's within your authority today to enroll? Pick an obvious point, completion of basic training, you're enrolled in the VA system. You get information, you're eligible for some programs, but not all programs. Can you do that?

Secretary SHINSEKI. I would say there's a certain definition, a time of service, before a requirement for veterans status is rendered. Then, as you know, depending on the character of discharge, that status could change.

Senator REED. Right, but that's—

Secretary SHINSEKI. I'm not expert enough on it for an answer today. Let me give you an answer for the record. I think what we're getting at here is, let's make this truly seamless between the departments, and I think we can work on that.

[The information follows:]

VA strives to reach out to all separating servicemembers to ensure they are aware of and can access VA benefits, healthcare and other services. As an example, VA sends a personalized letter to all recently discharged veterans reminding them of these benefits.

In August 2011, the President called on the Department of Defense (DOD) and Veterans Affairs (VA) to lead a task force with the White House economic and domestic policy teams and other agencies, including the Department of Labor (DOL), to develop proposals to maximize the career readiness of all servicemembers. This DODVA Veterans Employment Initiative Task Force is one element of the plan to reduce veteran unemployment and to ensure that all of America's veterans have the support they need and deserve when they leave the military, look for a job, and enter the civilian workforce.

To meet the President's call for a "career-ready military," the DOD-VA Veterans Employment Initiative Task Force developed a new training and services delivery model to help strengthen the transition of our servicemembers from military to civilian life as they become veterans. This revamped TAP curriculum, named Transition Goals, Planning, Success (Transition GPS), is meant to provide servicemembers with a set of value-added, individually tailored training programs and services to equip them with the set of tools they need to pursue post-military goals successfully. This model represents an improved DOD/VA/DOL Transition Assistance Program (TAP).

The new model was implemented in November, 2012 and is consistent with Public Law 112-56, the VOW to Hire Heroes Act of 2012 (VOW Act) which requires mandatory TAP participation of members of the Armed Forces. This has significantly increased VA healthcare benefits awareness and application opportunities for all separating servicemembers. Long before these changes, VA has had a long standing effort in place to assist veterans with enrollment into VA healthcare system through participation in various DOD demobilization events. An application for healthcare benefits, named the 10-10EZ, must be completed by all veterans to enroll in VA healthcare. As part of the outreach activities, VA works directly with transitioning servicemembers to complete this form. It can also be completed via the Internet and over the phone.

In addition, we now enroll every new servicemember in eBenefits as part of the mandatory TAP enrollment. eBenefits is the highly successful VA and DOD online Web site/portal providing a central location for veterans, servicemembers, and their families to research, find, access, and manage a growing list of benefits and personal information such as certificates of eligibility for VA home loans, Post-9/11 GI Bill enrollment information, and service verification (DD 214).

The below Federal Register notice regarding "Duty Periods for Establishing Eligibility for Health Care" below shows the complexity of the question/response.

[https://www.federalregister.gov/articles/2013/05/09/2013-11051/duty-periods-for-establishing-eligibility-for-health-care?utm\\_campaign=subscription+mailing+list&utm\\_medium=email&utm\\_source=federalregister.gov](https://www.federalregister.gov/articles/2013/05/09/2013-11051/duty-periods-for-establishing-eligibility-for-health-care?utm_campaign=subscription+mailing+list&utm_medium=email&utm_source=federalregister.gov)

The Virtual Lifetime Electronic Record (VLER) project being worked on by VA and DOD will allow VA, DOD, and others to easily share information on servicemembers and veterans and enable VA to provide proactive care and benefits to veterans that they have earned and deserve. The end goal of VLER is to share health, benefits, and administrative information, including personnel records and military history records, among DOD, VA, HHS, SSA, private healthcare providers, and other Federal, State, and local governmental partners; and enable caregivers, clinicians, and benefits providers to view all relevant information about a veteran securely, regardless of where it was documented, in a secure, electronic record.

Senator REED. Well, again, I think the sooner you do it, not the discharge point but the point where that young man or woman is going to be presumably on Active Duty for 3 years, then become a veteran, gives you more time and actually acclimates them to the system.

#### INTEGRATED DISABILITY EVALUATION SYSTEM (IDES)

Let me shift gears, basically. The Integrated Disability Evaluation System (IDES), which you're working on, ideally—unfortunately, we had two systems.

We had a DOD evaluation of your disability, and then we had a separate VA system, and that was regulatory arbitrage, et cetera. And it didn't help the veterans. Now you're trying to make an integrated system. That's the goal.

I'll just ask another sort of dumb question. If you have that integrated disability system, if you have actually assessed that individual, before they leave the service, why would they technically have to make a claim? Couldn't you automatically make the benefits available to them based upon their evaluation?

Secretary SHINSEKI. I would agree that I think that sort of approach makes sense, but I think we have a requirement to make sure we do a complete investigation and consult with the individual on their disability.

There may be things that are not in the record. I'm thinking of the kinds of things some youngsters may prefer not to be in the record. Just looking at the record alone may not be complete enough.

We want to give veterans an opportunity to lay out the things that they may have masked for——

Senator REED. Well, you have as much sensitivity to how soldiers, sailors, marines, and airmen think and act than anyone in this room.

But it seems to me that if the goal is to have one evaluation complete of their health, psychological, physical, et cetera, it might not be fully complete because of lack of disclosure, but at least that's a starting point for automatic benefits.

#### CLAIMS EXAM

Now, subsequently, and it could be 5 years later, if someone discovers that they have a condition they weren't aware of, well, that is the time for a claim. But I would think that would speed up the process and be more rational.

What I observed and what you observed, too, is it was sort of people were trying to get the highest possible DOD disability evaluation before they left so that they were—you know, they wanted to leave but they didn't want to leave. They were in that situation. Then they had to go through a whole separate process at the VA. It just doesn't seem to be efficient nor helpful for veterans.

Secretary SHINSEKI. Well, Senator, we have moved to the single exam, a separation exam, and tried to reduce as much overlap on these things.

There was a little difference when we conducted two separate exams. The youngster who wants to remain in uniform wants the lowest percentage adjudication. The youngster who's getting out wants the better one. And so I can understand why there may be a different approach in DOD.

Once the decision is made that the youngster is not going to be able to be retained for whatever medical reason, then the single exam, which is the way we've gone, by VA, will govern both decisions, both their departure and then their arrival to us.

Senator REED. Again, thank you, Mr. Secretary. My time has expired. Thank you for your service. Thank you, ladies and gentlemen.

Senator JOHNSON. Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman.

And, Secretary Shinseki, thanks for being here. Thanks for the meeting in your office recently with Senator Collins and Senator Murkowski. I thought it was very helpful and appreciate you taking time to do that, as well as your commitment to our veterans, your service and your commitment to our veterans.

Also, I appreciate very much that you've come out to the VA Health Center in Fargo, which serves a lot of North Dakota and Minnesota as well, and I think does a phenomenal job.

#### LEASE

One of the things that's been really important for us is getting another outpatient clinic in Devil's Lake, North Dakota, and I've talked to you about this before.

And I believe, as a follow-up, your staff indicated to me that they're planning to have a lease in place for that facility in August of this year, and then have it open by December.

I want your commitment that we're going to get it open this year. We've been working to get that for some time and maybe just comment on the length of time it takes, because last year we talked about getting it, which, again, we appreciate very much and that they're very much looking forward to in Devil's Lake, but just your comments on the length of time or what's required to set it up and, hopefully, a commitment that we'll have it in place this year.

Secretary SHINSEKI. Let me call on Dr. Petzel for the opening.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Hoeven, we've been talking about the clinic at Devil's Lake since I was a Network Director in Minneapolis, which goes back a couple of years. There have been difficulties in coming to an agreement about the kind of clinic, et cetera.

That's on track now, and we expect to make an award for space in August 2013. The planned occupancy is December 2013.

I will keep track of that, and we will provide feedback to your staff periodically about how we're doing with that timeline.

Senator HOEVEN. Thank you, I appreciate it. We're very much looking forward to that facility. It'll make a real difference for our veterans. And so, if you will stay in touch with us on it, I'd appreciate it very much.

#### SUICIDE PREVENTION

The other thing, Mr. Secretary, I'd like to just touch on again, two of the things that we've been working on I know you're very dedicated to as well, on behalf of our veterans, are both suicide prevention and also dealing with PTSD.

Would you talk about how in this budget we're doing more to make sure that we're addressing these very serious challenges on behalf of veterans, both the suicide prevention and addressing their needs in regard to PTSD?

Secretary SHINSEKI. Senator, let me start and then let me ask the good doctor, Dr. Petzel, to comment on our approach to suicides.

I would just say up front, one suicide is a tragedy and it's one suicide too many.

We go at this with a lot of energy and, as you know, we have put in place a national crisis line for veterans in Canandaigua, New York. In the last 5 or so years, there have been over 740,000 phone calls.

I think important in that number is that more than 26,000 of them were suicides in progress. They were intervened and people were taken care of.

We've watched the numbers of calls continue to go up but the number of crisis calls have begun to taper off a bit. What we interpret here is that calls are coming in earlier as opposed to in crisis. People are being referred to treatment. The treatment they're receiving works.

We're watching our suicide numbers, which are still high at 22, that is a rate of 22 a day, staying flat and not necessarily spiking, as we have seen elsewhere.

We believe we have a good set of treatments and the opportunity to medicate folks properly.

Let me call on Dr. Petzel.



Dr. PETZEL. Thank you, Mr. Secretary.

Again, Senator Hoeven, suicide is a national tragedy, and suicide amongst veterans, I think, is even a deeper tragedy. This, PTSD, and depression are the results of their service experience and are sort of the unseen wounds of war.

I think we have a tremendous obligation in the VA to find ways to deal effectively with these things.

Just briefly, our mental health budget is \$7 billion. We're going to be spending almost \$500 million more this year in 2014 rather than we have spent this last year.

In terms of PTSD, there are about 500,000 veterans with that diagnosis, 119,000 of them come out of this present conflict. We'll be devoting, again, about \$500 million to those veterans and their treatment.

We, in addition to that, have a research budget of almost \$49 million in PTSD research within VA itself, and then a cooperative effort with DOD that takes \$50 million from the VA and \$50 million from DOD over a period of 5 years and combines into two research projects on PTSD and traumatic brain injury (TBI).

#### OUTREACH

Just a few words about suicide, the VA has a highly integrated approach to suicide, and we're fortunate that we have this national system that allows us to do this level of integration that you can't necessarily do in other venues. For veterans, we have the crisis hotline and, as the Secretary mentioned, it has been very effective. Almost 800,000 calls and 26,000 rescues; people prevented from harming themselves who were in danger of harming themselves.

We have suicide prevention coordinators at every single one of our medical centers and a team of both outreach and case management mental health professionals for people that are deemed to be at high risk for suicide.

Then we have a public service campaign that we're involved in, in combination with the Department of Defense, to, pardon the expression, destigmatize suicide and destigmatize mental health. It's called, "Make the Connection," and it's vignettes by people who have suffered from mental illness or have attempted suicide, urging people to make that connection with the VA, telling them that this is not something that they should view with trepidation, et cetera.

It's been a very effective campaign, and I think it has been responsible for the fact that we've seen about an 88,000 veteran increase in the number of people we're treating for mental health.

Senator HOEVEN. Doctor, thank you.

And, Secretary, this absolutely has to be an area of emphasis, along with your emphasis on homelessness. I encourage you to involve the veterans groups. I think they're tremendous, can be a big help for you in this area. And, of course, share my concern on the disabilities claims, and I know you're working on that very diligently and know how important it is.

But this area of suicide prevention, PTSD, as well as homelessness, has to be an area of emphasis. And hopefully, you'll reach out to the veterans groups and get them to help, too. I think it's a tremendous network.

Secretary SHINSEKI. We will do that outreach, Senator. Just to underscore how important we think it is, I think Dr. Petzel said very quickly that, in mental health this year, our budget is over \$7 billion for mental health alone. If we were to look back from 2009 to the 2014 timeframe, our investments in mental health have gone up nearly 57 percent.

So this is an area of importance to us, and we will continue to emphasize that care.

Senator HOEVEN. Thank you.

Senator JOHNSON. Senator Udall.

Senator UDALL. Thank you, Chairman Johnson.

And thank you, Secretary Shinseki, for being here today and bringing your very able team to appear before us.

And let me say, from my perspective, I very much appreciate your many years of service both in and out of uniform. And I also appreciate the time you took to spend with me talking through New Mexico veterans issues and veterans around the country.

New Mexico is a very rural State. And as you're aware from our discussions, in rural New Mexico, as well as rural areas throughout the country, it can be very difficult to recruit doctors and nurses and staff to serve in rural clinics, including VA clinics.

#### RURAL VA CLINICS

What is the VA currently doing, and how will this budget support the recruiting and retention of qualified personnel to serve at rural VA clinics?

Secretary SHINSEKI. Let me call on Dr. Petzel about the recruiting and retention efforts.

Dr. PETZEL. Thank you, Mr. Secretary.

Senator Udall, you put your finger on an issue that is important to us, and that is being able to provide medical care in rural America. Forty percent of our veteran population lives in rural or highly rural areas. There's a cascade of things that we do. Let me just quickly go through them.

Number one, we have community-based outpatient clinics, 121 of those clinics around the country. We have the vet centers, which are scattered into some very rural areas, and the mobile vet centers, 70 of them that can go out to other areas.

The largest growing way that we do this is telehealth. And I am getting at the recruitment. We are the largest purveyor of telehealth in the country, and we are now setting up separate individual telehealth clinics where we have a clinical professional, perhaps not a physician, at a site where patients can come in and be connected to their provider via telehealth. It would be a primary care or specialty care.

It began in Colorado, and now it has spread across the country. It's one of the things that we're going to be using in New Mexico to help us supplement the care that we're delivering in rural America.

In terms of recruitment—

Senator UDALL. Dr. Petzel, let me stop you there. So, even for primary care, you're using telehealth?

Dr. PETZEL. We can. Yes, sir.

Senator UDALL. And when you do that, have you taken a reading of satisfaction of vets with doing telehealth for primary care? I mean, I'm wondering from a perspective of seeing that most people like to meet with their doctor in person. And I can understand, and I think everybody can, the telehealth for specialists and things like that.

But as you do that, I think it's very important that you try to take the temperature of veterans in terms of how they feel about not ever seeing an actual doctor in person.

And that's the thrust of this question of mine, because when you see the clinics, at least in New Mexico and I bet this is across the country, what happens is you'll have big gaps. They'll lose a doc, and then it will be 18 months or 2 years before you're able to get another doctor.

And so if you can fill it with telehealth, that's fine, and have a good satisfaction level, but the thrust of my question is really going to the recruitment of docs into these areas.

And maybe the mobile option you're talking about is a good one, too. The reality is many of these doctors and other professionals don't want to live in these rural areas, and so it's very hard to get them there.

And you may want to try to team up with the medical schools. I mean, we have a big problem in New Mexico because our medical school on the day of graduation—we invest in all this; the State of New Mexico puts in money—75 percent of our graduates leave the State on that day of graduation. And so we're trying to work with them to see how do we keep the people there, and then how do we also get them in rural areas.

Please, go ahead.

Dr. PETZEL. Senator, just a quick word about the telehealth clinics. The patients love it. They like it because, number one, there is a clinician there. There's a clinical person, usually an R.N., but they don't have to drive 80 miles or 100 miles to see their doctor. They can see this person face-to-face.

Many of the things that you would do in a visit face-to-face are done. Blood pressure is transmitted electronically, an EKG, et cetera. So the satisfaction levels are higher than we see in our clinics.

Now just briefly about recruitment, salary is an important thing. We have tremendous flexibility in terms of salary. Providing the support around that physician is important, and we can do that.

We don't have any more difficulty, generally, recruiting into highly rural areas than the communities do. It's just a very difficult task to get people who haven't lived in a small town to come to a small town, and their wives have some influence on doing that, too.

We are looking at scholarships to individuals where we select people that come from rural communities, provide them with support while they go through medical school, and they have an obligation then to us for a period of 3 or 4 years, depending on how long we've been providing them a scholarship, to go back to a rural community. I think that's going to be very effective.

Your medical school in New Mexico, I think, is doing some of those similar things.

Senator UDALL. Yes, they are. They are.

#### TRANSPORTATION

Just quickly, my second question was about the travel that veterans—you know, many times in New Mexico they have to travel 5 and 6 hours to get to the VA center in Albuquerque, sometimes spend the night, and then come back. And it takes a person from the family or others to take time to drive them when they're older.

I assume telehealth is some of the answer there, but part of my question is to ask about what this budget does to increase transportation options for vets, in terms of trying to travel up to get specialized care in these centers.

Dr. PETZEL. Thank you. That is an excellent question.

The budget has in it money for the Veterans Transportation Network, which is a network that the VA is setting up to provide transportation services in these rural areas.

In addition to that, there's a second element, and that is grants to other organizations, usually service organizations, to provide transportation for veterans.

So there's a substantial—I would have to get back to you with the exact amount—there's a substantial amount of money in there to provide transportation services in these rural areas.

[The information follows:]

The budget provides money for the Veterans Transportation System (VTS), a network that VA is setting up to provide beneficiaries not otherwise eligible for VA travel benefits and with access issues, including those in rural areas, a way to transport to VA healthcare. Transporting veterans to specialized care is enabled through the use of American Disability Act vehicles supplied by VTS. Such vehicles have the capability to transport veterans requiring wheelchair, scooter or needing boarding assistance: all vehicles are equipped with passenger lift ramps. VA currently funds VTS staff and vehicles at 44 facilities with an additional 20 facilities scheduled to begin implementation this fiscal year. VA hopes to have VTS system-wide by 2015. VA has included this initiative in the fiscal year 2014 President's budget request. In 2012, Congress authorized this program for 1 year. In the fiscal year 2014 budget, VA has requested that Congress extend this authorization. Without the proposed extension, it is possible that VTS will need to be significantly reduced or curtailed in January 2014, particularly in rural areas of the country. S. 455 and H.R. 1702 in the House have been proposed to resolve this issue.

In addition, the Grants for Transportation of Veterans in Highly Rural Areas program, created in response to a congressional mandate in section 307 of Public Law 111–163, will provide grants to eligible entities to assist veterans in highly rural areas through innovative transportation services to travel to VA medical centers, and to otherwise assist in providing transportation services in connection with the provision of VA medical care to these veterans. VA recently published required program regulations and will be soliciting grant applications shortly. More information can be found here: <https://www.Federalregister.gov/articles/2013/04/02/2013-07636/grants-for-transportation-of-veterans-in-highly-rural-areas>. VA has included this initiative in the fiscal year 2014 President's budget request.

Senator UDALL. Good. I hope you'll do that. Thank you very much.

And sorry for running over, Mr. Chairman.

Senator JOHNSON. Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

This is a very important discussion to be having, particularly as to how we care for our veterans in these highly rural areas.

And you mentioned the transportation fund. In far too many of Alaska's communities, we're simply not connected by road; 80 per-

cent of the communities in the State of Alaska are not accessible by road, so we've got to fly. So the expense is considerable.

And then, of course, when you're in town, you have taxi, you have to rent a car, you have overnight accommodations.

And so how we provide for those who are—we call them off the road system in Alaska—is a huge issue for us.

One of the things that I thank you for your leadership, Secretary Shinseki, in Alaska, we have an agreement between the VA and the native health system, where the veterans can go to the Indian Health Service (IHS) facilities for that level of care. So it's within their region.

It might not necessarily be in their village, but it's within their region so they don't have to fly to the major cities for this level of care.

And it was something that Senator Stevens and I had worked on. We think that it can be an opportunity, particularly in very rural areas, whether it's South Dakota or New Mexico. It was a great idea, and we want it to work. And the VA has really led on this as they have led with telehealth.

#### HEALTHCARE

One of the things that I'm hearing anecdotally is from one of the larger and better health systems in the State. They're saying that they're not seeing the patient loads that they had expected. We're trying to drill down into this and find out, is it lack of publicity that the program is available? Is it lack of unfunded travel that's prohibiting them from accessing it?

We're trying to understand how we can make it better, because we recognize we're never going to be able to get the providers out into these remote areas. So if we can work within existing systems, we've got more of an opportunity.

So, Secretary, if you can address that. I know Dr. Petzel has been working on this, of course, for years diligently with us. But we want to try to make this work. We think it has great promise.

Secretary SHINSEKI. That's certainly our intent. I was not aware that we haven't seen the response in the local clinics, and we'll certainly get on that.

For this discussion about delivering healthcare across the country, our commitment is a veteran living in a rural area or a remote area has the same entitlement to access and to care. That's what we're committed to.

There isn't a cookie-cutter approach to this. It affects everything from recruitment and retention bonuses to having an affiliation with a local medical school and bringing together VA's resources with what's already there. We have a memorandum of understanding (MOU) with the Indian Health Service to provide services that veterans can get access to, and we reimburse for those services. We're not trying to deliver something that's already available. Telehealth and telemedicine give access wherever the veteran is able to enter the VA system.

So it's sort of "all the above." There is no cookie cutter that says, since this worked in New Mexico, it'll work in Alaska. We tune these tools up as the situation needs.

And certainly, as Dr. Petzel says, a challenge is recruiting folks to go to some of the rural areas. The scholarship program here in small numbers is intended to get a youngster, a promising youngster, out of those communities, help with their education, and then go home and working for the VA. That's a work in progress and the next initiative we're trying to seed.

Senator MURKOWSKI. Well, if we can work with you to identify how we might be more effective in reaching our veterans in these highly rural areas, we would like to do that with you.

#### AMYOTROPHIC LATERAL SCLEROSIS (ALS)

I'd like to ask about what is going on within the VA system as it relates to amyotrophic lateral sclerosis (ALS)?

And, Mr. Secretary, you and I have had this conversation before about Lou Gehrig's disease, the fact that VA has granted ALS the presumption of service connection, as we know that those who serve in the military are twice as likely to develop ALS as those who have not served.

We recognize that there are certain technologies that are out there that allow for the individual who is afflicted with this disease to just live an easier quality of life as they deal with this very degenerative and very debilitating process.

But there are certain procedures that the VA has not accepted. One, for instance, is this diaphragm pacing system. I mentioned it at the breakfast that we had visited at, Mr. Secretary.

And this is a process that allows the diaphragm to keep moving when it begins to fail from ALS. The pacer was granted humanitarian status under the Food and Drug Administration (FDA). Insurance covers it as it does for Medicare.

But apparently, these life-extending measures are not recognized within the VA system. And we've had to work within the VA to try to push to provide a level of assistance.

It would seem to me that given that the VA has granted ALS the presumption of service-connection disability, there ought to be some consistency in the standards, so that these individuals that are faced with this horrid disease don't have to fight the VA to get some assistance with some life-extending therapies.

So I don't know if you have an answer for me today, but I feel like I must raise it on behalf of the people who are afflicted with this. Their life should not be made that much more difficult towards the end, when they have to take on the system.

Secretary SHINSEKI. Senator, I agree. We discussed the diaphragm pacing system during our visit together. Let me give you a better answer for the record. We're still investigating this.

But I agree with you, that if we've recognized ALS as a service-connected condition, we ought to provide all the care and benefits that go along with caring for our veterans.

[The information follows:]

VA has used the diaphragm pacing system (DPS) for veterans with amyotrophic lateral sclerosis (ALS) or Lou Gehrig's disease since 2008. DPS is considered when the Veteran with ALS has threatened respiratory insufficiency that is not better managed by other means that are not agreeable to the Veteran. Other means include a pressure supported bilevel positive airway pressure, or BiPAP. The BiPAP supports both inhalation and also exhalation by lowering the positive airway pressure to facilitate exhalation.

Senator MURKOWSKI. Well, I appreciate that, and I know that those that are afflicted and their families care a great deal as well.

Secretary SHINSEKI. Thank you.

Senator JOHNSON. Senator Collins.

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

Mr. Secretary, it's good to see you again. I want to add my thanks to those of my colleagues for your briefing us in your office and introducing the new members of this subcommittee to the important work and your priorities.

Doctor, I want to follow up on questions that Senator Hoeven asked you about suicides in the military and among our veterans. And I'm very concerned about the epidemic of suicides.

I know that a 2012 VA report on suicide data that was based on information from 21 States found that an estimated 22 veterans lose their lives to suicide each day. And we know in addition that, last year, there were approximately 350 military suicides as well.

Obviously, these data are alarming and tragic. I listened very carefully as you went through the list of what the VA is doing. And I commend you for the focus.

#### OVERMEDICATION

But the fact is, there is substantial evidence that prescription-drug abuse is a major contributing factor in both military Active Duty and veterans' suicides.

And it is for that reason that in July of last year, I wrote to the Attorney General and asked that he use the authority that Congress had provided him by the Secure and Responsible Drug Disposal Act of 2010 to allow military and VA treatment facilities to conduct controlled-substance take-back programs. These have occurred in my State with considerable success.

It's my understanding that the Drug Enforcement Administration, the DEA, recently proposed new regulations to expand the options available to collect controlled substances. And by this, I'm talking about unused prescriptions, for example. That's probably the most common example.

But the regulations, much to my dismay, failed to authorize VA and DOD pharmacies, medical facilities, or medical personnel, to take part in appropriate drug take-back programs. So I'm introducing a bipartisan bill that will require the Attorney General to work with the VA, with Secretary Shinseki, and with the Secretary of Defense, to implement drug take-back programs.

I'm interested in your assessment, whether you would support the VA being involved, and able to directly take back these drugs, and thus mitigate the possibility of abuse of them ending up on the black market, or being given to another veteran who has mental-health problems, and perhaps leading to very tragic results.

Secretary SHINSEKI. Senator, I tell you, I'm in great agreement with you here on drug abuse. Even within the VA, I've asked a question of ourselves, do we overmedicate people, and then, so what happens with the drugs?

We are now part of the State monitoring system for prescription writing. I think this take-back policy you're describing just makes sense with everything else we're doing.

I think prescription drugs continue to show up as a part of the problem when we deal with lots of other issues. So we're happy to work with you on this.

Senator COLLINS. Thank you. I think this is absolutely critical and really could make a difference. And I'm particularly concerned when our Active Duty military leave and go back home, and they may have these very powerful prescriptions, and very little follow-up, which brings me to another issue.

One of you mentioned the fact that 41 percent of total enrolled veterans reside in either rural or highly rural areas of our country. And of course, that certainly describes much of the State of Maine.

#### PROJECT ARCH

And we know that providing access to care is one of the VA's top priority objectives, and that you're especially focusing on those 3.4 million rural veterans who are enrolled in the VA system. There is a 3-year VA pilot project that is known as Project ARCH.

One of the sites happens to be in my hometown of Caribou, Maine. It has been an extraordinary success. The veterans that use that program absolutely give it very high approval ratings.

They can get the care they need without traveling far to get it. The one VA hospital in Maine, for example, is 4 hours away from my hometown of Caribou.

And I believe that in your budget, you cited this pilot project, the Project ARCH program, as one of your accomplishments, and rightly so, based on what I've seen.

So this allows veterans in rural and highly rural areas to receive specialty care closer to home from community healthcare providers, which also helps with that continuity problem that we were discussing earlier with the turnover at VA facilities, instead of being forced to drive hundreds of miles to the nearest VA hospital, for example.

So my question is, given the success of Project ARCH, do you intend to extend this program beyond fiscal year 2014?

Dr. PETZEL. Well, Senator Collins, thank you very much for the kind words. We have also been very pleased with it, particularly the way it has worked in Maine. The arrangements with the Cary Medical Center really have been excellent.

We're in the third year of Project ARCH. It's a 5-year pilot study being done at five sites. I think that we would probably hold our cards for a bit yet to see what the evaluation, once we're deeply into the pilot, is of the four sites around the country.

Certainly, if it proves to be a successful concept, we would want to extend this beyond those five pilot sites. But I think the evaluation needs to be done. We've got at least another year or two before we do that.

Senator COLLINS. Well, I would say that I think the preliminary indications are that you've got a real winner. And I would invite any of you to come to the program in northern Maine at any time, if you want to see it.

It is an extremely successful program. And Maine has a very high rate of veterans in its population, and I feel so good about the fact that in the middle of the winter, we're not forcing these vet-



erans to have to travel long distances to get the specialty care that they need. They can get it right at the local hospital.

So it's been a great program, and it saves travel time and money as well. So I hope they're all as successful as the one at Cary Memorial Hospital in Caribou, Maine.

Thank you.

Senator JOHNSON. Secretary Shinseki, I again thank you and your colleagues for appearing before this subcommittee, and I look forward to working with you this year.

We will convene panel two momentarily.

Mr. Griffin, please come forward.



OFFICE OF INSPECTOR GENERAL

STATEMENT OF RICHARD J. GRIFFIN, DEPUTY INSPECTOR GENERAL

ACCOMPANIED BY:

JOHN DAVID DAIGH, JR., M.D., ASSISTANT INSPECTOR GENERAL  
FOR HEALTHCARE INSPECTIONS

LINDA HALLIDAY, ASSISTANT INSPECTOR GENERAL FOR AUDITS  
AND EVALUATIONS

Senator JOHNSON. Mr. Griffin, I welcome you to this hearing. This is the first time we have had the VA Inspector General's Office (OIG) testify on the budget. And I thank Chairwoman Mikulski for suggesting it.

In an agency as large and complex as the VA, your office plays a unique and crucial role in ensuring that the VA delivers the quality care and service that our vets depend on, and that the agency's resources are properly managed and accounted for.

In reviewing the fiscal year 2014 budget submission, I see that quality of care, management of regional office operations, disability claims workloads, and effective oversight of information technology programs and projects, are listed among your major management challenges.

I'm also concerned about a report your office issued earlier this week regarding mismanagement of the contract mental health program at the Atlanta VA Medical Center. According to the report, the lack of effective patient care management and program oversight by the facility contributed to problems with access to mental healthcare and contributed to patients falling through the cracks.

As you know, this is not an abstract problem. Of the three cases cited in the report, two vets committed suicide and one was incarcerated due to the facility's failure to ensure continuity of care.

Due to the surge in mental health issues among recent vets and the efforts at increased funding that this subcommittee has supported to improve access to mental healthcare, I worry that this is not an isolated incident.

Allowing vets with mental conditions to fall through the cracks is not acceptable. I'm interested in your thoughts on how contract mental health programs can be improved throughout the VA.

Thank you, Mr. Griffin. You may proceed. Please feel free to summarize your remarks. Your full statement will be included in the record.

SUMMARY STATEMENT OF RICHARD J. GRIFFIN

Mr. GRIFFIN. Thank you, Mr. Chairman, and thank you for the opportunity to discuss VA Office of Inspector General priorities in fiscal year 2014.

I'm accompanied by Ms. Linda Halliday, Assistant Inspector General for Audits and Evaluations, and Dr. John David Daigh, Assistant Inspector General for Healthcare Inspections.

In fiscal year 2012, the OIG issued 299 reports, and our oversight produced a 36-to-1 return on investment. This return is realized in terms of program savings, cost avoidance, questioned costs, and actual dollars recovered.

One of VA's core missions is to provide compensation benefits for those injured during their service in the military. The delivery of these benefits is a major challenge for VA and our work indicates that much work continues to be needed in both technology initiatives and better training for staff to reduce the growing backlog of claims.

In February 2013, we issued a report on a Veterans Benefits Management System known as VBMS. We reported that even though VA had not fully tested VBMS, they continued to deploy it to the VA regional offices. The system had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, and, finally, to benefits delivery could be sufficiently evaluated. We note that the partial VBMS capability deployed to date has experienced system performance issues.

In addition, as of the VBMS report date, VBA did not have a detailed plan for scanning and digitization of veterans' claims, nor an analysis of requirements. In our recent inspections in January, March, and April of this year of the regional offices in Houston, Milwaukee, and Newark, 25 employees provided us a users' perspective of VBMS.

Generally, staff expressed frustration with the system because of spontaneous system shutdowns; latency issues related to slow times to download documents, such as medical evidence for review; longer times to review the electronic evidence; mislabeled electronic evidence; and mixing evidence from one veteran's electronic file to another veteran's file.

Given the incremental system development approach used and the complexity of the automation initiative, VA will continue to face extremely difficult challenges in meeting its goal of eliminating the backlog of disability claims processed by 2015.

As you referenced, in our full statement we have reported on a number of challenges confronting the Veterans Health Administration. Topics addressed include waiting times; access to mental healthcare; non-VA fee care, including fiscal controls; staffing standards; the VISN management structure; and women's health issues.

In reality, these are overlapping issues. Without accurate waiting times and productivity standards, it is difficult or impossible to know how many specialists you need for timely access to mental healthcare and women's healthcare. If there's more demand for VA care than VA providers can handle, you need proper management structure and focus at the VISNs and medical centers to direct the quality of care, as well as the fiscal oversight of the non-VA fee-basis programs.

At a time of unprecedented demand for VA benefits and service, the OIG has directed its oversight efforts on VA's most formidable challenges. We are committed to these efforts because it is both good Government and because it honors our Nation's commitment to those who served.

With increased attention to the areas outlined in our statement, we believe we can help ensure that veterans get the care, support, and recognition they've earned in service to our country.

#### PREPARED STATEMENT

Mr. Chairman, thank you for the opportunity to discuss the oversight work of the OIG, and we appreciate the continued, steadfast support and interest you and the subcommittee have demonstrated for our mission. We welcome any questions that you may have for us this afternoon.

[The statement follows:]

#### PREPARED STATEMENT OF RICHARD J. GRIFFIN

##### INTRODUCTION

Mr. Chairman and members of the subcommittee, thank you for the opportunity to discuss the Department of Veterans Affairs (VA) Office of Inspector General (OIG) priorities in fiscal year 2014. I will focus on recent OIG work in claims processing and access to healthcare because they continue to be challenges for VA. In addition, I will briefly cover OIG work in VA's other programs and operations. I am accompanied by Ms. Linda Halliday, Assistant Inspector General for Audits and Evaluations, and Dr. John D. Daigh, Jr., Assistant Inspector General for Healthcare Inspections.

In fiscal year 2012, the OIG issued 299 reports and our oversight produced a \$36 to \$1 return on investment;<sup>1</sup> as of March 31, 2013, we have issued 164 reports and realized a \$33 to \$1 return on investment. This return is realized by VA in terms of program savings, cost avoidance, questioned costs, and actual dollars recovered. The OIG's Office of Healthcare Inspections, whose mission results in improving the healthcare provided to veterans rather than saving dollars, is not included in the return on investment calculation.

##### VETERANS BENEFITS ADMINISTRATION (VBA)

One of VA's core missions is to provide compensation benefits for those injured during their service in the military. The delivery of these benefits is a major challenge for VA and our reports indicate that much work continues to be needed in both technology initiatives and better training for staff to reduce the growing backlog of claims.

##### VETERANS BENEFITS MANAGEMENT SYSTEM DEVELOPMENT

In February 2013, we issued a report on the Veterans Benefits Management System (VBMS)<sup>2</sup> that found VA had not fully tested VBMS yet continued to deploy it to VA regional offices. Due to the incremental development approach VA chose, the system had not been fully developed to the extent that its capability to process claims from initial application through review, rating, award, to benefits delivery could be sufficiently evaluated. However, we determined the partial VBMS capability deployed to date has experienced system performance issues. For example, on April 8, 2013, VBA performed an update to the portion of the VBMS system related to rating claims. As a result, the system was unexpectedly unavailable nationwide for 2 days.

As of the VBMS report date, VBA did not have a detailed plan for scanning and digitization of veterans' claims nor an analysis of requirements. We identified issues hindering VBA's efforts to convert hard-copy claims to electronic format for processing within VBMS, including disorganized electronic claims folders and inadequate management of hard-copy claims. As one of VBA's main transformation initiatives, the Under Secretary for Benefits indicated VBMS is designed to assist VA in eliminating the claims backlog. At the end of fiscal year 2010, VBA's inventory of pending claims was just over 530,000 that took an average of 166 days to complete; as of March 2013, VBA's inventory of pending claims had grown to over 850,000 and is now taking an average 292 days to complete.

<sup>1</sup> Office of Inspector General Department of Veterans Affairs Semiannual Report to Congress April 1, 2012–September 30, 2012.

<sup>2</sup> Review of VBA's Transition to a Paperless Claims Processing Environment (February 4, 2013).

In our more recent inspections of the VA regional offices (VAROs) in Houston, Texas; Newark, New Jersey; and Milwaukee, Wisconsin; 25 staff provided us a user's perspective of VBMS. Generally, staff expressed frustration with the system in part because of spontaneous system shutdowns, latency issues related to slow times to download documents such as medical evidence for review, longer times to review the electronic evidence, mislabeled electronic evidence, and mixing evidence from one veteran's electronic file to another veteran's file.

Further, as outlined in our April 2013 report<sup>3</sup> we found that claims processing inaccuracy at the Baltimore, Maryland, VARO had more than doubled for the types of medical disability claims we reviewed since our first inspection in June 2009. The error rates changed from 28 percent inaccurate to 68 percent inaccurate for the claims we reviewed. VBA's Systematic Technical Accuracy Review (STAR)<sup>4</sup> of a cross section of all claims found the Baltimore VARO went from 76.8 percent accuracy in 2009, down to 74.4 percent in 2013. The inventory of pending claims grew significantly from 7,000 in 2009 and about 19,000 in 2013, while the staffing level only increased slightly from 134 staff to 143 staff respectively. The average days to complete disability claims went from 210 days in 2009 to 342 days in 2013.

Given the incremental system development approach used and the complexity of the automation initiative, VA will continue to face challenges in meeting its goal of eliminating the backlog of disability claims processing by 2015. We are continuing our oversight of VA's ongoing VBMS system development efforts assessing the system's functionality, costs, and ability to establish and meet schedule milestones.

#### TEMPORARY 100 DISABILITY EVALUATIONS

Our January 2011 report, *Audit of 100 Percent Disability Evaluations*, identified veterans receiving long-term payments to which they were not entitled. We projected that since January 1993 regional office staff overpaid veterans a net amount of about \$943 million. Without timely corrective action, we conservatively projected that VBA would overpay veterans \$1.1 billion over the period of calendar year 2011 through calendar year 2015. Over the last 3 years our VARO Inspections Program repeatedly reported systemic problems are continuing in VBA's processing of temporary 100 percent disability ratings. None of the 57 VAROs inspected fully followed VBA policy, which resulted in VARO staff not adequately processing temporary 100 percent ratings for approximately 66 percent of cases reviewed. These errors resulted in just under \$17,000,000 in overpayments and almost \$311,000 in underpayments.

In our inspections of three California VAROs,<sup>5</sup> we reported high errors rates, ranging from 53 to 97 percent, in processing temporary 100 percent disability evaluations. The magnitude of these and other claims processing errors caused VBA to temporarily cease operations at the Oakland and Los Angeles VAROs in order to provide training to staff.

In June 2011, and again in August 2012, VBA officials modified the electronic system to ensure suspense diary dates for medical re-examinations would automatically populate and remain in the system without manual entry. Currently, it appears these system corrections are working as we have observed that the diary dates remain in the system after being automatically populated. Although VBA has taken action to modify their electronic systems, these system fixes have not fully addressed the staff errors we frequently find. For example, during our fiscal year 2012 inspection cycle and through March 2013, where we reviewed 29 VAROs, 524 (62 percent) of the total 848 temporary 100 percent disability evaluations contained processing errors. Within this group of 524 errors, 338 (approximately 65 percent) were attributed to human error. These errors include staff not scheduling medical reexaminations after receiving reminder notifications to do so, or staff not following up to reduce the temporary evaluations after notifying veterans of their intent to do so.

#### MEDICAL EXAMINATIONS AND DISABILITY BENEFITS QUESTIONNAIRES

Our VARO inspections continue to find claims processing errors associated with the use of medical examinations that do not contain the required information to

<sup>3</sup>Inspection of VA Regional Office Baltimore, Maryland (April 11, 2013).

<sup>4</sup>STAR is a key mechanism for evaluating regional office performance in processing accurate benefit claims for veterans and beneficiaries. The STAR process provides a comprehensive review and analysis of compensation rating processing associated with specific claims or issues.

<sup>5</sup>Inspection of the VA Regional Office Los Angeles, California (May 10, 2012); Inspection of the VA Regional Office Oakland, California (May 10, 2012); Inspection of the VA Regional Office San Diego, California (May 10, 2012).

render sound disability determinations. Further, we identified 30 of the 365 disability benefits questionnaires (DBQs) that did not contain adequate information to make accurate disability determinations.

Our February 2012 report, *Audit of VA's Internal Controls Over the Use of Disability Benefits Questionnaires*, reported VA began using DBQs in October 2010 as an initiative to help reduce the claims backlog. DBQs are condition-specific forms designed to capture medical information relevant to veterans' disability benefits claims. We reported that VA needed to strengthen internal controls over the use of DBQs in order to better prevent, detect, and minimize the risk of fraud and provide reasonable assurance that medical documentation used in the rating process is authentic and unaltered. Specifically, VBA had not developed adequate internal controls to ensure DBQs completed by private physicians were authentic and unaltered.

#### VETERANS HEALTH ADMINISTRATION (VHA)

For many years, the Veterans Health Administration (VHA) has been a national leader in the quality of care provided to patients when compared with other major U.S. healthcare providers. VHA's use of the electronic medical record, its National Patient Safety Program, and its commitment to use data to improve the quality of care has sustained VHA's quality of care performance. However, VHA faces particular challenges in managing its healthcare activities. The effectiveness of clinical care, budgeting, planning, and resource allocation are negatively affected due to the continued yearly uncertainty of the number of patients who will seek care from VA.

#### ACCESS TO MENTAL HEALTH SERVICES

The OIG conducted a review<sup>6</sup> at the request of the VA Secretary, Chairmen and Ranking Members of the U.S. Senate and U.S. House Committees on Veterans' Affairs, and the Chairman and Ranking Member of the House Veterans' Affairs Committee's Subcommittee on Health, after they expressed concerns that veterans may not be able to access the mental healthcare they need in a timely manner. In response, OIG reported VHA does not have a reliable and accurate method of determining whether they are providing patients timely access to mental healthcare services.

VHA did not provide first-time patients with timely mental health evaluations, and existing patients often waited more than 14 days past their desired date of care for their treatment appointments. In fiscal year 2011, VHA had reported 95 percent of first-time patients received a full mental health evaluation within 14 days. Using the same data VHA used to calculate the 95 percent success rate, we selected a statistical sample of completed evaluations to review which supported only 49 percent of these evaluations occurred within 14 days. In fact, on average, for the remaining patients, it took VHA about 50 days to provide them with their full evaluations. Further, we reported approximately 1.2 million or 12 percent of patient follow-up appointments exceeded 14 days. We concluded that a series of timeliness and treatment engagement measures could provide decisionmakers with a more comprehensive view of the ability with which new patients can access mental health treatment. We offered recommendations to the Under Secretary for Health to revise the full mental health evaluation measure to ensure the measurement is calculated to reflect a veterans' actual wait time experience.

This week we released two reports on the mental healthcare program at the Atlanta VA Medical Center in Decatur, Georgia. The first<sup>7</sup> was focused on allegations of an inpatient's death due to mental health service leadership's negligence and mismanagement of unit policies, patient monitoring, staffing, and lack of caring about patients. We did not substantiate the allegations of inadequate staffing, inappropriate staff assignments, or that leadership did not care about patients. However, we substantiated that the facility did not have adequate policies or practices for patient monitoring, contraband, visitation, and urine drug screening. We found inadequate program oversight including a lack of timely follow-up actions by leadership in response to patient incidents.

We recommended that the Under Secretary for Health ensure that VHA develops national policies to address contraband, visitation, urine drug screening, and escort services for inpatient mental health units. We also recommended that the Veterans Integrated Service Network (VISN) and facility directors ensure that the inpatient mental health unit develops these policies; strengthen program oversight and follow-

<sup>6</sup> Review of Veterans' Access to Mental Health Care (April 23, 2012).

<sup>7</sup> Healthcare Inspection—Mismanagement of Inpatient Mental Health Care, Atlanta VA Medical Center, Decatur, Georgia (April 17, 2013).

up; improve communication with staff; and ensure functional and well-maintained life support equipment.

The second report<sup>8</sup> assessed the allegations of mismanagement and lack of oversight of a mental health contract. We substantiated mismanagement in the administration of the contract, and also substantiated additional allegations that there was inadequate coordination, monitoring, and staffing for oversight of contracted mental health patient care. Facility managers did not provide adequate staff, training, resources, support, and guidance for effective oversight of the contracted mental health program. Mental health service line managers and staff voiced numerous concerns including challenges in program oversight, inadequate clinical monitoring, staff burnout, and compromised patient safety.

The facility referred patients to the Community Service Boards (CSBs) for several years before they started to track the patients referred. The facility estimated that they referred between 4,000 and 5,000 patients since 2010, but did not know the status of those patients. The facility managers were aware that a large number of patients were, in the words of employees, “falling through the cracks” and estimated that the Mental Health Assessment Team continued to refer up to 60 new patients each week to the CSBs.

We reviewed 85 electronic health records from a list received from the facility of CSB-referred patients. We found that 21 percent of our random sample of CSB-referred patients were never provided care by the CSBs, with no follow up provided by the facility. VHA requires that an initial mental health appointment be scheduled within 14 days of referral. The contract did not have a time requirement, but only stated that the expectation was patients would be seen as soon as possible. We found that patients waited an average of 19 days for their initial assessment (range from 1 to 80 days). Seventy-four percent of CSB-referred patients had wait times greater than 14 days, with a wait time average of 92 days and a median range of 56 days (range from 5 to 432 days).

We recommended that the Under Secretary for Health rectify the deficiencies described in this report with respect to the provision of quality mental healthcare and contract management, with the goal that veterans receive the highest quality medical care from either the VA or its partners. The Under Secretary for Health and the VISN and facility directors concurred with our recommendations and provided an acceptable action plan. We will follow up on the planned actions until they are completed.

These reports are particularly troublesome because in July 2011, we reported<sup>9</sup> on problems with the management of the electronic wait list for several mental health clinics at the same facility. Among the findings of that report, we substantiated that several mental health clinics had significantly high numbers of patients on their electronic wait lists over a period of months in fiscal year 2010, and we substantiated that facility managers were aware of the wait lists but were slow in taking actions to address the condition. Large mental health electronic wait lists are inherently problematic as they represent impaired access to critically needed care.

These new findings stand in contrast to our findings<sup>10</sup> in March 2009 regarding mental healthcare for veterans in Montana. In that report, we found that VA leverages community resources, VA resources, and fee care to provide mental healthcare for rural veterans.

#### NON-VA FEE CARE PROGRAMS

The OIG has reported that VHA faced significant challenges to address serious nationwide weaknesses in its Non-VA Inpatient and Outpatient Fee Care Programs.<sup>11</sup> Specifically, our audits disclosed serious weaknesses in the pre-authorization of fee service. The cost of fee care rose from \$1.6 billion in fiscal year 2005 to

<sup>8</sup>Healthcare Inspection—Patient Care Issues and Contract Mental Health Program Mismanagement, Atlanta VA Medical Center, Decatur, Georgia (April 17, 2013).

<sup>9</sup>Healthcare Inspection—Electronic Waiting List Management for Mental Health Clinics Atlanta VA Medical Center Atlanta, Georgia (July 12, 2011).

<sup>10</sup>Healthcare Inspection—Access to VA Mental Health Care for Montana Veterans (March 31, 2009).

<sup>11</sup>Audit of Veterans Health Administration’s Non-VA Outpatient Fee Care Program (August 3, 2009); Audit of Non-VA Inpatient Fee Care Program (August 18, 2010); Review of Veterans Health Administration’s Fraud Management for the Non-VA Fee Care Program (June 8, 2010); Review of Alleged Mismanagement of Non-VA Fee Care Funds at the Phoenix VA Health Care System (November 8, 2011); Administrative Investigation—Improper Contracts, Conflict of Interest, Failure to Follow Policy, and Lack of Candor, Health Administration Center, Denver, Colorado (April 12, 2012); and Review of Enterprise Technology Solutions, LLC, Compliance with Service-Disabled Veteran-Owned Small Business Program Subcontracting Limitations (August 20, 2012).



almost \$4.3 billion in 2013. As early as 2009, we reported that VHA improperly paid 37 percent of outpatient fee claims resulting in \$225 million in overpayments and \$52 million in underpayments. We estimated \$1.1 billion in overpayments and \$260 million in underpayments over the next 5-year period if VHA did not strengthen its processes for authorizing fee care services. In fiscal year 2010, we reported that VHA improperly paid 28 percent of inpatient fee claims resulting in net overpayments of \$120 million and estimated \$600 million in improper payments could be processed over the next 5-year period. Weak authorization procedures resulted in VA healthcare facilities not having reasonable assurance that requests for services are medically necessary.

Approximately 5 years have passed since we issued our first report on the fee care program, yet we continue to have concerns that the authorization of fee care services is still too weak to ensure sufficient funds for these services are available to pay for the services veterans receive. In January 2013, our review<sup>12</sup> of the South Texas Veterans Healthcare Systems' management of fee care funds substantiated an allegation that the healthcare system authorized \$29 million in fee care without sufficient funds to pay for the services received by veterans. We found management at the South Texas Healthcare System and the VISN lacked effective oversight mechanisms to ensure the financial management and stewardship of these funds.

In response to our August 2010 audit of Non-VA Inpatient Fee Care Program, VHA and OIG agreed there will be general cost-savings and efficiencies realized with consolidating the fee program's claims processing system to achieve better economies of scale. Although specific cost-savings depend on the actual consolidated strategy VA selects and on how well VA implements the chosen strategy, we conservatively estimated that current program inefficiencies cost VHA about \$26.8 million in fiscal year 2009, and could cost about \$134 million over the next 5 years. We recommended the Under Secretary for Health evaluate alternative payment processing options to identify mechanisms to improve payment processing costs and timeliness. Today, we do not see VHA moving forward with an actual consolidation strategy for payment processing in the fee care program.

#### PHYSICIAN STAFFING STANDARDS FOR SPECIALTY CARE SERVICES

In December 2012, we issued a report on VHA's Physician Staffing Levels for Specialty Care Services. We found VHA did not have an effective staffing methodology to ensure appropriate staffing levels for specialty care services. The need for VHA to develop a staffing methodology is not a recent issue. As early as 1981, we recommended that VHA develop a methodology to measure physician productivity. VHA has not established productivity standards for 31 of 33 specialty care services we reviewed, and VA medical facility management did not develop adequate staffing plans. VHA's lack of productivity standards and staffing plans limit the ability of medical facility officials to make informed business decisions on the appropriate number of specialty physicians to meet patient care needs.

To determine an approximate measure of current physician specialty productivity, we established a rudimentary standard by identifying VHA's relative value unit median for each specialty care service. The national median is the middle value among each specialty care service. Using that median, we analyzed the collective group of specialty physicians at all medical facilities and determined that 12 percent of physician full-time equivalents did not perform to the standard, and represented \$221 million in physician salaries during fiscal year 2011. Although we did not analyze the productivity of individual physicians, our results support the need for an in-depth evaluation of staffing. The primary message of this report is that VHA needs to implement productivity standards to measure and compare the collective productivity of physicians within a specialty care service at VA medical facilities. This information is necessary and fundamental to planning and building appropriate budgets to meet veteran's needs and ensuring timely access to care.

#### WOMEN'S HEALTH ISSUES

VA must provide care to a growing number of women veterans, currently 10 percent of the veteran population. In fiscal year 2009, VA spent \$180 million on gender-specific medical care. In fiscal year 2014, the President's budget plans on spending \$422 million, a change of approximately 134 percent from fiscal year 2009.

<sup>12</sup>Review of VHA's South Texas Veterans Health Care System's Management of Fee Care Funds (January 10, 2013).

In December 2012,<sup>13</sup> we issued a report on VHA services available to women veterans who have experienced military sexual trauma (MST). We conducted the review at the request of the Senate Committee on Veterans' Affairs. VHA policy states that veterans and eligible individuals who report experiences of MST, but who are deemed ineligible for other VA healthcare benefits or enrollment, may be provided MST-related care only. VHA also requires that veterans and eligible individuals must have access to residential or inpatient programs able to provide specialized MST-related mental healthcare, when clinically needed, for conditions resulting from MST. VHA requires that all facilities screen veterans for MST.

We reviewed inpatient and residential programs identified by VHA as resources for female veterans who have experienced military sexual trauma. We conducted site visits and reviewed the electronic health records of female veterans with MST discharged from these programs between October 1, 2011, and March 31, 2012. We found:

- Nearly all the women in our review had more than one mental health diagnosis. Ninety-six percent were diagnosed with PTSD. Major depression and substance use disorders were also common. Almost 90 percent of the women in the review were receiving outpatient mental health services in the 3 months prior to admission to the inpatient or residential program.
- Gender-specific care and same gender therapists were available. Treatments utilized varied by site, but all programs employed one or more evidence-based psychotherapies.
- Women were often admitted to programs outside their VISN. Some of these veterans travel across the country to VA residential programs that consider themselves national resources. Obtaining authorization for travel funding was frequently cited as a problem for patients and staff. The Beneficiary Travel policy indicates that only selected categories of veterans are eligible for travel benefits and payment is only authorized to the closest facility providing a comparable service. This is not aligned with the MST policy, which states that patients with MST should be referred to programs that are clinically indicated regardless of geographic location.
- We recommended that the Under Secretary for Health review existing VHA policy pertaining to authorization of travel for veterans seeking MST-related mental health treatment at specialized inpatient/residential programs outside of the facilities where they are enrolled.

In a report<sup>14</sup> from December 2010 on VA healthcare and compensation benefits for combat stress in women veterans, we found:

- Female veterans generally were more likely to transition to and continue to use VA healthcare services.
- Higher proportions of female veterans generally were diagnosed with mental health conditions by VA after separation, but lower proportions were diagnosed with post-traumatic stress disorder (PTSD) or traumatic brain injury (TBI).
- Higher proportions of female veterans generally were receiving disability benefits for mental health conditions, but a lower proportion for PTSD and TBI.
- Gender-based biases were not identified in VBA's adjudication of male and female disability claims, but data limitations affect a full assessment of some outcomes.
- VBA has guidance and training for evaluating MST claims, but sensitivity training is needed for claims processors and women veterans coordinators.
- VBA has not assessed the feasibility of requiring MST-specific training and testing.

#### PROSTHETICS MANAGEMENT

As a result of our oversight reports,<sup>15</sup> VHA acknowledged that improvements in prosthetics inventory management are necessary. In March 2012, we reported VHA needs to strengthen VA Medical Center (VAMC) management of prosthetic supply inventories to avoid spending funds on excess supplies and to minimize risks related to supply shortages. We estimated during April through October 2011 that VAMCs maintained inventories of approximately 93,000 specific prosthetic items worth about \$70 million. Further, we estimated that VAMC inventories exceeded current

<sup>13</sup> Healthcare Inspection—Inpatient and Residential Programs for Female Veterans with Mental Health Conditions Related to Military Sexual Trauma (December 5, 2012).

<sup>14</sup> Review of Combat Stress in Women Veterans Receiving VA Health Care and Disability Benefits (December 16, 2010).

<sup>15</sup> Audit of VHA Acquisition and Management of Prosthetic Limbs (March 8, 2012); Audit of VHA's Prosthetics Supply Inventory Management (March 30, 2012).

needs for almost 43,500 items (47 percent) and were too low for nearly 10,000 items (11 percent).

VHA cannot accurately account for these inventories and because inventory management practices are weak, inventory losses associated with diversion can go undetected at VAMCs. To avoid spending taxpayer dollars on excess prosthetic supply inventories and risking the disruption of patient care by experiencing supply shortages, VHA must ensure VAMCs properly manage prosthetic inventories. By strengthening VAMC management of prosthetic supply inventories and using supplies stocked in excess inventories instead of purchasing additional supplies, VHA can reduce prosthetic supply costs by approximately \$35.5 million. VA cannot afford to use valuable financial resources to purchase, maintain, and store more prosthetic supplies than necessary. In response to our work, VHA now has a plan to replace its inventory systems with a comprehensive inventory management system. Completion of the new system is projected for fiscal year 2015, pending the availability of funds.

In addition to the management of prosthetics, we conducted a review<sup>16</sup> to evaluate VA's capacity to deliver prosthetic care. We assessed VA credentialing requirements for prosthetists and orthotists; the demand for healthcare services; and psychosocial adjustments and activity limitations of Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn (OEF/OIF/OND) veterans with amputations and their satisfaction with VA prosthetic services. We found:

- All required prosthetist and orthotist staff in VA regional amputation centers and polytrauma amputation network sites and all their prosthetic laboratories were certified.
- Veterans with amputations are a complex population with a variety of medical conditions and are significant users of VA healthcare services and not just prosthetic services.
- OEF/OIF/OND veterans with amputations were generally adapting to living with their amputations. While some veterans reported receiving excellent care at VA facilities, many veterans indicated that VA needed to improve care. Concerns with VA prosthetic services were centered on the VA approval process for fee basis or VA contract care, prosthetic expertise, and difficulty with accessing VA services.

#### VETERANS INTEGRATED SERVICE NETWORK (VISN) MANAGEMENT

In March 2012,<sup>17</sup> OIG assessed Veterans Integrated Service Network (VISN) office management controls and fiscal operations to determine if funds and resources, accountability and transparency, effective oversight of VHA healthcare facilities, were in compliance with VA policies. Since their establishment 16 years ago, the VISN organizational office expenses had increased over 500 percent above the original estimates. OIG reported VISN offices lacked adequate financial controls and accurate information for areas such as travel, leased office space, and performance awards. The growth in operational costs and the fiscal issues identified supported that VHA needed to strengthen VISN office financial management and fiscal controls. VHA lacked fundamental management controls and quality data needed to ensure that VISN offices effectively and efficiently use staffing resources that might otherwise be used for direct patient care.

The Under Secretary for Health agreed with the findings and recommendations and put plans in place to establish a more uniform organizational structure. VHA established work teams to analyze the VISN office operations and to address the VISN offices' lack of a clear consistent definition of purpose that links to a standard structure and function capability. VHA now has agreement on a clear plan to streamline and standardize VISN organizational structure and staffing and is in the process of implementing this plan for more effective oversight of its healthcare facilities and related community-based outpatient clinics, nursing homes, and veterans' centers.

#### VETERANS INTEGRATED SERVICE NETWORK PROCUREMENT PRACTICES

Since fiscal year 2000, the OIG has identified procurement practices as a major management challenge. VA made major changes intended to strengthen its procurement process including establishing an integrated oversight process that replaced

<sup>16</sup> Healthcare Inspection—Prosthetic Limb Care in VA Facilities (March 8, 2012).

<sup>17</sup> Audit of VHA's Management Control Structures for Veterans Integrated Service Network Offices (March 27, 2012); Audit of VHA's Financial Management and Fiscal Controls for Veterans Integrated Service Network Offices (March 27, 2012).

traditional, technical, and legal reviews. In a review of VISN contracts,<sup>18</sup> the OIG assessed whether VHA implemented the new controls effectively and provided the oversight and resources needed to ensure VISN contracting officers award and manage contracts in accordance with acquisition laws, regulations, and VA policy. We reported that required integrated oversight reviews were not conducted on about 68 percent of contracts, when required. In fact, we estimated almost 3,000 contracts valued at just under \$1.6 billion were at risk because systemic contracting deficiencies associated with acquisition planning, contract award, and administration were not effectively addressed.

#### VETERAN HOMELESSNESS

In November 2009, the VA Secretary announced a goal to end homelessness among veterans by 2015. OIG performed an audit<sup>19</sup> to determine whether community agencies receiving funds from the Grant and Per Diem Program are providing services to homeless veterans as agreed upon in their grant agreements in fiscal year 2012. Further, we examined whether program funding was effectively aligned with program priorities. This program provides transitional housing for homeless veterans through partnerships with nonprofit and local government agencies. Serious female veterans' housing, safety, security, and privacy issues were discovered during the course of our audit that required immediate management attention by VHA.

We reported the placement of homeless females in a male-only approved provider facility. The seriousness of the issues supported a need for VHA to perform a nationwide assessment to identify other inappropriate housing situations placing veterans at risk under the grant program. VHA officials took immediate action to conduct an inventory to ascertain the gender-mix identified in each funded grant proposal and the appropriateness of the services available relative to the veterans currently served. Housing situations were assessed to better ensure the privacy, safety and security of homeless veterans. We also reported VHA lacked an effective mechanism to assess and measure bed capacity, procedures to monitor the liability of reported information, and sufficient training on program eligibility. A weak grant application process created uncertainties on the abilities of some providers to deliver the supportive services described in their grant proposals. To minimize the risks to homeless veterans in this program, VHA agreed to implement standards to ensure providers have the capability and mechanisms to deliver proposed services to homeless veterans prior to awarding grant funds.

#### VA CONFERENCES

In September 2012,<sup>20</sup> OIG reported that VA processes and oversight were too weak, ineffective, and in some instances non-existent, to ensure conference costs were accurate, appropriate, necessary, and reasonably priced. Simply put, accountability and controls were inadequate to ensure effective management and reporting of dollars spent for two human resources conferences. We questioned about \$762,000 as unauthorized, unnecessary, and/or wasteful expenses. More than a year after the conferences, VA was unable to provide an accurate and complete accounting of costs associated with two of its conferences. Further, significant expenditures were authorized by VA staff lacking authority to make the purchases, resulting in unauthorized commitments. Transparency was lacking for what services VA purchased and paid for. Sound conference management processes and practices were needed to gain assurance that future business could be conducted in an economical manner in order to ensure proper fiscal stewardship of taxpayer funds. This work is important since VA conference spending had reached almost \$100 million annually.

#### OFFICE OF INSPECTOR GENERAL (OIG) INVESTIGATIVE WORK

From April 1, 2012, through March 31, 2013, the Office of Investigations opened 1,028 and closed 1,046 investigations, arrested 493 individuals for a wide variety of criminal offenses, and completed judicial actions resulting in more than \$1.8 billion in fines, penalties, restitutions, and civil judgments.

<sup>18</sup> Audit of VHA's Veterans Integrated System Network Contracts (December 1, 2011).

<sup>19</sup> Audit of VHA's Homeless Providers Grant and Per Diem Program (March 12, 2012); VHA's Safety, Security, and Privacy for Female Veterans at a Chicago, Illinois, Homeless Grant Provider Facility (September 6, 2011).

<sup>20</sup> Administrative Investigation of the fiscal year 2011 Human Resources Conferences in Orlando, Florida (September 30, 2012).

## SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS PROGRAM

We arrested 13 individuals who defrauded VA's Service-Disabled Veteran-Owned Small Business Program. Those sentenced during this timeframe received 142 months' imprisonment and were ordered to pay \$8.7 million in fines, restitution, and forfeiture. Additionally, the 13 individuals and companies involved have been referred to the VA committee for suspension and debarment. During this timeframe, seven individuals and four companies were suspended, and four individuals and one company were debarred from contracting with other Federal agencies.

## FIDUCIARY FRAUD

We arrested 19 individuals who stole money from VA beneficiaries who were not competent to handle their financial affairs. In addition to the 266 months' imprisonment imposed this past year, restitution ordered exceeded \$3.5 million.

## THREATS AND ASSAULTS

The OIG received 561 threat referrals, resulting in 57 full investigations. We open a referral on every threat allegation that is reported by VA, VA police service, or others. The vast majority involve preliminary investigations that normally include an interview of the subject and results in the subject admitting that they were not serious about the threat and were only trying to get VA to act on their particular issue. Full investigative cases are opened for cases that involve the arrest, involuntary committal, or result in a substantial amount of investigative work. These full investigations resulted in 36 arrests. Although many threat referrals do not result in judicial action, we take all threats against VA employees and VA property seriously.

We also conducted 35 non-sexual assault investigations resulting in 27 arrests, and 25 sexual assault investigations resulting in 11 arrests. These involved veteran assaults on VA employees, VA employee assaults on veterans, employee on employee assaults, and veteran on veteran assaults.

## BENEFICIARY TRAVEL FRAUD

We recently prioritized the deterrence of fraud associated with VA's beneficiary travel reimbursement program, which was funded at approximately \$861 million in fiscal year 2012. Typically, this type of fraud involves veterans grossly inflating the number of miles driven to and from VA facilities by providing a false home address on the claim form. During the last 12 months, we conducted 201 of these investigations, resulting in the arrest of 63 individuals. In each of these prosecutions, we encouraged prosecutors to issue press releases to deter this type of fraud. In addition to developing our own data analytic tool to proactively identify potential fraud, we have worked closely with VHA program officials to significantly enhance their data mining efforts and design new warning posters to be placed where veterans file claims.

## NEW OIG INITIATIVES

We are currently performing an audit to assess whether VHA is effectively managing purchased home care services to ensure veterans receive appropriate services.

OIG's current work in VHA includes examining the management of hearing aids, as hearing loss is the most common service-connected disability. We are also assessing whether VHA is effectively managing the allocation of Home Telehealth Program funds to improve access to care and to reduce patient treatment. Work in VBA includes projects that are examining the accuracy and timeliness of GI Bill payments and assessing the effectiveness of VBA's processing of Quick Start Claims. While it is too early to report results on the GI Bill project, our preliminary results support that the processing of Quick Start Program claims is taking longer to process than the average time for all disability claims. In addition, our preliminary results are that VBA needs to improve the Quick Start claims-processing accuracy rate.

As President Obama's administration has placed emphasis on reducing spending on management support service contracts, we are examining if VHA ensured support service contract requirements were justified, and assessing how well contract performance is monitored. As we continue to focus our efforts to help VA improve the weaknesses in contract awards and administration, we have teams examining whether the Technology Acquisition Center (TAC) is effectively awarding and administering information technology service contracts. From October 2010 to June 2012, the TAC awarded almost 4,475 contracts valued at \$8.8 billion. We also have two active projects reviewing purchase card activity. One project is identifying op-

opportunities for VHA to realize savings annually by leveraging purchase card use while the other project is examining the extent that VA personnel are making unauthorized commitments using purchase cards. Lastly, we plan follow-up work to assess the effectiveness of VA's controls over conference management expenditures, to determine whether VA is demonstrating effective controls in spending.

#### CONCLUSION

At a time of unprecedented demand for VA benefits and service, the OIG has directed its oversight efforts on VA's most formidable challenges, including disability claims processing and mental healthcare. We will continue to provide VA with recommendations on how to improve benefits and services to veterans, and the information technology, financial, and acquisition systems that support VBA and VHA's delivery of these services. We are committed to these efforts both because it is good government and because it honors our Nation's commitment to those who served. With increased attention to the areas outlined in this statement, we believe that VA can improve performance, achieve savings, and reduce risks.

Mr. Chairman, thank you for the opportunity to discuss the results of the work of the OIG. We appreciate the continued steadfast support and interest you and the subcommittee have demonstrated for our mission. We welcome any questions that you or other members of the subcommittee may have.

#### BACKLOG OF CLAIMS

Senator JOHNSON. Mr. Griffin, the VA's strategy to breaking the claims logjam is pinned on successfully developing and deploying VBMS. Deployment of this paperless system to all regional offices is scheduled for June 2013.

In February, the inspector general issued a report on VBMS and found that the VA had not fully tested the system. However, the Department continued with the deployment.

Moreover, I've been told that as recently as last week, the system was experiencing performance problems. This is very concerning, to say the least.

What has the inspector general found in its investigations? And are you planning any follow-up reports on this issue?

Mr. GRIFFIN. I would say that the deployment of VBMS at the regional offices that it has been sent to is not necessarily an indication that the system is 100 percent operable and ready to perform. I know that VBA would tell you the same thing, that there are multiple new initiatives that are being rolled out simultaneously, and it's being done at a time when they're facing massive new claims from post-9/11 veterans, from veterans who are aging, veterans who qualified for newly identified agent orange diagnoses and benefits, et cetera.

So they do have a steep climb, but there's not one silver bullet that's going to make this thing right. There are a whole series of different initiatives that are being rolled out all at once, and it's going to be a tough task to try and have everything work just perfectly in order to meet the 2015 goal.

Now as far as this follow up work, if I may, Linda Halliday, who oversees our audit staff, as I mentioned, has a team that is going to continue to monitor VBMS deployment. And she has another team that is doing inspections of all the regional offices on a 3-year cycle. So I would ask her if she would like to add anything.

Senator JOHNSON. Please.

Ms. HALLIDAY. We are looking at the system, the functional requirements that are being developed, to see if there is any gap in those, looking at the viability of the project schedule, looking at

things like the expected transaction volume response time and whether the system really can produce accurate results.

Right now, VBMS has really processed about 4,000 claims. Not all of those claims were processed through the VBM system completely, because some went through as the pilots and the staff doing some of the claims toggled back and relied on legacy systems when they had some system performance issues.

But VBA is moving forward, and we will look at both the production and the system viability and the risks in that scheduled deployment. We will also look at the accuracy of claims.

Senator JOHNSON. Mr. Griffin or Ms. Halliday, does your office believe that the 2015 goal is achievable?

Mr. GRIFFIN. Mr. Chairman, everyone who has attended this hearing today would love for that to be an accurate prediction. But is that January 2015? Or is that December 2015?

Senator JOHNSON. That the VA can—

Mr. GRIFFIN. That's a year apart. So I think it's a stretch goal in the face of the number of different initiatives that are being brought to bear simultaneously.

And as Madam Chairman indicated, there's a certain amount of training that's going to be required in order to make the switch from the old legacy systems to VBMS.

And as expected, what we have found is that it's causing the process to be slower now. That was acknowledged up front, but that's the reality.

So 2015 would take a great coming together of a number of issues, and I think it's really a stretch goal.

Senator JOHNSON. Mr. Griffin, as I mentioned in my statement, I'm concerned that shortfalls in monitoring mental healthcare patients being treated by outside contractors could be more widespread than just one facility.

Does the inspector general's office plan to conduct spot audits of any other VA medical centers, particularly those in densely populated urban areas, to assess whether the problems found at the Atlanta Medical Center are potentially widespread?

#### ACCESS TO VA MEDICAL CARE

Mr. GRIFFIN. I will give you a preliminary response, and I want to ask Dr. Daigh to also weigh in on this issue. We did do an audit on wait times in mental health about 1 year ago. We found that the methodology that was being utilized to determine wait times was not one that we found to meet VA's own standard. We issued a report about that, and we received comments back from the Department.

We get about 30,000 hotline contacts a year in our organization. It covers the full range of activities. A lot of them involve claims. A lot of them will involve access.

Frankly, the point that Senator Collins brought up about excessive medications and the resulting outcomes, which we've witnessed in the form of sexual assault and regular assault, and threats on VA employees, veteran-on-veteran threats and veteran-on-employee threats, are a byproduct of that same issue. So it is a very important issue.

Dr. Daigh's people go to every medical center in the country on a 3-year cycle. They identify what we think to be the most critical areas to look at, and certainly mental health is on their radar. So I would ask Dr. Daigh if he would expound upon that.

Senator JOHNSON. Dr. Daigh.

Dr. DAIGH. Yes, sir.

I would say that the breakdown that we found in Atlanta was probably best described as an inability to coordinate and monitor the care of veterans. Because VA Atlanta was overwhelmed with mental healthcare demand, they had to send to outside providers for treatment.

So it's fairly common for me to find, through usually hotline work, that VA has a very difficult time managing care that they procure either through what they call their fee-basis program or, in this case, where they had contracts with these community mental health providers.

I should say that in a prior report looking at Montana, we found the actual opposite result. We found that in Montana several years ago, VA had a very good alliance with local mental healthcare providers, to a great impact in a positive way on delivery of mental healthcare services to veterans.

I think that VA needs to say to themselves that we're responsible for all the veterans, not just those who are enrolled at our facility. And if you start with that mindset, then when you think about the veterans who are in your region, and you realize that travel time is an issue, it forces you to look at the provision of care locally, like Project ARCH, which I'm only minimally familiar with. But ARCH works well reflects the kind of coordination that I think VA needs to work on more.

So there is a system of community mental health providers and clinics that vary State-to-State and sometimes county-to-county. But in order to be effective, VA has to have a way to pay efficiently and pay a reasonable price for the care. They have to have a way to get the medical record the VA has electronically into the hands of the provider they'd like to see this patient. And they have to wait then to receive information on the care provided.

So if you simply say, here's a chit for fee basis, go get care, that doesn't work very well.

And in Atlanta, again, the failure for the business practices of the contract, and then the clinical practices of ensuring that the proper information went with the veteran to a provider, and that information was received, was really totally broken.

So we've seen it work, and, unfortunately, I've seen it fail more than I've seen it work.

Senator JOHNSON. Senator Begich.

Senator BEGICH. Mr. Chairman, thank you very much. I just have a couple questions.

Thank you all for being here.

#### ANCHORAGE VA REGIONAL OFFICE INSPECTION

You all did an inspector general report for Alaska. VA showed an error rate, and I'm just curious if you could expand on that, and what you saw was maybe a significant issue there, or was it multiple issues?



Could you help me there on the error rate disability claims? As you probably saw in the authorizing committee a few weeks ago, I got a little animated on this issue, because it was somewhat amazing to me.

And for such a—I want to say a closed environment—and Alaska's not complicated. We're not having people leave State, come back to States. You know, they're there. It's not a complicated thing.

And so, first, I want to say, thank you for doing the report, because without your report, I'm not sure we would have known the depth of this issue, and the impact it's having on Alaskans. And it's also a little piece of the bigger issue of disability claims.

Can you just give me a sense of where those problems are? And then, do you feel that they are moving forward at a decent rate of correcting these errors or these issues?

And I'll give you one comment here, and that is, as a former mayor, we had an internal auditor. I always liked when our Department said, after the audit, they all said, "We agree with their conclusions," and blah, blah, blah. And then a year later, I find out my department hasn't done one damn thing.

So can you give me the assurance I need that they're actually doing and following up on the issues you've brought forward?

I didn't mean to give you a lot there, but this one is a big issue, as you know.

Ms. HALLIDAY. Well, we did our first benefits inspections in 2009. And at that time, we went in and we looked at four different medical type ratings. The Anchorage VARO had an error rate at that point of 29 percent for that group of claims.

#### TEMPORARY 100 PERCENT RATINGS

The second time, in January 2013, we went in and looked at temporary 100 percent disability evaluations and traumatic brain injury, and just those two areas, because we were clearly focusing on some of the financial risks associated with inaccuracies there.

Senator BEGICH. Very good.

Ms. HALLIDAY. The error rate had gone up to 47 percent. We were concerned that—

Senator BEGICH. Can I pause you there for a second?

In your 2009 report, did you not have not only notification of the problem, but suggestions or recommendations, or at least areas of concern that they should focus on?

Ms. HALLIDAY. Yes, we did.

Senator BEGICH. Is that a fair statement?

Ms. HALLIDAY. Yes.

Senator BEGICH. Did they not do that?

Now, remember, you're the inspector general. You get to say what we need you to say to make sure we're trying to figure this out. Because it sounds like—I mean, that's 4 years—for 3 years. Let's say 3, because 2013 isn't completed.

Help me understand. You give them a list, and tell them 29, or whatever the percent is. Three years later, you take two of the subsets. And they, I don't want to say double, but pretty sizable increase in errors. So something didn't happen, or maybe not as aggressively as it could have. Help me here.

Mr. GRIFFIN. Let me step back a little bit on the process that we use, because VBA has their own process, called STAR, wherein they evaluate accuracy in their claims processing. That's the number that when they're saying in 2015 they'd like to get to 98—

Senator BEGICH. Percent fulfillment and so forth.

Mr. GRIFFIN. Right. Accuracy.

Senator BEGICH. Right.

Mr. GRIFFIN. When we, with the resources we have available, go into a regional office to look at the claims that were done there, if someone is a double amputee, that's one of those express lane type cases, there's no—I mean, that's a slam-dunk. This is 100 percent, and you're done with it.

Senator BEGICH. Right.

Mr. GRIFFIN. We change from one cycle to the next what we think we need to look at. So in 2009, the types of claims we looked at, we gave them specific recommendations, and they agreed to fix those.

When we went back—

Senator BEGICH. But did they?

Mr. GRIFFIN [continuing]. We had different ones.

Senator BEGICH. So do you not then, on those that they agreed to fix, how do you know—

Mr. GRIFFIN. We will check. We do follow-up. We have a separate unit that when we put recommendations out—

Senator BEGICH. Okay, but it's 3 years.

Mr. GRIFFIN [continuing]. They say we will fix this by a date certain.

Senator BEGICH. Did they give you dates that are now past due?

Mr. GRIFFIN. Yes, that's in our report. In the 2009 report, when they concur, they will say, completion date of *x*.

Senator BEGICH. Okay, understood. I don't have 2009 sitting in front of me.

Mr. GRIFFIN. Right. I know, but just from a process perspective.

Senator BEGICH. Sure. Okay.

Mr. GRIFFIN. We will keep that report open until we're satisfied that the issue has been fixed.

Senator BEGICH. Is that report still open?

Mr. GRIFFIN. I don't have it in front of me, either.

Senator BEGICH. Okay.

Mr. GRIFFIN. We will let you know about that and the subsequent report.

[The information follows:]

The 2009 report on the Inspection of the VA Regional Office Anchorage, Alaska, contained 12 recommendations. We closed our report on June 17, 2010, which means that the VA Regional Office provided information on actions they implemented that we believed would address all of our recommendations. The most recent inspection report released in January 2013, contains six recommendations and all remain open as of the date of the hearing.

Mr. GRIFFIN. So you have to realize, when we review these temporary 100 percent claims, after 18 months, when you're a temporary 100 percent claim, there has to be a follow-up medical exam to see if you still deserve 100 percent.

Senator BEGICH. Understood.

Mr. GRIFFIN. So if that medical exam doesn't happen, and there are a number of reasons why it wasn't happening, one being that in some instances there was a problem in the software, and even if it was put in, it was dropping out of the system.

Senator BEGICH. Understood. Okay.

Mr. GRIFFIN. But we've looked at the universe of all of them, in an audit from January 2011, and we concluded after that audit that over 5 years, if this wasn't fixed, it was going to cost \$1.1 billion.

Senator BEGICH. In this office?

Mr. GRIFFIN. No, nationwide.

Ms. HALLIDAY. Nationwide.

Senator BEGICH. Nationwide, okay. You almost gave me a heart attack there.

Mr. GRIFFIN. And we did the Baltimore office weeks ago. We issued that report. They had an 83 percent error rate in the temporary 100 percenters.

So if it's \$200 million a year, we're 2 years and 3 months past the date of that national audit.

And now the computer glitch is supposed to have been addressed, but that just deals with future cases. The ones that we identified as needing to be reviewed to make sure that if it had fallen out, that it's reinserted, we're still waiting for proof that that's all been done.

Senator BEGICH. Let me ask this, and then I'll ask, Mr. Chairman, if it's okay, I do have a couple other questions, but I'll submit those for the record.

But here's what I want to be able to know and be able to understand, because this is very frustrating to me, because being on the appropriations side and being on the authorizing side, it's kind of an interesting story, you might say.

So you do the audits. You make recommendations. You follow that up through a separate office. You keep the audit open until those items are satisfied, I mean those things they said were going to be done, are done.

And then you take another step to make sure what they said they were going to do is done, and producing the results, in theory, right, to lower the error rate. Would that be the theory? What you recommend should lower the error rate. Is that right?

Mr. GRIFFIN. Yes.

Senator BEGICH. Okay. But do you take that last and final step and give maybe here or to the authorizing committee, because here's my biggest frustration around this place here. It's almost like, 3 years from now, we'll have the same discussion, because everyone does their reports and everyone says that you bet, we will concur. And then they kind of concur, but maybe not as robust as we said, and then they'll tell us we didn't have enough money to do it. And then you do another audit. And then we say, why don't you do some more?

So is there a process that we see actually you go and you audit. They say they do this. You say they've completed it. And, oh, by the way, now there are results, because the result you just give me, it's going the wrong way, even though it's a subset. I recognize that. They are apples and oranges, to a degree.

But if they're having problems in this, I would put money on it, they're having problems elsewhere. I'm just doing an educated guess, not a data-driven.

Is that a fair statement or am I way off here?

Mr. GRIFFIN. It is fair, but what is not fair is the apples and oranges part.

The 2009 review looked at different areas. As I said, it would make no sense for us to invest time and resources to look at something that is a slam-dunk. And you're not going to get it—

Senator BEGICH. I agree.

Mr. GRIFFIN. TBI is tough.

Senator BEGICH. I agree.

Mr. GRIFFIN. PTSD is tough.

Senator BEGICH. Right.

Mr. GRIFFIN. Gee, is this, 100 percent, 50 percent, 20 percent or none? And it's a very difficult process.

The physical injuries are a slam-dunk, and those should be expedited. TBI is tough. This temporary 100 percenter has just been something that, you know, has taken too long to get fixed.

In further answer to your question, when her team goes back in 2012 to look at what's going on now, they will have looked at the 2009 report. They will see, yes, they said they'd fix these things. And while they're there, they will satisfy themselves that they did.

The same thing with Dr. Daigh's personnel that are going to the medical centers on a 3-year cycle. If they were in the medical center in Chicago at Hines 3 years ago and gave them 10 things or 5 things that they thought needed to be addressed, we would track those through follow-up.

It would be too intensive to go back every time. So show me your policy, show me how you did it.

But then when his people go back 3 years later, they will make sure of it.

Senator BEGICH. Look at the outcome. Very good. Thank you.

Thank you, Mr. Chairman. I didn't mean to go on there, but I think disability claims is a common thread among us all here, and to understand this process is, I think, helpful for all of us.

Thank you very much.

Senator JOHNSON. Thank you for your testimony, Mr. Griffin and colleagues. And thank you for your work on behalf of the VA and the Nation's vets.

#### ADDITIONAL COMMITTEE QUESTIONS

For the information of members, questions for the record should be submitted by the close of business on April 26.

[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

#### INTEGRATED ELECTRONIC HEALTH RECORD (IEHR)

*Question.* Secretary Shinseki, the budget includes \$344 million for the integrated Electronic Health Record. The subcommittee has been very supportive of this joint

VA–DOD effort. However, there are questions about the future and direction of this program.

Can you please explain to us what has changed since last year and what direction the iEHR is taking in 2013?

Answer. To be clear, VA and the Department of Defense (DOD) are not moving away from the goal of a single, joint, integrated Electronic Health Record—both Secretary Shinseki and Secretary Panetta reaffirmed the Departments’ commitment to this in public statements on February 5th. What has changed is the strategy that we will use to accomplish that goal. The revised program strategy includes a shift in focus to “quick win” interoperability accelerators and a shift in strategy from “buy, adopt, create” to “adopt, buy, create,” which will reduce risk and cost, while also accelerating the delivery of capability to users. As part of this strategy to get the compatibility sooner, the Departments will define a “core” set of integrated Electronic Health Record (iEHR) capabilities that will allow us to evaluate the selection of existing Electronic Health Record (EHR) products to reduce program risks and costs while accelerating implementation. VA has committed to deploying an iEHR core based on Vista. DOD is currently in the process of evaluating options, including both Vista and commercially available products, for its core system. All of these efforts are focused on meeting the key dates of Initial Operating Capability (IOC) in 2014 and Full Operating Capability (FOC) in 2017.

As well as renewing our commitment to IOC and FOC, VA, and DOD added a focus this year on accelerators. First, VA and DOD clinical health data will be made available in near real-time using translation mechanisms such as the Health Data Dictionary and DOD’s adoption of Blue Button. This data interoperability work will be completed by January 2014. Second, the Secretaries approved deployment of the presentation software called JANUS Graphical User Interface (GUI) to five VA polytrauma rehabilitation centers and two associated Military Treatment Facilities by July 31, 2013. JANUS is the tool clinicians use to view VA and DOD health data simultaneously. Third, the Departments will create a VA–DOD Medical Community of Interest network and security infrastructure to enable the creation of a logical “single medical enclave” that meets both Departments’ security requirements, provides equal access to iEHR services by both Departments, leverages existing DOD and VA existing infrastructure, and provides connectivity between DOD and VA medical networks. This is scheduled to be accomplished by November 2013. Fourth, the Departments will rapidly adopt an identity management solution to establish consistent methods for identifying and retrieving persons across the two organizations. This is scheduled to be completed by December 31, 2013.

*Question.* And, what will this change mean in terms of the overall cost of the program and timeline for deployment?

Answer. While the original budget estimate in 2011 projected a development and deployment budget of \$4–\$6 billion, this estimate was conducted using analogous work based on the requirements and architecture known at that early stage. The Interagency Program Office (IPO) developed a bottom-up Life Cycle Cost Estimate (LCCE) in September 2012. This LCCE was nearly double the budget estimate that was made when the program was just beginning. The development of LCCE was required as part of the Milestone B approval process, a part of DOD’s acquisition process and the process adopted across the broader iEHR Program. While VA agrees with the methodology used to develop the new LCCE, VA is still working with IPO to adjust LCCE to reflect the significantly lower costs seen by VA as a result of fully embracing the Program Management Accountability System.

We believe costs will be driven down by the decision to accelerate data interoperability capabilities, the shift in strategy to select a minimal core set of capabilities from an existing EHR system as the foundation of iEHR, the adjustment of the business rule to “adopt, buy, create,” and institutionalizing the delivery of customer-facing software in increments of 6-months or less.

The timeline for deployment has not changed. The Departments are committed to meeting IOC in 2014 and FOC in 2017.

#### BOARD OF VETERANS APPEALS

*Question.* Mr. Secretary, the average time to resolve an appeal before the Board of Veterans Appeals is currently approaching 2 years, and the backlog of claims is growing, from more than 39,000 claims in 2012 to a projected level of more than 65,000 claims in 2013—close to double. At the same time, staffing at the BVA has been steadily decreasing. At my direction, the fiscal year 2013 MILCON–VA bill included an additional \$8 million above the budget request for additional personnel at the BVA.

What is the current staffing plan for the BVA, and what steps is the VA taking to address this unacceptable backlog of claims before the BVA?

Answer. As noted in the chairman's annual report, in fiscal year 2012 the average time to resolve an appeal before the Board of Veterans' Appeals (BVA or Board) from physical receipt of the case at BVA to issuance of a BVA decision was 251 days. This includes the Board's cycle time of 117 days. Cycle time measures the time from when an appeal is physically received at the Board until a decision is reached, excluding the time the case is with a Veterans Service Organization (VSO) representative for preparation of the written argument. Notably, the appeals process is bifurcated with most of the appeals processing steps taking place at the VA Regional Office (RO) level and the final appeals adjudication taking place at the Board level. Specifically, when the RO issues a decision with which the veteran disagrees, the veteran can initiate an appeal at the RO by filing a Notice of Disagreement (NOD). After that point, the RO issues a second decision known as a Statement of the Case (SOC). In fiscal year 2012, the average number of days between the RO's receipt of an NOD and the issuance of an SOC was 270 days. Following the SOC, if a veteran wishes to formalize the appeal, the veteran must file a substantive appeal (VA form 9). After that point, the RO can certify and send the appeal to the Board for a final decision.

BVA has commenced an aggressive hiring plan to execute the \$8 million additional funding provided in the Consolidated and Further Continuing Appropriations Act of 2013. In order to complete this hiring effort, BVA has obtained the necessary Human Resources (HR) support by signing a memorandum of understanding with the Veterans Health Administration's HR staff. The Board has also assessed its critical needs by position type and has updated its Spend Plan accordingly. Additionally, the Board is in the process of surveying existing office space, equipment and training needs to accommodate the increase in Full Time Employees (FTE). Finally, in order to recruit the requisite staff, BVA has ongoing job announcements open.

As a result of these efforts, BVA expects to on-board approximately 25 attorneys in the next month. The Board is reviewing and interviewing additional applicants on an ongoing basis, and will continue to hire attorney staff for the remaining 4 months of fiscal year 2013 to execute the additional funding. There is a direct and proportional correlation between the number of BVA employees and the number of decisions produced per year, with an average of 90 decisions produced per FTE. With the \$8 million increase, BVA will be able to hire approximately 55 FTE (all attorneys), thus resulting in an additional 4,950 decisions produced per fiscal year once they are fully trained.

In addition to pursuing this aggressive hiring plan, to address BVA's growing pending inventory of appeals, the Board is also actively engaged in efforts to increase efficiencies in the appeals process. In particular, BVA has increased Video Teleconference (VTC) hearings, which allows BVA judges to reduce travel for hearings, and, thus, remain in the office and leverage the down time to work cases when an appellant fails to appear for a hearing. VBA and BVA have also partnered on a Joint Training Initiative to reduce remands to the field and the resulting rework that is required when BVA remands to VBA. Additionally, BVA is pursuing a Lean Six Sigma study of the BVA decision-writing process to find efficiencies to increase decision output. BVA is also leveraging technology to further streamline operations, to include use of a virtual docket that allows for efficient electronic management of BVA hearings, and virtualization of hearing transcripts and mail processes, thereby eliminating delay caused by adding paper copies to claims folders. Finally, BVA has set forth a number of legislative proposals that seek to streamline the adjudicatory process. These include: (1) allowing BVA more flexibility in scheduling VTC hearings in order to minimize travel time and expenses related to conducting in-person hearings in the field; (2) reducing the time period to initiate an appeal with an NOD from 1 year to 180 days; (3) clarifying that a timely filed Substantive Appeal (VA form 9) is a jurisdictional requirement for BVA review; (4) simplifying the content requirements of BVA decisions, making them more understandable to veterans; and (5) changing Equal Access to Justice Act (EAJA) fee requirements to better focus attorney energy at the Court of Appeals for Veterans Claims (CAVC) on achieving improved results for veterans.

#### LEASES

*Question.* Mr. Secretary, as you are aware, the Congressional Budget Office has changed the way in which it scores VA medical facility leases. This change has effectively made leasing medical facilities nearly impossible because of Government accounting rules. This inside the beltway accounting practice has already prevented 15 new medical facilities from opening.

What contingency plans will the Department be instituting to ensure that VA clinics are accessible to vets should these scoring practices continue?

Answer. If the leases requiring authorization do not receive authorization, VHA will need to execute multiple, smaller leases to meet the projected demand for the existing services. This will ensure patients do not face increased wait times, deficient parking, and cramped space to accommodate the anticipated increases in workload. Unfortunately, this will create inefficiency with duplication of staff and logistics at multiple sites, a lack of continuum of care for veterans in having different facilities providing various services, and increased costs to contract care to ensure services are provided closer to the veteran.

*Question.* And are current leased facilities in danger of closing when the lease is up for renewal?

Answer. Eight leased facilities are in danger of closing, including five clinical and three research and administrative. They currently require authorization to renew their current size.

#### MENTAL HEALTH INSPECTOR GENERAL REPORT AND CONTINUITY OF CARE

*Question.* Mr. Secretary, the VA inspector general's office recently released a report regarding mismanagement of the contract mental healthcare program at the Atlanta VA Medical Center. Alarming as that report was, I am concerned that the problem may not be limited to only one facility. Increasing access to mental healthcare has been a priority of this subcommittee as we have seen the staggering statistics on PTSD, Traumatic Brain Injury (TBI), substance abuse and other mental health conditions among the Iraq and Afghanistan vets. And most troubling, as we have seen a spike in suicides among veterans of these wars.

The inspector general reported that a lack of program oversight and patient care management allowed thousands of patients to "fall through the cracks." Sadly, some of those patients committed suicide. A lack of adequate funding and staffing were cited as contributing to the problems at the Atlanta hospital.

What is the VA doing nationwide to ensure that mental healthcare patients are receiving the continuity of care they need, and that contract mental health programs are being effectively monitored?

Answer. VA has developed a quality improvement process to confirm that facilities are implementing the required services and programs for mental health to ensure veterans receive high-quality mental healthcare. In fiscal year 2012, VA conducted site visits at all 140 VA Health Care Systems to review implementation status of the required mental health programs. Mental health site visitors, trained in the standardized site visit protocol, were experienced field-based mental health leaders and staff and mental health subject matter experts from the Office of Mental Health Operations, Mental Health Services, Veteran Integrated Service Network (VISN) leadership, and Office of Homeless Programs. Site visitors spoke not only with facility leadership but also frontline mental health staff, veterans, and families. The site visitors served as consultants to support facilities to improve areas that were noted to be challenging. Following the visit, the facilities were also asked to develop and submit action plans for ongoing improvement in areas needing improved quality, including improvements in continuity of care. VA is working with the facilities to monitor these improvement efforts and to make additional changes if required.

In fiscal year 2013, the Veterans Health Administration (VHA) Mental Health began identifying VA medical centers interested in initiating community contracts to address local mental health access problems. VHA Mental Health and medical centers involved in this workgroup are collectively developing examples of effective quality of care requirements and processes in contracting for mental health services. The products will be made available for all VA facilities or VISNs who are seeking community contracts.

#### BLACK HILLS HEALTH CARE SYSTEM (BHHCS)

*Question.* Federal law requires the VA to protect, use, and preserve its historic resources; consider multiple alternatives to proposed undertakings; solicit and consider public input; and take into account the effects of the VA's proposed changes to National Historic Landmarks. Can you describe how the VA has fulfilled each of these requirements in relation to any potential changes in services that may be proposed at the Hot Springs, South Dakota, facility?

Answer. In May 2012, as required by the National Historic Preservation Act of 1966 (NHPA), VA initiated formal consultation with the South Dakota State Historic Preservation Office, the National Park Service, and other consulting parties, regarding proposals to reconfigure the VA Black Hills Health Care System (VA BHHCS). VA continues to identify and evaluate a range of alternatives for providing

veterans with safe, quality healthcare services, while also assessing, in collaboration with other stakeholders, potential effects to historic properties these alternatives may have. Any recommended reconfiguration of VA BHHCS services that has the potential to adversely affect the Hot Springs campus or other historic properties will continue to be the subject of NHPA consultation, as well as National Environmental Policy Act analyses, to address such effects through avoidance, reduction, or mitigation. Stakeholder input collected by VA will be evaluated as part of the ongoing processes in accordance with Federal law.

*Question.* VA's performance and accountability report for 2012 states that the agency is using the space it owns or directly leases by 116 percent (page II-83); in other words, it is in an overutilization condition. As a result, the agency's leased space costs have risen to \$608 million in 2012 (page III-52). Yet the agency stewards an inventory of at least 850 buildings and structures that are unused or underutilized, some of which are in Hot Springs. How are these assets accounted for in the VA's space utilization consideration and performance reporting? Are they removed from the equation and, if so, why?

*Answer.* VA's capital inventory includes all buildings at all facilities nationwide, including the "underutilized" buildings at Hot Springs. While it is true that VA is in an "overutilization" state by 16 percent nationally, the demographics and utilization figures have wide variance related to specific market conditions, veteran demographics, and service needs. The Hot Springs campus currently indicates an excess of space because of the decreasing workload at that facility caused by the declining veteran population. This has resulted in the underutilized buildings at the Hot Springs campus.

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#### QUESTIONS SUBMITTED BY SENATOR MARK L. PRYOR

##### MENTAL HEALTHCARE PROFESSIONALS

*Question.* In August 2012, the President issued an Executive order on "Improving Access to Mental Health Service for Veterans, Servicemembers, and Military Families." One of the President's directives was to expand the Department of Veterans Affairs mental health services staff. Specifically, the VA was directed to hire 1,600 mental health professionals by June 30, 2013, and to hire and train 800 peer to peer counselors.

In late March, it was reported that 1,089 mental health professionals had been hired and that the Department was confident it would reach its target by the end of June.

Please comment on the specific qualifications of these mental healthcare professionals. For example, do they range from certified counselors and therapists, to psychologists with a master's or higher degree?

*Answer.* Basic requirements for all mental health positions include U.S. citizenship (however, non-citizens may be appointed when it is not possible to recruit qualified citizens) and the following requirements:

—*Licensed Professional Mental Health Counselor.*—Hold a master's degree in mental health counseling, or a related field, from a program accredited by the Council on Accreditation of Counseling and Related Educational Programs and hold a full, current, and unrestricted license to independently practice mental health counseling, which includes diagnosis and treatment.

—*Marriage and Family Therapist (MFT)—Education.*—Hold a master's degree in marriage and family therapy from a program approved by the Commission on Accreditation for Marriage and Family Therapy Education or have graduated from a nationally accredited program conferring a comparable mental health degree as specified in the qualification standards of those disciplines (social work, psychiatric nursing, psychology, and psychiatry). All additional course work taken to be accepted for MFT licensure must come from a nationally accredited program in one of the above areas and hold a full, current, and unrestricted license to independently practice marriage and family therapy in a State.

—*Social Worker—Education.*—Hold a master's degree in social work from a school of social work fully accredited by the Council on Social Work Education. Graduates of schools of social work that are in candidacy status do not meet this requirement until the school of social work is fully accredited. A doctoral degree in social work may not be substituted for the master's degree in social work. Furthermore, applicants must hold a current, full, active, and unrestricted license or certification by a State to independently practice social work at the master's degree level.



—*Nurse (Registered Nurse)—Education.*—Graduate of a school of professional nursing approved by the appropriate State agency and accredited by one of the following accrediting bodies at the time the program was completed by the applicant: The National League for Nursing Accrediting Commission or The Commission on Collegiate Nursing Education, an accrediting arm of the American Association of Colleges of Nursing. Applicants must hold a current, full, active and unrestricted registration as a graduate professional nurse in a State, territory, or Commonwealth of the United States (e.g., Puerto Rico), or the District of Columbia.

—*Psychologist—Education.*—Hold doctoral degree in psychology from a graduate program in psychology accredited by the American Psychological Association (APA). Successfully completed a professional psychology internship training program that has been accredited by APA and hold a full, current, and unrestricted license to practice psychology at the doctoral level in a State, territory, Commonwealth of the United States (e.g., Puerto Rico), or the District of Columbia.

—*Physician—Education.*—Degree of doctor of medicine or an equivalent degree resulting from a course of education in medicine or osteopathic medicine. The degree must have been obtained from one of the schools approved by the Secretary of Veterans Affairs for the year in which the course of study was completed. Approved schools are: (1) schools of medicine holding regular institutional membership in the Association of American Medical Colleges for the year in which the degree was granted; (2) schools of osteopathic medicine approved by the American Osteopathic Association for the year in which the degree was granted; and (3) schools (including foreign schools) accepted by the licensing body of a State, territory, or Commonwealth (e.g., Puerto Rico), or the District of Columbia as qualifying for full or unrestricted licensure and hold a current, full, and unrestricted license to practice medicine or surgery in a State, territory, Commonwealth of the United States, or the District of Columbia.

*Question.* What method does the VA use to determine how many mental healthcare professionals are needed to service the veteran population? Is there a ratio of providers to veterans?

Answer. VA has developed staffing guidance for general outpatient mental health teams based on identifying staffing requirements per 1,000 veterans. VA is currently developing similar guidance for specialty outpatient mental health teams. The factors considered in developing these models include:

- veteran population in the service area;
- mental health needs of veterans in that population; and
- range and complexity of mental health services provided in the service area.

This guidance is still being evaluated based on access, veteran and provider satisfaction, quality of care, and provider productivity to ensure the staffing guidance ensures access to high-quality veterans' care.

*Question.* How is the VA identifying the rural veteran population, and ensuring they have access to the same level of care?

Answer. VA has the same staffing requirements for rural veterans as it does for urban veterans. However, VA has multiple innovative strategies for ensuring staffing requirements for rural veteran are met including the use of contract care, the use of telemental health, and specialized healthcare delivery and transportation programs specifically designed to meet the unique access needs of rural veterans. The VA Office of Rural Health (ORH) addresses mental health needs of rural veterans by funding targeted projects submitted by field personnel and other related program offices in response to a request for proposals that is announced each year. Mental health, homelessness, provider training on mental health issues, and rural clinic mental health staffing support are always high priorities for ORH. Each application submitted is peer-reviewed for how well the proposed intervention or program addresses the identified need. Local needs assessments are conducted as part of the proposal preparation process. Typically, the proposals will include information as to the number of rural veterans potentially impacted, the prevalence of mental health disorders in the local population, and a geographic gap analysis of services. In fiscal year 2013, ORH funded 61 projects across 20 VISNs totaling \$21.8 million that included support for the following mental health related projects.

#### FISCAL YEAR 2013 ORH MENTAL HEALTH FUNDED PROJECTS

VISN	Project name	Funding
V01	Chronic Pain Treatment Project .....	\$226,011
V01	Mental Health Rural Pilots .....	400,000

## FISCAL YEAR 2013 ORH MENTAL HEALTH FUNDED PROJECTS—Continued

VISN	Project name	Funding
V01, V03, V06, V21, V23	Rural Health Training and Education Initiative .....	1,112,077
V02	Behavioral Health Expansion in the Tompkins/Cortland County Rural Areas .....	250,000
V02	Depression Medication Monitor Case-Finding Outreach Program for Rural Veterans .....	213,328
V02	Equine Therapy for Rural Veterans .....	20,000
V02	Veteran Rural Health Medical and Psychological Resource and Services Center .....	515,278
V05	Enhance Rural Access Network for Growth Enhancement (E-RANGE) for Eastern Shore .....	366,473
V05	Women's Health, Education and Training in Rural Areas, Mental Behavioral Health ....	476,791
V06	Albemarle Primary Outpatient Clinic Includes Mental Health .....	1,761,697
V06	Building Communities: Planning for a National Roll-Out of Rural Clergy Training .....	106,599
V06	Emporia CBOC Includes Mental Health Services .....	1,660,000
V06	Greenbrier County CBOC Includes Mental Health Services .....	1,687,304
V06	Robeson County Mental Health Community Outreach Program .....	28,441
V06	Staunton CBOC, Wytheville CBOC, and Lynchburg CBOC Telemental Health Include Mental Health Services .....	299,450
V06	Tazewell Telemental Health .....	146,888
V06	Educating Rural Clergy .....	180,707
V07	Public Psychiatry Fellowship .....	20,000
V07	Telephone Assisted Dementia Outreach .....	175,693
V07	Substance Use Disorders (SUD) and Post Traumatic Stress Disorder (PTSD) Services at CBOCs .....	710,815
V07	Supported Employment for Rural Veterans with Post Traumatic Stress Disorder (PTSD)	235,088
V08	Mental Health Intensive Case Management .....	287,057
V10	Expansion of Non-Drug Chronic Pain Treatment .....	41,000
V10	Mental Health Intensive Case Management Team .....	176,346
V10	Telemental Health Services .....	197,000
V12	Hancock CBOC Enhance Rural Access Network for Growth Enhancement Team (E-RANGE) .....	344,000
V12	Integrated Primary Care Mental Health Program for Rural Community Based Out- patient Clinics .....	860,671
V12	Rhineland CBOC Enhance Rural Access Network for Growth Enhancement Team (E-RANGE) Team .....	195,000
V16	Enhance Rural Access Network Growth Enhancement (E-RANGE) .....	303,957
V16	Relaxation Training and Self-Management of Pain .....	81,240
V16	South Central Mental Illness Research Education & Clinical Center (SC MIRECC) Cler- gy-Mental Health Partnership to Improve Care for Rural Veterans .....	458,291
V17	Central TX Telemental Health Expansion Domiciliary .....	120,000
V17	Harlingen Outpatient Clinic Enhance Rural Access Network for Growth Enhancement Team (E-RANGE) Team Program .....	360,000
V17	Telemental Health Virtual Care Clinic .....	289,790
V17	Telepsychiatry within Central Texas Veterans Health Care System Project Expansion ...	494,000
V17	VISN-Wide Telemental Health Clinic for Underserved Rural Veterans .....	150,000
V18	CBOC Show Low/Globe Includes Mental Health Services .....	804,441
V18	Enhance Mental Health Services and Post Traumatic Stress Disorder Outreach for Rural Veterans on the Navajo/Hopi Nation .....	164,700
V18	Enhance Mental Health Services for Rural Veterans at the Northern Arizona VA Health Care System CBOCs .....	260,000
V18	Post-Traumatic Stress Disorder (PTSD) Awareness Training/Collaboration with Indian Health Services .....	40,000
V19	Mental Health Rural Pilots .....	271,339
V19	Telepain Treatment .....	305,909
V19	Sheridan VA Medical Center Challenge Course Enhancement .....	5,800
V19	Rural Native Veteran Telehealth Collaborative Education & Consultation .....	102,433
V2	Depression Medication Monitor Case-Finding Outreach Program for Rural Veterans .....	213,328
V20	Alaska Rural Native Telebehavioral Health Development .....	131,500
V20	Oregon Rural Mental Health Initiative .....	1,804,620
V20	Mental Health Rural Pilots .....	200,000
V20	Sustainment of Mountain Home Outreach Clinic .....	485,800
V20	Veteran Cycling for Health & Wellness .....	134,128
V21	Extension of Kauai CBOC Mental Health Services to North/West Kauai .....	207,187
V21	Extension of Kona CBOC Primary Care and Mental Health Services to North and South Areas of the Big Island .....	197,800

## FISCAL YEAR 2013 ORH MENTAL HEALTH FUNDED PROJECTS—Continued

VISN	Project name	Funding
V21	Home-Based Telemental Health (HBTMH) for Pacific Region Rural Veterans Requiring Post Traumatic Stress Disorder Follow-up .....	282,382
V21	Treatment for Veterans and Family Members .....	106,766
V23	Fargo Mental Health Intensive Case Management (MHICM) .....	336,000
V23	Mental Health Rural Outreach—Max J. Beilke (Alexandria) CBOC .....	89,982
V23	Telemental Health Connectivity with Good Samaritan Hospital .....	134,000
V23	Rural Mental Health and Social Work Services .....	151,200
V23	Telemental Health Care of Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn (OEF/OIF/OND) Veterans at Western Illinois University—Macomb Campus .....	132,278
V23	Addressing Rural Veteran Barriers to Mental Health Care Using Web-based Screening, Tailored Education, and Direct Outreach .....	176,884
V23	Evaluation of a Permanent Housing Model for Homeless Rural Veterans: The Lodge Project Phase 2 .....	104,788
	<b>TOTAL</b> .....	<b>21,794,257</b>

*Question.* Please describe and discuss the peer to peer counselor initiative and any current results from the program, or expected impact once fully implemented.

*Answer.* Pursuant to Public Law 110–387, Public Law 111–163, and the August 31, 2012, Executive order titled “Improving Access to Mental Health Service for Veterans, Service Members, and Military Families,” VHA’s Office of Mental Health Services is implementing and expanding peer support services nationwide. By the end of December 2013, VHA expects to have 800 peer specialists and peer apprentices deployed among each VA medical center and each very large community-based outpatient clinic (CBOC). As a condition of employment, peers working in VHA must be certified to provide peer support services. VA has contracted with a not-for-profit community agency to provide the peer certification training at no cost to the peer. Peer specialists provide services adjunctive to the services provided by degreed professionals and are placed in a variety of mental health programs. Peer specialists promote recovery by sharing their own recovery stories, providing encouragement, instilling a sense of hope, and teaching skills to veterans.

It is too early in the expansion of peer support to provide clinical outcomes from the program. However, there have been studies of peer support from non-VA settings as well as from the early, initial implementation of peer support in VHA. The VA studies show that peers influenced veterans’ involvement in their own care and increased veterans’ social relationships. Other studies have shown several benefits from peer support, including a decrease in the use of inpatient mental health facilities, greater satisfaction and quality of life, greater hopefulness, better treatment engagement, and better social functioning. We expect similar results from the implementation of peer support services nationwide.

## 2012 SUICIDE DATA REPORT

*Question.* This February the VA released a comprehensive report on veterans who die by suicide.

In Mr. Petzel’s response to the 2012 Suicide Data Report he outlined four immediate actions the Department must take. Action No. 1 stipulated that he receive a full report with “risk identification strategies and patient-centered focused care options” no later than March 1, 2013. Has this report been created, and can you speak to its findings?

*Answer.* A task group was chartered to address how to move mental healthcare to a more patient-centered care approach for the five highest risk groups including veterans with post-traumatic stress disorder (PTSD), sleep disorders, chronic pain, substance use disorders, and depression. A plan for addressing this issue was submitted to Robert Petzel, M.D., Under Secretary for Health, who approved moving ahead with the implementation strategy. Templates for care for these groups are being developed as well as a communication plan to assist in the culture shifts that will be required to fully implement this strategy within mental health.

*Question.* Regarding Action No. 4, can you please discuss the VA–DOD Joint Suicide Repository in terms of what data is included, and how that data will enable the VA’s suicide intervention strategy?

*Answer.* The suicide data repository will hold death and suicide attempt information from both the Department of Defense (DOD) and VA. Joint data purchases have

been made from the Centers for Disease Control and Prevention to obtain any death records available for anyone who has served in the military since 1979. Also included in the repository will be internal VA and DOD databases that include current suicide attempt and completion data. Looking at this data from a combined, broad perspective will allow us to identify more specific risk factors about military and post-military individuals including, but not limited to, risk information related to: discharge timeframes, job categories, deployments, service branch and job categories, medical diagnosis, medication use, etc. Knowing which and when veterans are at risk will allow targeted education and outreach strategies as well as enhanced care at critical periods.

*Question.* In addition to the Joint Suicide Repository, how are the VA and DOD working together to address suicide prevention techniques?

*Answer.* VA and DOD have a long history of working together in suicide prevention. Annual joint educational conferences are held to share current research findings and care-related strategies. The Veterans Crisis Line/Chat/and Text Service connects veterans in crisis and their families and friends with qualified, caring VA responders through a confidential toll-free hotline, online chat, or text. It also serves as the Military Crisis Line and provides all the same services to Active Duty servicemembers both in country and abroad. There are toll-free options to call from Europe, Korea, and the Middle East. The VA–DOD Joint Clinical Practice Guidelines have been developed and are in the review process. Education and awareness programs and materials are freely shared between the two departments. VA is also an active member of the DOD Suicide Prevention and Risk Reduction Committee.

#### VETERANS HOMELESSNESS

*Question.* In 2012 it is estimated that there were 62,619 homeless veterans on a single night in the United States (Annual Homeless Assessment Report (AHAR) prepared by HUD). While this is a significant decline since 2009, veteran homelessness remains a significant issue, one that my home State of Arkansas is working hard to address.

The President's budget request commits \$1.4 billion towards programs which prevent or reduce veteran homelessness.

Can you comment on the types of community-based organizations the VA provides grants to, and measures of effectiveness that requires continued and increased funding?

*Answer.* VA's partnerships with community-based organizations provide the backbone to VA's efforts to end veteran homelessness. VA provides grants to consumer cooperatives, public, and nonprofit private community providers through the Grant and Per Diem (GPD) Program and the Supportive Services for Veteran Families (SSVF) Program. VA also partners with community-based organizations through its Health Care for Homeless Veterans (HCHV) Contract Residential Treatment Program.

#### GRANT AND PER DIEM (GPD) PROGRAM

*Question.* The GPD Program provides funding through grants to public (State and local governments and Indian tribal governments) and nonprofit private organizations to develop and operate transitional housing and supportive services for homeless veterans. The GPD Program currently has over 15,000 operational transitional housing beds in every State, the District of Columbia, Puerto Rico, and Guam. During fiscal year 2012, over 41,000 unique veterans received services from the GPD Program. This included over 2,800 women. Over 12,000 veterans exited the program to permanent housing in fiscal year 2012.

*Answer.* There is one 40-bed transitional housing GPD project in the State of Arkansas. The GPD Program in Arkansas provided services to 192 unique veterans in fiscal year 2012, including 20 women veterans, with 102 veterans exiting the program to permanent housing during that year.

For the past 20 years, the GPD Program has been a mainstay of VA's continuum of homeless programs. The GPD Program currently measures its success through a performance metric which has a target of 60 percent of homeless veterans exiting to an independent housing arrangement. Through April 2013, the GPD Program is at 64.55 percent for this performance measure, currently exceeding the target.

#### SUPPORTIVE SERVICES FOR VETERAN FAMILIES PROGRAM

*Question.* The SSVF Program provides supportive services grants to private nonprofit organizations and consumer cooperatives to coordinate or provide supportive services for very low-income veteran families. The SSVF Program is designed to rapidly re-house homeless veteran families and prevent homelessness for those at im-

minent risk of homelessness due to a housing crisis. In fiscal year 2012, SSVF awarded \$100 million in funding to 151 community-based organizations serving veterans families in 49 States, the District of Columbia, and Puerto Rico. In 2013, the SSVF Program is expected to award nearly \$300 million in supportive services grants.

Answer. St. Francis House based in Little Rock, Arkansas, is currently the one SSVF grantee in Arkansas. Through March 2013, St. Francis House has served 94 participants. Of the 94 participants, 76 participants have been discharged from SSVF with 73 participants (96 percent) being placed in permanent housing.

VA tracks performance of SSVF grantees through data collected in the Homeless Management Information System and VA's Homeless Registry. In fiscal year 2012, the first year of SSVF Program operations, community-based grantees assisted over 35,000 homeless and at-risk veteran families participating in the SSVF Program. This participation rate significantly exceeded VA's projected expectation to serve 22,000 in the first year of operation. In fiscal year 2012, the SSVF Program achieved significant success, with 86 percent of those exiting SSVF services either being placed or being able to maintain permanent housing.

#### HEALTH CARE FOR HOMELESS VETERANS CONTRACT RESIDENTIAL TREATMENT PROGRAM

*Question.* HCHV Contract Residential Treatment Program provides a gateway to VA and community supportive services for eligible veterans who are homeless. This includes ensuring that chronically homeless veterans and/or those with serious mental health diagnoses can be placed in community-based programs which provide quality housing and services that meet the needs of these special populations. Although VA's HCHV Contract Residential Treatment Program is not technically a grant program, local VA facilities offer competitive contract solicitations to community-based providers to provide contract residential treatment services and housing. Dedicated community partners are essential to the success of this program. During fiscal year 2012, HCHV provided funding for 3,287 beds through 299 contracted community providers in all 50 States, the District of Columbia, and Puerto Rico.

Answer. During fiscal year 2012, over 11,500 unique veterans received residential services from the HCHV Contract Residential Treatment Program. Over 3,800 veterans exited the program to permanent housing in fiscal year 2012. In Arkansas alone during fiscal year 2012, the HCHV Contract Residential Treatment Program provided residential services to 281 unique veterans and 112 veterans exited the program to permanent housing. There are currently 139 operational HCHV beds via six contracted community providers in the State of Arkansas.

#### VETERAN EDUCATION BENEFITS

*Question.* Since implementation of the Post-9/11 GI Bill, the VA has also implemented the Yellow Ribbon Program. The Yellow Ribbon program allows universities (public or private) to supplement this VA benefit, by covering 50 percent of the difference between that universities tuition and the highest public in-State tuition rate. The other 50 percent is covered by the VA.

How has the Yellow Ribbon program improved veteran access to degree granting institutions?

Answer. The Yellow Ribbon Program allows veterans to attend and obtain degrees from private institutions of higher learning or to attend and obtain degrees from out-of-State public institutions of higher learning at no cost or with reduced out-of-pocket expenses at participating schools. There are 1,862 schools, representing 3,269 locations, participating in the Yellow Ribbon Program for the 2013–2014 academic year.

*Question.* Since implementation, how many veterans, on average, participate in the Yellow Ribbon Program annually?

Answer. VA has not yet collected the data that would allow us to determine the average number of Yellow Ribbon participants. Opportunities to participate in the Yellow Ribbon Program were offered at 1,181 schools in 2009–2010; 1,109 schools in 2010–2011; 2,323 schools in 2011–2012; and 1,859 schools in 2012–2013.

*Question.* How long does the VA propose to fund this program?

Answer. The Yellow Ribbon Program is a permanent part of the Post-9/11 GI Bill, and as such, is a mandatory expense which is funded through the "Readjustment Benefits" account.

## QUESTIONS SUBMITTED BY SENATOR TOM UDALL

*Question.* As you know I worked to help pass the bipartisan burn pits registry act last year. I believe that the VA should do more to inform veterans about the possible threats to their health from exposure to open burn pits in Iraq and Afghanistan.

What plans does VA have to inform veterans about the possible threats to their health and how will this budget support those efforts?

*Answer.* VA is committed to the implementation of the burn pit registry and to a strong communications effort with veterans. VA has many ongoing programs to inform veterans of the potential health effects of military service. VA provides a summary of the current scientific assessment of the long-term health consequences of potential exposure to open burn pits and other airborne hazards on its public health Web site <[www.publichealth.va.gov/exposures/burnpits](http://www.publichealth.va.gov/exposures/burnpits)>. In addition to this robust Web site, VA subject matter experts (SMEs) present at various scientific conferences where veterans groups have been in attendance. SMEs also brief Veterans Service Organizations periodically, provide information through VA social media such as Facebook and Twitter, and provide exposure information to veterans subscribed to the GovDelivery listserv. VA intends to leverage these programs within its existing budget and is developing a comprehensive communications plan focused on the burn pits registry. VA has recognized the need for health risk communication and outreach and has included this as an element of its joint VA–DOD Airborne Hazards Action Plan developed in collaboration with DOD. Existing products include a Web site focused on military exposures developed with veteran feedback, a Federal Register notice summarizing VA's response to the October 2011 Institute of Medicine study on the Long Term Health Consequences of Exposure to Burn Pits in Iraq and Afghanistan, periodic briefings to Veterans Service Organizations (VSO), and educational products to assist VA staff in communicating health risk from potential exposure to burn pits and other airborne hazards to veterans.

Planned communications will continue to emphasize that open burn pit emissions during deployment to Iraq and Afghanistan are one of the many exposures of which veterans need to be aware. VA is conducting epidemiologic studies on health effects associated with deployment to include potential exposure to burn pits and working to establish the Airborne Hazards and Open Burn Pit Registry by January 10, 2014, as required by law. VA's communications plan for the registry has four main objectives:

- Increase awareness of VA's burn pit registry;
- Increase participation in the burn pit registry;
- Increase care of symptomatic veterans and consultations with concerned veterans as appropriate; and
- Foster understanding of VA's commitment and efforts to characterize health effects.

Our primary target for our communication is veterans who served in Iraq, Afghanistan, or the 1990–1991 gulf war. Other audiences will be targeted to enable and encourage them to increase participation in the registry. These audiences include VSOs and other advocacy groups, as well as VA staff, including environmental health coordinators, Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn Program managers and advocates, women's health coordinators, vet center counselors, Transition Assistance Program coordinators, and public affairs officers.

*Question.* Last year the VA and the Indian Health Service announced an agreement in which VA would reimburse IHS for direct healthcare services provided to American Indian and Alaska Native veterans.

What is the status of this partnership, and does the budget provide enough funds to continue expansion of this program to improve access to Native veterans?

*Answer.* The partnership between VA and Indian Health Service (IHS) continues to grow. For IHS, VA has one signed VA–IHS National Reimbursement Agreement, with 10 signed Local Implementation Plans for Phase 1. This was completed ahead of the VA–IHS Reimbursement Agreement 6-month timeline. VA and IHS are coordinating Phase 2 implementation of all remaining IHS sites. With regard to Tribal Health Program (THP) reimbursements, VA continues to work closely with individual THPs to finalize more VA–THP Reimbursement Agreements. There are currently 29 signed THP Reimbursement Agreements.

Adequate funding is available in the fiscal year 2013 and fiscal year 2014 budgets to continue implementation of the VA–IHS National Reimbursement Agreement and THP agreements.

*Question.* Like my fellow Senators, the VA Claims backlog is an issue that I am also concerned about and I am committed to working with the VA to reduce these

claims and support the shift to a paperless and more efficient system. The current claims process is unacceptable and our veterans deserve better. That being said, I'd like to shift to one of the related challenges of your solution to the backlog—a shift to a paperless system—which creates a significant cybersecurity challenge.

What precautions is the VA taking to protect veterans information in personal records from intrusion, and has the VA worked with other agencies working to reduce the cyber threat such as the military and the national labs through NNSA?

Answer. VA is committed to protecting the information we hold on millions of veterans, their beneficiaries and more than 300,000 VA employees, and protecting the data VA holds on our Nation's veterans is one of our highest priorities. VA is responsible for providing the tools, services and systems that are necessary to protect veteran information at 151 hospitals, 827 community-based outpatient clinics, 57 benefits processing offices, and over 160 cemeteries or memorial sites. Our network supports over 400,000 users, and 750,000 individual devices.

IT security threats continue to evolve. To that end, we have implemented the continuous monitoring program, which constantly checks IT systems and monitors the devices attached to the VA's network.

VA launched the Continuous Readiness in Information Security Program (CRISP) in 2012 to proactively address process and policy deficiencies as well as architecture and configuration issues, and to change the culture of VA's workforce to ensure that veteran information security is "baked into" their daily routine. As part of the CRISP effort, VA conducts rigorous vulnerability scanning, continuous monitoring and patching and software inventory, implementing port security, anti-virus services, and encryption of non-medical IT desktops and laptops. The Department has worked to train staff on the importance of protecting veteran data; as of June 1, over 98 percent of VA's employees have taken mandatory information security training.

In addition, through Web Application Security Assessments, VA is able to identify critical vulnerabilities and potential exploits in VA systems. VA protects the network infrastructure by identifying all networks assets, critical database stores, all external connections, as well as providing the Trusted Internet Connection Gateways services.

VA works with the Department of Homeland Security and other Federal entities to protect VA systems and data.

*Question.* Last Congress I introduced the Southern New Mexico and El Paso, Texas Veterans Traumatic Brain Injury Care Improvement Act with the hope of bringing attention to the need to create a center where veterans in the region can receive treatment at a polytrauma center or network site. The polytrauma system of care of the Department includes four polytrauma rehabilitation centers and 21 polytrauma network sites, none of which are located within 300 miles driving distance of Fort Bliss, White Sands Missile Range, or Holloman Air Force Base, all areas where many veterans have chosen to reside.

What is VA doing to address the lack of a polytrauma center in the region and will the VA consider locating a center in the area in the future and providing sufficient funding for a polytrauma center?

Answer. VA agrees with the proposal to enhance services for polytrauma and traumatic brain injury (TBI) in the Southern New Mexico and El Paso region by establishing a Polytrauma Support Clinic Team at the El Paso VA Health Care System. This Polytrauma Support Clinic Team, with an enhanced telehealth component at the El Paso VA Health Care System, would meet the needs and the workload volume of veterans with mild to moderate TBI residing in the catchment area and concurrently facilitate access to TBI rehabilitation care for other veterans from rural Texas, Arizona, and New Mexico, through telehealth. In fiscal year 2012, 549 veterans received rehabilitation care related to TBI or polytrauma at the El Paso VA Health Care System. This workload is comparable to that of other Polytrauma Support Clinic Teams and indicates the need for the development of similar capacity at El Paso.

The VA Polytrauma/TBI System of Care consists of four levels of facilities, including: 5 Polytrauma Rehabilitation Centers (PRC), 23 Polytrauma Network Sites (PNS), 87 Polytrauma Support Clinic Teams, and 41 Polytrauma Points of Contact. This integrated, tiered system of specialized care offers comprehensive clinical rehabilitative services including: treatment by interdisciplinary teams of rehabilitation specialists; specialty care management; patient and family education and training; psychosocial support; and advanced rehabilitation and prosthetic technologies.

Veterans recovering from TBI and polytrauma in southern New Mexico and El Paso, Texas, are currently served by the PRC in San Antonio, Texas; the PNS in Tucson, Arizona, Dallas, Texas, and San Antonio, Texas; the Polytrauma Support Clinic Teams in Albuquerque, New Mexico, and Phoenix, Arizona; and the

Polytrauma Points of Contact in Amarillo, Texas; Big Spring, Texas; Prescott, Arizona; and El Paso, Texas. These facilities participate in regular educational and training activities focusing on TBI and polytrauma care. Telehealth technologies are used successfully to complement face-to-face clinical encounters and to facilitate access to care for veterans residing at a distance from medical facilities. Services provided via telehealth include rehabilitation assessment and treatment, mental health, and other clinical services.

*Question.* My office has heard concerns and requested help for many veteran-owned business attempting to work through the Center for Veterans Enterprise verification process. I understand the need to ensure that a business which is claiming veteran-owned status is actually veteran-owned. Businesses that are not veteran-owned should not be receiving the benefits intended for veterans. However, I am concerned about the pace of the process, especially since some businesses in New Mexico have reported having to wait up to a year or longer for their certification.

Does the VA need more resources to help process these claims and what are your proposals to help veteran-owned businesses, such as those in New Mexico get through the process faster?

*Answer.* The Center for Veterans Enterprise (CVE) has received the resources needed through the VA Supply Fund to process verification applications. A solicitation for the development of a new case management system, called the Veterans Enterprise Management System (VEMS), is expected to be released in May 2013, with initial capabilities expected in October 2013. This new system will automate many labor-intensive parts of the process, producing increased consistency and efficiency of the program.

By regulation, 38 CFR part 74, CVE has 60 days, when practicable, to process a new verification application once it has been deemed complete. CVE is currently processing new applications in fewer than 40 days. This is down from 73 days at the end of October 2012. VA attributes this to a number of reasons. First, the Verification Assistance Program was created. This program has four parts, where a veteran can take advantage of one or all of the parts. The four parts include: (1) Verification Assistance Briefs that explain common issues that lead to denial in layman's terms; (2) the Verification Self-Assessment Tool that walks the veteran through the regulation and their documentation to determine if the documentation is in compliance with the criteria contained in the regulation; (3) Verification Assistance Partners that offer CVE-trained counselors to assist veterans with their applications; and (4) the Pre-Application Workshop that helps veterans understand what must be included in the application and what to expect from the process. The second factor, introduced in March 2013, is the elimination of certain transfer restrictions, including the right of first refusal, as a basis for denial. The third factor is the new Pre-Determination Findings (PDF) program that was launched May 1, 2013. The PDF program issues a findings letter to every business that would have initially been denied on the basis of the documentation submitted. Those businesses, whose compliance issues are confined to a list of certain easily corrected issues, are allowed to clarify their issues and/or make adjustments to their documentation within a specified time period with the intent to avoid denial. Those businesses with more complicated compliance issues, or who do not wish to make the changes required for compliance are given the opportunity to withdraw their application prior to receiving a denial letter. By withdrawing, they can take the time they need to address the issues and resubmit the application at any time, rather than having to wait in the queue for a request for reconsideration or the 6-month wait period required by regulation before submitting a new application once denied.

Although it is too early to have significant data on the elimination of transfer restrictions and the pre-determination findings, the combined factors have driven the approval percentage on initial applications from 58 percent at the end of fiscal year 2012 to 84 percent at the end of April 2013.

VA believes that those veterans reporting having to wait up to a year or longer for their verification are businesses whose documentation submitted with their initial application was not compliant with the eligibility criteria in the regulation and were subsequently denied. The queue for the request for reconsideration, a process where a firm that was found ineligible can address the issues found and submit the updated documentation, was taking an average of 146 days to process at the end of December 2012. The average processing time for requests for reconsideration fell to 92 days in April 2013. The higher approval percentage of initial applications has driven down the number of businesses entering the request for reconsideration queue, thus reducing the overall queuing time for these businesses. VA expects this trend to continue going forward.



## QUESTIONS SUBMITTED BY SENATOR MARK BEGICH

## TRIBAL VETERAN REPRESENTATIVES

*Question.* I am glad to see you have identified rural veterans—\$250 million is included for rural health initiatives such as mobile clinics, fee-basis care, and telemedicine. Of particular interest, this funding will also support “exploring collaborations with other Federal and community providers.”

You know I have been supportive of expanding services to veterans to community providers, and my push for a Hero Card, has resulted in the successful VA/tribal agreements, I would like to know what “exploring collaborations” with community and Federal providers encompasses?

*Answer.* VA is committed to increasing access to care closer to home for rural veterans. This includes collaborating with other Federal agencies and community providers to provide care and maintain high-quality standards. For example, under the auspices of the 2010 Memorandum of Understanding (MOU) between VA and IHS, VA increased the number of online clinical trainings available to IHS providers who treat veterans by more than 200 new courses. Another VA–IHS collaborative team established a Bar Code Medication Administration pilot and related training plan for IHS inpatient facilities. Sharing agreements have been established or are being developed between VA and IHS to cover the collaborative use of space, providers, and telehealth equipment.

VA and the Department of Health and Human Services (HHS) recently signed a new MOU that will promote the secure exchange of health information between VA and community healthcare providers and increase the knowledge and expertise of the Health Information Technology (IT) Workforce. This MOU supports the mutual goals of both agencies to have a highly educated health IT workforce that can support the meaningful use of electronic health record technology in rural communities. The MOU also ensures the interoperability and compatibility of VA and community health IT systems that will ensure better coordination of care for rural veterans who are dual users of both VA and non-VA healthcare systems. These non-VA systems may include providers in private practice, at federally qualified healthcare centers, critical access hospitals, and other rural healthcare facilities. Projects created as a result of this MOU include joint VHA Office of Rural Health (ORH) and HHS Office of the National Coordinator for Health Information Technology (ONCHIT) innovative new patient-centered Health Information Exchange pilots that will empower veteran patients to electronically forward information from their VHA Electronic Health Records (EHRs) to non-VA community providers. The goals of this multi-State project are to enhance care coordination, improve medication reconciliation, decrease duplicative lab testing, and increase patient safety. VHA and the Health Resources and Services Administration (HRSA) of HHS are also collaborating and participating in existing rural health provider training initiatives at pilot sites across the country.

Also under the auspices of the VA/HHS MOU, VA is collaborating with the HHS-funded Northeast Telehealth Resource Center to develop a telehealth training curriculum for Certified Nursing Assistants (CNA). The CNA Telemedicine Curriculum will be offered to graduates of the CNA course currently conducted by the Augusta Maine Adult Education program in collaboration with the Togus Maine VA Medical Center. Many rural veterans served by VA supplement their VA care with non-VA healthcare services in their communities. CNAs are widely used in community home healthcare and nursing home settings where utilization of telehealth technologies, especially in rural areas, is projected to grow.

*Question.* My question is in regard to the Tribal Veteran Representatives (TVRs), this volunteer program trains workers in settings like our tribal health facilities to reach out and sign up veterans in rural areas in VA. I know you have had trainings in Alaska. These individuals serve as points of contact for veterans in their community and as liaisons between the veteran and the VA. They learn about VA healthcare benefits, VA disability, pension, and vocational rehabilitation benefits, and burial and memorial affairs benefits.

Can you tell me what the budget is for these important trainings, I hear there are some funding issues with our Tribal Veteran Representative (TVR) classes that are held in Alaska? The impact of canceling one class is huge and could cost us the momentum we have gained to date. We currently have 109 trained TVRs and one day our dream is to have TVRs in every community. One other item of note is they help us reach people in the communities while on outreach that no one else could. The return on investment is the huge increase in claims and medical coverage in the State. What do you need from us to keep these trainings viable?

Answer. Outreach to American Indian and Native Alaskan veterans to inform them of the benefits and services they may be entitled to is a priority for VA. While there is no established budget for TVR trainings, adequate funding is available to implement this program. VA, like all Federal agencies, is working to increase its efficiency and accountability within programs requiring travel and training, including the TVR program. In addition, VHA is exploring ways to provide this training via video conferencing and other virtual modalities. The most recent TVR training, completed this month in Farwell, Michigan, cost approximately \$100,000 for 60 attendees.

#### VETERANS RETRAINING ASSISTANCE PROGRAM

*Question.* The increase in FTEs is due to the need for more claims processors as a result of VRAP (Veterans Retraining Assistance Program, be a 35–60 years old veteran, unemployed, 12-month training program in degree or certificate accredited program).

VRAP has had a rough start in Alaska, and thank you for helping with the University of Alaska eligibility, what do you need from us to expand the dates, since some of the rural schools had a late start? Can you give me some numbers on participants in the program and successes?

Answer. There are currently two bills pending in Congress that would extend the end date of the Veterans Retraining Assistance Program (VRAP). S. 6, Putting Our Veterans Back to Work Act of 2013, proposes to extend VRAP through March 31, 2016, as well as add an additional 100,000 slots for veterans to begin training after March 31, 2014. H.R. 562 proposes to extend VRAP for 3 months, making the end date of the program June 30, 2014, instead of March 31, 2014. As of July 19, 2013, 57,409 veterans have used VRAP since the program began in July 2012.

Of the 240 veterans who have been approved for VRAP in the State of Alaska, 64 veterans have been awarded benefits.

#### SECURITY

*Question.* My question is about VA police and security. We have received reports of CBOCs and regional offices that have no police coverage or have only contracted security guards. You have been responsive after inquiries from my office in placing a security guard in the Kenai and Wasilla offices. While the main clinic in Anchorage has VA police officers, they are so under staffed that none of the clinics or leased properties have VA police officers. Due to a suicide in the parking lot of our Mat-Su CBOC, we have a contracted, un-armed security guard who leaves the property prior to staff on many occasions, and the Kenai clinic with contracted security, both I understand are not trained in working with veterans, I suggest they take mental health first aid training.

VA/Alaska also leases space at the Northway Mall in Anchorage. They have at least 30 employees working there to include all of C&P staff. It seems as though pocket areas across the country, specifically rural, have less VA police on staff. Perhaps lower staffing numbers may be correlated to an assessment by facilities in communities of low risk; and on the other hand strengthening presence in high crime communities.

I am very concerned about the recruitment/retention. Even before the downgrades started 3 years ago, VA police are underpaid compared to DOD police. What are your plans to beef up security and pay the VA police wages that will retain them?

Answer. In response to growing concern for the safety of our patients and staff at the VA Alaska Healthcare System's four CBOCs, the following measures were incorporated:

- May/June 2012—cameras were brought online which are monitored by VA police during business hours for our most at-risk facilities: Mat-Su and Kenai.
- May 2012—contract security was brought on board for the Mat-Su and Kenai CBOCs.
- VA police physically report to any CBOC for a law enforcement presence when requested or needed.

The CBOCs located in Fairbanks and Juneau have excellent local support and are located in fairly secure areas. Fairbanks is located within the Fort Wainwright military base and perimeter providing on site security and a very speedy response to requests for service. The Juneau CBOC is located within a Federal building inside a perimeter that is protected by a metal detector, 100-percent ID check, and full-time on-site security staff contracted by Federal Protective Service.

Since the incorporation of contract security at Mat-Su and Kenai, there have been no documented reports of concerns or incidents.

In regards to training, a training sergeant provides veteran-specific training to each contract security officer that comes on board. This includes, at minimum:

- security general orientation;
- completion of VA security law enforcement forms and report;
- handling disturbances;
- package examination procedures;
- VA police standard operating procedures;
- response to bomb threats and other disturbances; and
- VA general orientation.

All contract security officers also attend new employee orientation.

Security officers arrive at 0800, when the clinics open, and leave at approximately 1600, which is when the clinics close. Although some staff remain on-site after hours, the clinics are secured at the time of closing.

*Question.*

*\$300 Million for Supportive Services for Veteran Families.*—The Supportive Services for Veterans Families (SSVF) is one of the first programs the VA has that supports families, and I commend you on your efforts to prevent family homelessness. I know the Catholic Social Services in Alaska has shown some good results in keeping veteran families in their homes, what are your plans for the \$300 million in this budget, are you expanding the program?

*(HUD–VASH) Case Management; and \$250 Million for the Grant and Per Diem Program.*—Approximately 75 percent of the increase of the 2013 enacted level is to fund case management for additional HUD–VASH vouchers that VA anticipates will be allocated in fiscal year 2014. HUD–VASH and grant per diem both important to your goal of ending veterans homelessness. I do have concerns about the case management piece. I want you to tell me about VA effort to expand the case management to the community, I don't see why you have to hire VA employees, when there are qualified case managers in the communities, for example, in rural areas, there may not be a CBOC, so chances are the veterans would not be able to access HUD–VASH vouchers. Tell me your plans to look at community case managers (outside of the VA employees).

*Answer.* The HUD–VASH Program remains a crucial component of VA's Plan to End Homelessness Among Veterans. The HUD–VASH Program is focused on ensuring the most in-need and vulnerable veterans are accessing the valuable resources of the program. To this end, VA closely monitors case loads to ensure they include primarily those who are chronically homeless and in need of intensive case management to navigate the system and sustain long-term housing stability. Partnerships with community agencies are a key strategy in advancing this goal. In addition to actively partnering with communities to outreach and identify chronically homeless veterans, VA recognizes the potential for community agencies to provide contracted case management services in lieu of VA. VA has encouraged medical centers to consider this approach in the past 2 years. To assist VAMCs in their contracting efforts, VA Central Office recently convened an Integrated Product Team (IPT) with the charge of reviewing VA's contracting efforts in the HUD–VASH Program and to determine how best to facilitate contracting as an option for providing case management services. This IPT produced standardized contracting solicitations as well as a new national Statement of Work for VAMC use in pursuing contracting in the future. The IPT standardized products should facilitate a quicker and more efficient contracting process for those VAMCs that choose to contract for case management services.

Unfortunately, many VAMCs attempting to contract for case management services have experienced challenges identifying community agencies with sufficient capacity, experience, and training that can provide the requisite case management services in a cost-effective manner. In fact, VAMCs in both Washington and Alaska attempted to contract for case management services in fiscal year 2012 and ultimately determined contracting would be cost prohibitive. In contracting for case management services, VA must also ensure compliance with all regulatory contracting requirements, a process that can be time intensive. Additionally, some communities have found it difficult to identify agencies willing or able to provide equivalent case management to the standard provided within VA programs. Despite these challenges, VA continues to evaluate and encourage the development of capacity for community case management and is open to suggestions and mechanisms that would allow further engagement with community partners.

## LEASES

*Question.* Can you tell me about the challenge the CBO has created by changing the scoring on medical leases? What impact could this have on veterans if it is not resolved?

Answer. [A response was not provided at press time.]

## QUESTIONS SUBMITTED BY SENATOR MARK KIRK

## INTEGRATED ELECTRONIC HEALTH RECORD (iEHR)

*Question.* 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. Earlier this year, the project took a very different turn the decision was made not to create a truly joint record, but instead develop an “interoperable” record.

VistA must be modernized in order to meet the demands of the iEHR. How much will it cost to modernize VistA, and what is the timeline for modernization? Does the VA have enough information on the end-product to begin work modernizing VistA?

Answer. VistA represents a longstanding and overwhelmingly successful investment on the part of VA that remains viable with a strategic modernization investment. VA is managing VistA modernization via an “open source” strategy. This will allow VA to meet its commitment to keeping the code open source and more rapidly develop and deploy enhanced versions. Our open source model ensures that veteran and clinician needs are met without a slow feedback loop between establishing requirements and development. The availability of VistA as an open source solution provides opportunities for both small and large businesses to offer implementation support as well as value-added enhancements and modernization. In fact, there is already a large VistA developer community that participates in new code development.

VA is managing its open source modernization of VistA through the Open Source Electronic Health Record Agent (OSEHRA), which was established in August 2011 as an essential element of VA’s health record modernization initiative. OSEHRA, which we sometimes refer to as a custodial agent, is a code repository with community-structured design, implementation, access, and licensure mechanisms. With over 2,200 members representing 100 companies, OSEHRA already provides a transparent and cost-effective means to incorporate new features and capabilities into the VistA source code.

VistA was made to be adaptable and extendable. Although VistA has been around for some time, the functionality and technology continue to evolve. Major releases and enhancements in the last few years include Bed Management System, Pharmacy Reengineering Emergency Department Information Software, Surgery Quality Workflow Manager, and others. Continuous improvements include over 2,211 changes deployed in incremental patches over the last 3 years. The fact that VA was able to deploy the changes mentioned above emphasizes the ease of change and version control to VistA.

*Question.* Can it be assured a modernized VistA will be compatible with the new core system the DOD will select so the result is an actual interoperable health record?

Answer. At the joint meeting in early 2013, both Secretary Panetta and Secretary Shinseki codified that both Departments’ “cores” must conform to previously agreed upon standards (data, interfaces, enterprise service bus, and user interface) to ensure interoperability. The Secretaries agreed that the DOD core will be seamlessly interoperable.

*Question.* Has the VA given any consideration to utilizing another core option, like a current commercial off the shelf system or the development of an entirely new system (much like DOD is currently doing)? Why is the VA satisfied with utilizing VistA? Is there a need to review other options?

Answer. Please see the attached “Why VistA?” white paper.

[The referenced white paper was not available at press time.]

*Question.* How will the end-user (the veterans, the doctors) be affected by the VA and DOD decision to utilize different core systems rather than one joint system?

Answer. If all of the agreed to standards and secretarial commitments are met, the end-user should not be negatively impacted.

*Question.* Would it be overall less expensive for the two Departments to utilize the same core system (e.g., both use VistA or both use the core DOD selects)?

Answer. It is possible that if both Departments bought and deployed the same core, economies of scale would be achieved and the cost would be less.

*Question.* The President's fiscal year 2014 request asks for \$252 million in development funding for the Interagency Program Office (IPO). That is more than half of the entire IT development request. What will the IPO produce in fiscal year 2014 with this development funding? Outline specific expected deliverables in fiscal year 2014.

Answer. The President's fiscal year 2014 request for iEHR includes funds that will be obligated by both VA and IPO to deliver key functionality of the iEHR program. This includes the modernization of VistA and delivery of key products needed in order to make the 2014 IOC delivery date. The funds include money for the Virtual Lifetime Electronic Record-Health, patient scheduling, systems integration, pharmacy, laboratory, order services, and development of the enterprise service bus, among other key deliverables.

*Question.* How will the iEHR Initial Operating Capability (IOC) "play a critical role in resolving the major pharmacy challenges that are currently being experienced at the James A. Lovell Federal Health Care Center?" (Page 5A-47 volume 2.)

Answer. IOC will not play a critical role in resolving the pharmacy challenges. IOC is about delivering on the commitment to deploying a single, joint, common, iEHR system that is based on an open architecture and non-proprietary in design. In addition, VA is committed to fixing the pharmacy issue at the James A. Lovell Federal Health Care Center in North Chicago through the Data Management Service and other initiatives specific to North Chicago.

#### CLAIMS PROCESSING

*Question.* Mr. Secretary, the VA has received a lot of press lately—none of it complementary—regarding an issue that we have long followed here on this subcommittee, claims processing. In spite of Congress's appropriation of additional funds to address personnel and technological issues, the backlog continues to grow and has now reached unbelievable levels, especially in Chicago.

When will we know if your efforts to reduce the backlog are working?

Answer. Right now, too many veterans wait too long to receive benefits they deserve. This has never been acceptable to the Department of Veterans Affairs (VA) or to the dedicated employees of VBA—52 percent of who are veterans themselves. VBA is aggressively implementing its Transformation Plan, a series of people, process, and technology initiatives designed to eliminate the claims backlog and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015. VBA is retraining, reorganizing, streamlining business processes, and building and implementing technology solutions based on the newly redesigned processes in order to improve benefits delivery.

Initially planned for deployment throughout fiscal year 2013, VBA accelerated the implementation of the new organizational model by 9 months, beginning in fiscal year 2012, due to early indications of its positive impact on performance. Given the magnitude of this change, each office transitioned to the new organizational model individually. Significant support and training were critical throughout this transition. As of March 2013, the new organizational model was fully operational at all 56 regional offices. As is anticipated with any change of this magnitude, there was some short-term impact on performance as we ensured that the training, communications, and other essential change management activities were conducted to appropriately prepare the workforce.

At the same time we also began the nationwide deployment of our new paperless electronic claims processing system, the Veterans Benefits Management System (VBMS). Generation One of VBMS began in 2010 with the conceptualization, piloting, development, and deployment of baseline system functionality with improved quality (required actions and automation) and efficiency (no paper). VBA began deployment of VBMS Generation One in September 2012, concluding the calendar year with 18 stations on the system. It is important to note that early adopters of first generation technology participated heavily in the development and refinement of efficiencies and functionality of the system, which had a direct impact on productivity as a result of the live test environment. These stations paved the way for the accelerated deployment of VBMS, which will enable VBA to track and measure productivity outcomes in a consistent and accurate manner once all regional offices are operating with the new technology and after a period of stabilization. The first 18 stations enabled VBA to also test business processes and functionality for the establishment of eFolders in VBMS and the model for tracking and shipping of paper-based claims with two scanning vendors. Generation One of VBMS concluded with the successful implementation of Release 4.1 in January 2013. This generation cul-

minated in a foundational Web-based, electronic claims processing solution. Under our accelerated deployment schedule, all 56 regional offices and our Appeals Management Center are now using VBMS. Each VBMS site deployment is also supported by organizational change management practices (including extensive training) to ensure employees are able to adapt to and adopt the new technologies and solutions. We will also continue to enhance the automated functionalities and build additional system capabilities in three future generations of VBMS to be deployed over the next 2 years. As we move into future generations of VBMS, our focus is on leveraging more complex automation features and more extensive data exchange and system integration capabilities so that our employees will be able to process claims electronically from receipt to payment.

VBA is tracking execution of its transformation initiatives against our key measures of performance, including pending and completed ratings, timeliness, accuracy, and the impact on the backlog. The quality of the transformation initiatives is measured through a 3-month rolling average accuracy metric that is reported on VA's ASPIRE Web site which can be found at <http://www.vba.va.gov/reports/aspiremap.asp>. VA projected that the backlog (claims pending over 125 days) would be approximately 595,000 claims at the end of fiscal year 2013. We are currently significantly below that projection. As of May 14, 2013, there are 566,802 claims in the backlog (67.3 percent of the inventory). This is down from a peak of 611,073 claims on March 25, 2013—a reduction of 44,271 backlogged claims in less than 2 months.

*Question.* When will we begin seeing a turnaround at regional offices like Chicago?

*Answer.* On April 19, 2013, VA announced a new initiative to expedite compensation claims decisions for veterans who have waited 1 year or longer. Under this initiative, VA expects to have all claims pending over 1 year eliminated from the current claims backlog within 6 months. As of June 15, 2013, over 2,700 Illinois veterans received a decision on their pending claims. On June 20, 2013, VBA shifted its focus to claims that have been pending over 1 year. Many veterans served at the Chicago Regional Office (RO) will be provided decisions on their claims as a result of this initiative. VA claims raters are making provisional decisions on the oldest claims in inventory, which will allow veterans to begin collecting compensation benefits more quickly, if eligible. Veterans will be able to submit additional evidence for consideration a full year after the provisional rating, before the VA issues a final decision. Provisional decisions will be based on all evidence provided to date by the veteran or obtained on their behalf by VA. If a VA medical examination is needed to decide the claim, it will be ordered and expedited.

It is important to understand that as a result of this initiative, metrics used to track benefits claims will experience significant fluctuations. The focus on processing the oldest claims will cause the overall measure of the average length of time to complete a claim—currently 314 days nationally—to skew, rising significantly in the near term because of the number of old claims that will be completed. Over time, as the backlog of oldest claims is cleared and more of the incoming claims are processed electronically through VA's new paperless processing system, VA's average time to complete claims will significantly improve. In addition, the average days pending metric—or the average age of a claim in the inventory—will decrease, since the oldest claims will no longer be part of the inventory.

*Question.* By the end of 2013, what type of backlog should we expect to see at regional offices around the country?

*Answer.* VA projected that the backlog (claims pending over 125 days) would be approximately 595,000 claims at the end of fiscal year 2013. We are currently significantly below that projection. As of May 14, 2013, there are 566,802 claims in the backlog (67.3 percent of the inventory). This is down from a peak of 611,073 claims on March 25, 2013—a reduction of 44,271 backlogged claims in less than 2 months.

*Question.* What constitutes an accurate claim? How is accuracy determined?

*Answer.* VBA's Quality Assurance Program currently measures accuracy of disability compensation claims on two different levels. The first assessment is based on review of the claim as a whole (claim-level) with all claimed disabilities or issues associated with a work credit known as an end product (EP). Audit-style case reviews are conducted after completion of all required processing actions on a claim. The review represents a measure of accuracy of all adjudicative actions to include addressing all issues, completing all required evidence gathering actions, appropriately granting or denying benefits, assigning correct evaluations and effective dates, and paying the correct amount of benefits. Accuracy of the claim is determined if all of these adjudicative actions are processed correctly. If there is deficiency in any of these elements that would ultimately impact the outcome of the de-

cision, the entire claim or EP is considered inaccurate. This process is considered an “outcome-based” accuracy review.

In addition to the claim-level accuracy measurement, VBA began recording the accuracy of decisions at the issue-level on October 1, 2012. The premise of the issue-level review is generally the same; however, each claimed disability or issue is independently determined as correct or incorrect regardless of its impact on the other decisions. This measurement of accuracy provides a more detailed and accurate assessment of the work completed by field stations. The data collected at this level allows for more focused training and will drive behaviors that will ultimately improve the quality of decisions.

*Question.* When will electronic claims filing be available to all veterans?

*Answer.* Currently, all veterans are able to file certain claims electronically. Veterans can file electronic claims for disability compensation including fully developed claims, additions and changes to dependents, and claims for approval of school attendance. Veterans can also request the appointment of a Veterans Service Organization (VSO) as the claimant’s representative and authorize and consent to release information to VA electronically.

Additional electronic claims capabilities expected to be available to all veterans and VSOs later in 2013 will include:

- Applications for increased compensation based on unemployability;
- Statements in support of claim for service connection for Post-traumatic Stress Disorder (PTSD) and PTSD secondary to personal assault; and
- Applications for burial benefits.

Through its Veterans Relationship Management initiative, VA has made it easy to file claims electronically by providing two entry portals:

- eBenefits is available for veterans who want to file a claim on their own. This is a joint VA/Department of Defense (DOD) Web portal that provides resources and self-service capabilities to veterans, servicemembers, and their families to research, access, and manage their VA benefits, military benefits, and personal information. eBenefits allows veterans, using a free premium account, to submit claims and upload supporting documentation.
- The Stakeholder Enterprise Portal (SEP) will expand access to our external business partners, such as VSOs, education providers, physicians, attorneys, loan appraisers, other benefits providers who will be able to electronically access information, submit claims, and perform other actions on behalf of veterans. SEP currently allows members of accredited VSOs to electronically complete the same types of claims that are available for veterans to submit, upload supporting documents, view the status of claims, view payment history and details, and accept or reject power of attorney applications.

Our veterans deserve a timely and positive experience each time they contact VA. We are committed to making dramatic improvements, and will continue our aggressive efforts to ensure we are providing accurate and comprehensive information and assistance to our veterans and their families in a professional and compassionate manner.

*Question.* How many veterans currently receive VA benefits after going through the Integrated Disability Evaluation System (IDES)? If such figures were included in the total number of pending and completed claims, how would it affect the backlog figures?

*Answer.* In fiscal year 2012, 14,192 veterans completed VA benefit claims through IDES. In fiscal year 2013 (as of May 13, 2013), 12,737 veterans have completed VA claims through IDES. All completed IDES claims are counted in VA’s total number of completed claims. Once VA is notified that an IDES participant has been medically separated from the military, the IDES claim becomes part of VA’s pending disability claims workload. It would not be appropriate to consider IDES claims from servicemembers whose fitness for continued service has not yet been adjudicated by the military as part of VA’s pending workload.

*Question.* It has recently been noted that a “veteran’s claim sits stagnant for up to 175 days as VA awaits transfer of complete STR (service treatment records) from DOD.” How can Congress assist the VA in coordinating with the Department of Defense to improve this wait time?

*Answer.* VBA continues to regularly and diligently work with DOD to obtain complete service treatment records (STR) faster and more efficiently. As such, no congressional action is needed.

One of the largest endeavors VA and DOD are working towards jointly is the electronic transfer of STRs to VA. On December 6, 2012, VBA reached an agreement with DOD requiring the military services to certify a servicemember’s STRs as complete as possible at the point of transfer to VA. Effective January 1, 2013, all five military services began full implementation of STR certification.

VA asked for and received two accounts for each VBA regional office into DOD's Armed Forces Health Longitudinal Technology Application (AHLTA) system, which enables VBA to review any DOD records that VBA does not already possess in order to complete claims. The AHLTA print-to-portable document format (PDF) pilot is scheduled to begin in September 2013 to provide VA electronic data (PDF) of information contained in AHLTA.

DOD will also deploy the Healthcare Artifact and Image Management Solution (HAIMS) to provide a mechanism for scanning and uploading paper documents to make them readily available to VA. Additionally, the technology could also be used to scan and upload paper medical record items received from private-sector providers. DOD has initiated an accelerated deployment schedule for HAIMS with a goal of stopping the flow of paper STRs to VA by December 2013.

Further, VBA has an agreement with DOD to provide 100-percent-complete service treatment and personnel records in an integrated Electronic Health Record (iEHR) for the 300,000 Active Duty, National Guard, and Reserve servicemembers departing annually. This will increase the number of fully developed claims submitted. In the short term HAIMS and in the long term iEHR are both critical efforts to reduce the time for VA to receive STRs from DOD significantly.

#### MANDATORY FUNDING

*Question.* Mr. Secretary, you stated in your budget request \$86.1 billion is needed to satisfy entitlement spending for VA's mandatory programs in fiscal year 2014. This is an 18-percent increase over the fiscal year 2013 enacted level. The fiscal year 2013 request was also a 17-percent increase over the previous fiscal year 2012 enacted level.

Do you foresee a trend where the VA's mandatory spending will continue to increase each year by upwards of 20 percent? Should we continue to expect such large mandatory increases each year?

*Answer.* While the budget authority for VA's mandatory programs increased by these amounts, overall mandatory obligations are not increasing upwards of 20 percent. Of the \$86.1 billion appropriation requested for VA's mandatory programs in fiscal year 2014, \$71.2 billion, or 83 percent, is for the Compensation and Pension (C&P) account and \$13.1 billion, or 15 percent, is for the Readjustment Benefits (RB) account. Total obligations for these accounts grew 7.3 percent and 3.8 percent, respectively.

The fiscal year 2014 budget authority for the C&P account increased 16 percent over the fiscal year 2013 level; however, total obligations increased just 7.3 percent over the fiscal year 2013 level. The larger increase in budget authority is due to an unobligated balance of \$5.0 billion at the end of fiscal year 2012 which was carried into fiscal year 2013. Funds appropriated to the C&P and RB accounts are authorized to obligate until expended. Therefore, the \$5.0 billion unobligated balance at the end of fiscal year 2012 reduced the amount of new budget authority required for fiscal year 2013. The fiscal year 2013 budget authority also reflects a request for a transfer from the RB account to the C&P account to fully fund fiscal year 2013 obligations. This request is consistent with the administrative provision section 201, and when coupled with the \$5 billion in previously authorized funding available for obligation in fiscal year 2013 and \$60.6 billion appropriation, supports anticipated obligations of \$66.4 billion.

In addition, the fiscal year 2014 appropriation request for C&P does not anticipate an unobligated balance carried forward from fiscal year 2013; therefore, budget authority equals obligations in fiscal year 2014. Obligations for the C&P account are expected to continue to increase at historical levels of around 7 percent annually. Please see the following chart for additional detail.

	Compensation and pension funding (dollars in thousands)			Percent Change	
	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2012 to fiscal year 2013	Fiscal year 2013 to fiscal year 2014
Appropriation .....	\$51,237,567	\$60,599,855	\$71,248,171	18.3%	17.6%
Transfer from RB .....		824,838		N/A	N/A
Appropriation Adjusted .....	51,237,567	61,424,693	71,248,171	19.9	16.0
Unobligated Balance SOY .....	12,930,390	5,000,894		N/A	N/A



	Compensation and pension funding (dollars in thousands)			Percent Change	
	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2012 to fiscal year 2013	Fiscal year 2013 to fiscal year 2014
Total Funding Available .....	64,167,957	66,425,587	71,248,171	3.5	7.3
Obligations .....	59,167,063	66,425,587	71,248,171	12.3	7.3

Similarly for the RB account, while the fiscal year 2014 appropriation request was 17.3 percent over the fiscal year 2013 level, fiscal year 2014 obligations are expected to increase just 3.8 percent over fiscal year 2013 levels. This is primarily due to an unobligated balance of nearly \$2.6 billion that was carried into fiscal year 2013 which, in addition to the new budget authority of \$11.2 billion and \$321.6 million in collections from DOD, is available to fund benefits. Please see the following chart for additional detail.

	Readjustment benefits funding (dollars in thousands)			Percent Change	
	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2012 to fiscal year 2013	Fiscal year 2013 to fiscal year 2014
Appropriation .....	\$12,108,488	\$12,023,458	\$13,135,898	− 0.7%	9.3%
Transfer to C&P .....		− 824,838		N/A	N/A
Appropriation Adjusted .....	12,108,488	11,198,620	13,135,898	− 7.5	17.3
Unobligated Balance SOY .....	1,221,327	2,554,542	577,047	N/A	N/A
Collections from DOD .....	365,193	321,581	303,698	− 11.9	− 5.6
Total Funding Available .....	13,695,008	14,074,742	14,016,644	2.8	− 0.4
Obligations .....	11,140,466	13,497,695	14,016,644	21.2	3.8

*Question.* Will you explain the major factors contributing to this large yearly increase in mandatory entitlement spending?

Answer. Please see the response to question 1. In addition, while the budget authority for VA's mandatory programs increased by these amounts, overall mandatory obligations are not increasing upwards of 20 percent. Obligations for the C&P and RB accounts, which make 98 percent of the mandatory request for fiscal year 2014, increase by a combined 6.6 percent, from \$79.9 billion in fiscal year 2013 to \$85.2 billion in fiscal year 2014. Mandatory obligations are expected to increase consistently with historical annual increases of around 7 percent. Increases in obligations are consistent with net increases in caseload, an upward trend in veterans' average degree of disability, increases in the cost of education, and cost-of-living adjustments to monthly payments.

*Question.* Is there anything Congress can do to help the VA reduce its mandatory spending?

Answer. Mandatory spending provides entitlement benefit payments to eligible veterans, their survivors, and dependents. VA is legally obligated to make payments or provide aid to eligible veterans. VA is committed to uphold President Lincoln's promise, "To care for him who shall have borne the battle, and for his widow, and his orphan." VA welcomes discussion to determine best practices to meet the needs of the Nation's veterans and families.

#### CONSTRUCTION

*Question.* Mr. Secretary, the fiscal year 2014 budget requests \$342 million for major construction. This continues the reduction we have seen over the past few years in the account. Yet, your Department's estimated cost for fully funding all major construction infrastructure is nearly \$23 billion.

In light of these funding cuts to major construction and this downward trend, does the Department need to reassess its capital asset program? Is there a plan to reconcile the major construction backlog with future funding needs?

Answer. The fiscal year 2014 budget request and fiscal year 2014 advanced appropriations provide the necessary resources to care for our Nation's veterans. The VA's

2014 budget request would provide resources to allocate funding between a mix of operating and capital accounts, to deliver the best mix of services for veterans. In addition to expanding access to VA services through the construction and renovation of facilities, VA provides access to veterans through non-capital solutions such as: fee care, telehealth, beneficiary travel, veteran transportation services, etc.

In fiscal year 2014, the budget request funds the completion of the mental health building in Seattle, Washington, which is the highest priority partially funded project from the list of outstanding projects that previously received congressionally appropriated funds.

#### MENTAL HEALTH

*Question.* Mr. Secretary, last year the VA initiated a hiring process to bring on board 1,900 mental health professionals and support staff. This is supposed to be completed by June 30, 2013.

Will you explain the hiring status to date of these 300 administrative staff and the 1,600 mental health professionals?

*Answer.* The VA Mental Health Hiring Initiative has improved the Veterans Health Administration's (VHA) ability to expand access to mental health services to our Nation's veterans. As of June 3, 2013, VHA has hired 1,607 clinical staff to fill the 1,600 new mental health positions in accordance with the President's Executive order issued on August 31, 2012. Additionally, VHA has hired 297 of the 300 new non-clinical positions.

*Question.* The VA stated it planned to hire 800 peer-to-peer counselors. Will you elaborate on that plan?

Have all 800 counselors been hired to date?

*Answer.* As of June 4, 2013, 335 peer-to-peer counselors have been hired in support of the goal to hire 800 by December 31, 2013.

What is the role of a peer-to-peer counselor?

*Answer.* Peer-to-peer counselors perform a variety of therapeutic and supportive tasks including:

- assisting their peers in articulating their goals for recovery;
- helping their peers to learn and practice new skills;
- helping their peers monitor their progress;
- assisting them in their treatment;
- modeling effective coping techniques and self-help strategies based on the counselor's own recovery experience; and
- supporting their peers in advocating for themselves to obtain effective services.

Where will these counselors be located?

*Answer.* Peer-to-peer counselors will be geographically dispersed across all of the VISNs to ensure veterans have access to the required staffing levels. VA implemented staffing model guidance with the list of skilled procedures and the number of providers that must be available to every 1,000 veterans seeking services for mental health. By the end of fiscal year 2013, there should be at least three counselors at each medical center and at least two counselors at each very large CBOC.

*Question.* When would a veteran see a peer-to-peer counselor instead of a mental health professional or do the two work in concert with one another on a veteran's particular case?

*Answer.* Peer-to-peer counselors function as part of an interdisciplinary team. They do not provide services that replace the services provided by degreed mental health professionals. Their work is adjunctive to the work of degreed professionals. peer-to-peer counselors are full members of the treatment team and provide a unique perspective and set of services. By virtue of the fact that peer-to-peer counselors are veterans who have been or are currently in recovery from a mental health condition, they are role models who serve as an example that recovery is attainable. They facilitate peer support groups, assist with the development of treatment plans, provide crisis support, and act as advocates for the veterans. These services work hand-in-hand with the services provided by the other members of the treatment team (e.g., medications, psychotherapy, placement services) to provide a comprehensive, holistic, and recovery-oriented approach to mental health treatment.

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#### QUESTIONS SUBMITTED BY SENATOR MITCH MCCONNELL

*Question.* Please provide an updated timeline for the design and construction phases for the new Robley Rex VA Medical Center in Louisville, Kentucky.

*Answer.* The following timeline is as of May 2013. Projected dates are based on current status and assumptions, and are subject to change:

- Design commenced in March 2013, and VA received the design concept submission in late April 2013 which is being revised by the architect-engineer.
- VA anticipates receipt of a revised concept submission and selection of preferred concept for design in spring 2013. VA anticipates starting Schematic Design at this time with completion by late winter 2014.
- Design development can commence in early 2014 and can complete in the fall of 2014.
- Construction documents can commence the fall of 2014 and can be complete in the summer of 2015.
- The construction schedule is to be determined based on when funding is received.

*Question.* What specific steps has the VA taken to successfully plan for the large influx of currently Active Duty military personnel that will enter the VA system over the coming years?

*Answer.* For several years, the Department of Veterans Affairs (VA) has worked with the Department of Defense (DOD) to ensure Active Duty personnel are informed of VA programs and to help them transition to VA benefits and services. As enrollment increased, additional programs have been put in place and existing programs improved.

#### TRANSITION ASSISTANCE

In August 2011, the President called on DOD and VA to lead a task force with the White House economic and domestic policy teams and other agencies, including the Department of Labor (DOL), to develop proposals to maximize the career readiness of all servicemembers. This DOD–Veterans Employment Initiative Task Force is one element of the plan to reduce veteran unemployment and to ensure that all of America’s veterans have the support they need and deserve when they leave the military, look for a job, and enter the civilian workforce.

To meet the President’s call for a “career-ready military,” the DOD–VA Veterans Employment Initiative Task Force developed a new training and services delivery model to help strengthen the transition of our servicemembers from military to civilian life as they become veterans. This model represents an improved DOD/VA/DOL Transition Assistance Program (TAP), called Transition Goals, Plans, and Success (GPS). The new model was implemented in November 2012 as part of the 2012 VOW to Hire Heroes Act (VOW Act) and includes four parts:

- Pre-Separation Counseling.*—Servicemembers will conduct individual assessments and one-on-one counseling with military service representatives.
- Employment Workshop.*—DOL will assist servicemembers with translating military skills, searching for jobs, writing resumes, and interviewing.
- Enhanced VA Benefit Briefings.*—Veterans, servicemembers, their families, and survivors will attend comprehensive workshops covering the entire spectrum of VA benefits.
- Individual Transition Plan.*—A customized roadmap to tailor individual needs for success will be completed for every transitioning servicemember. Servicemembers will also have the option of attending one or more of the following 2-day Transition GPS Tracks:
  - Education Track.*—Servicemembers pursuing college education will receive guidance to prepare for the college application process.
  - Career Technical Training Track.*—Servicemembers pursuing further technical training will receive guidance and help in selecting schools and technical fields.
  - Entrepreneurship Track.*—Servicemembers pursuing self-employment in the private or nonprofit sector will learn about the challenges faced by entrepreneurs, the benefits and realities of entrepreneurship, and the steps toward business ownership.

Based upon VA’s analysis of projected military service separation data, it has developed models for the optimal delivery and support of the VOW Act and Transition GPS. This support utilizes a regional hub-and-spoke model. VA will deliver enhanced VA benefits briefings within the framework of Transition GPS and is responsible for providing the Transition Technical Training Track. VA will fully participate in the Capstone event, a final review of the transitioning servicemember’s completion of the workshops and tracks, and ensure representatives are available to receive and coordinate a “warm handover” for servicemembers requiring additional support from VA regarding benefits, services, and other programs.

## HEALTHCARE

VA has taken a number of actions in collaboration with DOD to identify and track servicemembers who are transitioning to civilian life and to ensure that those in need of care are properly identified. VA and DOD transition assets and capabilities include:

- liaison and care coordination staff to facilitate a seamless transition process;
- enhanced health information sharing and numerous interagency initiatives that support shared standards of care; and
- interoperable processes for care delivery that facilitates transition between the systems.

For example, VA has 43 VA liaisons for healthcare stationed at 21 Military Treatment Facilities (MTF). VA liaisons for healthcare, either licensed social workers or registered nurses, are co-located in MTFs, under DOD's Care Management and Social Work Service, Office of Patient Care Services, with concentrations of recovering servicemembers returning from Iraq and Afghanistan. VA liaisons coordinate healthcare as servicemembers transition from MTFs to a VA healthcare facility closest to their homes or most appropriately located for the specialized services their medical condition requires. VA liaisons connect with VA's Operation Enduring Freedom/Operation Iraqi Freedom/Operation New Dawn (OEF/OIF/OND) program manager to coordinate this initial care and to have a VA case manager assigned with the expectation that the servicemember will leave the MTF registered for VA healthcare with a scheduled VA appointment.

VA has also coordinated with DOD's inTransition program to develop and provide joint training for staff to promote referrals from VA and DOD providers to the inTransition program. inTransition is a DOD program to assist servicemembers requiring behavioral health treatment and who are transitioning between healthcare systems, status, or location. inTransition's mission is to support continuity of care for the servicemember during transition.

## ADDITIONAL HEALTHCARE EFFORTS

There are several efforts by VA to reach out to departing military personnel, which allows VHA to gauge the number of members turning to VA in order to adjust programs for future demand.

*Individual Ready Reserve (IRR) Muster Events.*—DOD provides VA with dates and locations of the "live" Musters for the Marines and the Army Reserve. VHA OEF/OIF staff conducts the 20-minute VHA briefing to the attendees and the enrollment procedures. Many of these events are held at VAMCs. Since 2009 the field has recorded that over 42,000 IRR members have attended these VA briefings with over 13,000 enrolling into VA healthcare. Since January 2013, the Marines and Air Force will continue "live" Musters. The Navy and Army are developing "virtual musters". Outreach staff is developing "electronic" VA outreach materials in order to partner with the services in sending out electronic materials to this population.

*DOD's Yellow Ribbon Reintegration Program.*—This program was established in 2008 and was implemented for all Reserve component servicemembers and their families: VA is a major support partner at VAMCs, regional offices and vet centers for these events and provides "boots on the ground" assistance and offers enrollment and referrals for needed services. Specialized briefings are offered by VA staff on suicide prevention, PTSD, TBI etc. The DOD Post Deployment Health Reassessment (PDHRA) is a healthcare screening, required for all National Guard and Reserve servicemembers 90–180 days post-deployment. As part of the Yellow Ribbon Program at the 60–90 day event, all members are given the opportunity to complete this screening evaluation. The PDHRA results in referrals to VA facilities, such as VA medical centers, VA community clinics, and vet centers. Local VAMC and vet center staff provide outreach, education, enrollment, and as needed, referral for clinical services. Referred veterans have a choice to receive care at a local VAMC, vet center, MTF, or through TRICARE. For servicemembers who request a VHA appointment during on-site PDHRA, VA personnel are able to schedule appointments for them at their local VAMC.

*National Guard Partnership.*—In order to ensure that OEF/OIF/OND combat veterans receive access to high-quality healthcare and coordinated VA services and benefits, VA and the National Guard (NG) developed a creative partnership. The NG hired 54 (now 64) National Guard Transition Assistance Advisors (TAA) to serve as VA/NG liaisons in the field at the State level to assist NG servicemembers and their families with questions and assistance to access VA benefits and services. VA staff conducted the training to enhance the outreach skills of the TAAs. The TAAs have been the critical link in facilitating access to VA by NG/Reserves returning combat troops in each of the 50 States and 4 territories of Puerto Rico, Virgin Is-

lands, Guam, and the District of Columbia. TAAs have provided outreach to over 275,000 NG members and families. Since 2008, TAAs have facilitated VHA enrollment or referrals for over 130,000 veterans and over 113,000 to VBA and over 55,000 to vet centers.

*Question.* With an already high unemployment rate, what is the VA doing to help ensure that servicemembers are able to find jobs when they return to civilian life?

*Answer.* VA is helping to confront the issue of veteran unemployment by first giving our veterans a strong foundation of education and training on which to build their careers. The Post-9/11 GI Bill provides financial support to veterans to pursue undergraduate and professional degrees, vocational and technical training, licenses, and certifications, and training in entrepreneurship.

In addition, the Veterans Retraining Assistance Program (VRAP) helps retrain those veterans hit hardest by unemployment. VRAP is available to unemployed veterans between the ages of 35 and 60. VA has provided over \$318.6 million in program benefits to the more than 51,784 veterans enrolled in a training program.

In addition to giving veterans a strong foundation of knowledge and training, VA has long offered employment services through the Vocational Rehabilitation and Employment (VR&E) program. More than 800 Vocational Rehabilitation Counselors (VRC) and over 90 Employment Coordinators (EC) assist veterans with service-connected disabilities prepare for, find, and keep suitable jobs. VRCs help veterans evaluate their interests, aptitudes, and capabilities to determine a career path. ECs leverage relationships with civilian employers to help match each veteran with an appropriate work place.

Over the last 2 years, VA significantly improved veterans' access to online employment resources. VA's VetSuccess.gov Web site integrates the tools and information veterans need to find employment and advance their careers. The joint VA–DOD eBenefits portal assists transitioning servicemembers and veterans in their job search by including a searchable online personnel file where veterans can access important service records and a "Career Center" with tools to help veterans complete self-assessments, translate their military skills to civilian occupations, and build their resumes.

VA is leading the Federal Government in hiring veterans through our VA For Vets Program. Part of the Veterans Employment Services Office, the VA For Vets Program is fully dedicated to aiding veterans in finding Federal employment and preparing job-seeking veterans for careers at VA. The program assists veterans in translating their military skills and training into civilian careers, and teaches human resource professionals and supervisors how to recruit and retain veterans. In its first year, VA For Vets offered career coaching to 19,000 veterans and helped produce over 28,000 veteran resumes.

VA has partnered with the U.S. Chamber of Commerce to support the Chamber's "Hiring Our Heroes" job fairs. Per a memorandum of understanding between our two organizations, VA participates in Chamber of Commerce job fairs across the country to advertise and educate veterans on VA benefits and services.

VA has also partnered with the First Lady's and Dr. Jill Biden's Joining Forces Initiative dedicated to connecting our servicemembers, veterans and military spouses with the resources they need to find jobs at home.

VBA is also working with partner agencies to collaboratively address veterans employment, including participating in a White House forum on credentialing. The forum seeks to bring together stakeholders from both State and Federal Government, as well as the private sector, to discuss how veterans can more easily obtain licenses and certifications based on their military experience and obtain academic credit for their military duty.

In addition, VHA has developed a pilot program to hire medics and corpsmen as emergency response technicians. This program enables transitioning medics and corpsmen to obtain ready employment in the VA, help meet VA workforce needs, enable them to serve other veterans, and obtain advanced training and licensure (as nurses, physician assistants, etc.) creating a pipeline for needed VA employees.

*Question.* Numerous Kentucky veterans have expressed their concerns about the massive backlog in claims at the VA—which has increased and now totals over 860,000 pending claims. Why has the VA not reduced this backlog in claims?

*Answer.* Right now, too many veterans wait too long to receive benefits they deserve. This has never been acceptable to VA or to the dedicated employees of VBA—52 percent of whom are veterans themselves. VBA is implementing its Transformation Plan, a series of people, process, and technology initiatives designed to eliminate the claims backlog and achieve our goal of processing all claims within 125 days with 98-percent accuracy in 2015. VBA is retraining, reorganizing, streamlining business processes, and building and implementing technology solutions based on the newly redesigned processes in order to improve benefits delivery. It

is important to note that the VA Strategic Plan to Eliminate the Compensation Claims Backlog sent to Congress in January of 2013 ([http://benefits.va.gov/transformation/docs/va\\_strategic\\_plan\\_to\\_eliminate\\_the\\_compensation\\_claims\\_backlog.pdf](http://benefits.va.gov/transformation/docs/va_strategic_plan_to_eliminate_the_compensation_claims_backlog.pdf)) indicates that the inventory of claims would continue to increase for the near term before declining.

Initially planned for deployment throughout fiscal year 2013, VBA accelerated the implementation of the new organizational model by 9 months, beginning in fiscal year 2012, due to early indications of its positive impact on performance. Given the magnitude of this change, each office transitioned to the new organizational model individually. Significant support and training were critical throughout this transition. As of March 2013, the new organizational model was fully operational at all 56 regional offices. As is anticipated with any change of this magnitude, there was some short-term impact on performance as we ensured that the training, communications, and other essential change management activities were conducted to appropriately prepare the workforce.

At the same time we also began the nationwide deployment of our new paperless electronic claims processing system, the Veterans Benefits Management System (VBMS). Generation One of VBMS began in 2010 with the conceptualization, piloting, development, and deployment of baseline system functionality with improved quality (required actions and automation) and efficiency (no paper). VBA began deployment of VBMS Generation One in September 2012, concluding the calendar year with 18 stations on the system. It is important to note that early adopters of first generation technology participated heavily in the development and refinement of efficiencies and functionality of the system, which had a direct impact on productivity as a result of the live test environment. These stations paved the way for the accelerated deployment of VBMS, which will enable VBA to track and measure productivity outcomes in a consistent and accurate manner once all regional offices are operating with the new technology and after a period of stabilization. The first 18 stations enabled VBA to also test business processes and functionality for the establishment of eFolders in VBMS and the model for tracking and shipping of paper-based claims with two scanning vendors. Generation One of VBMS concluded with the successful implementation of Release 4.1 in January 2013. This generation culminated in a foundational Web-based, electronic claims processing solution. Under our accelerated deployment schedule, all 56 regional offices and our Appeals Management Center are now using VBMS. Each VBMS site deployment is also supported by organizational change management practices (including extensive training) to ensure employees are able to adapt to and adopt the new technologies and solutions. We will also continue to enhance the automated functionalities and build additional system capabilities in three future generations of VBMS to be deployed over the next 2 years. As we move into future generations of VBMS, our focus is on leveraging more complex automation features and more extensive data exchange and system integration capabilities so that our employees will be able to process claims electronically from receipt to payment.

VBA is tracking execution of its transformation initiatives against our key measures of performance, including pending and completed rating, timeliness, accuracy, and the impact on the backlog. The quality of the transformation initiatives is measured through a 3-month rolling average accuracy metric that is reported on VA's ASPIRE Web site which can be found at <http://www.vba.va.gov/reports/aspiremap.asp>.

A major factor impacting all areas of VA's disability claims workload was the addition of three new agent orange presumptive disabilities. In 2009, Secretary Shinseki made the decision to add the three presumptive conditions (Parkinson's disease, ischemic heart disease, and B-cell leukemias) for veterans who served in the Republic of Vietnam or were otherwise exposed to the herbicide agent orange. Due to this policy change, the number of compensation and pension claims received increased from 1 million in 2009 to 1.3 million in 2011 (a 30-percent increase). In addition, beginning in October 2010, VBA identified these claims for special handling to ensure compliance with the provisions in the *Nehmer* court decision that requires VA to readjudicate claims for these three conditions that were previously denied. VBA dedicated over 2,300 claims staff to readjudicating these claims. *Nehmer* claims for all live veterans were completed as of April 2012 and *Nehmer* survivor claims were completed in October 2012. The claims staff is now working on reducing the backlog. Our focus on processing these complex claims contributed to a larger claims backlog, but it remains the right thing to do for our Vietnam veterans, many of whom waited a long time for these benefits. Secretary Shinseki also made an important decision to simplify the process to file claims for combat PTSD. These decisions expanded access to benefits for thousands of veterans and brought significantly more claims into the system.

Several other factors have contributed to this growth in the volume of incoming claims: extensive outreach; increased demand as a result of 10 years of war; improved access to benefits through the joint VA and DOD Pre-Discharge Programs; and new regulations for processing claims related to gulf war service and traumatic brain injuries.

In addition, the average claim in VA's workload is getting more complex. The number of medical conditions (issues) per original claim for our returning Iraq and Afghanistan veterans increased dramatically, from 6.4 at the beginning of fiscal year 2007 to 11.5 at the end of fiscal year 2012. The total number of issues processed increased 180 percent, from 1.7 million in fiscal year 2009 to 4.8 million in fiscal year 2012.

VBA's goal is to process all claims within 125 days with 98-percent accuracy in 2015, and we are confident that we will meet this goal as we continue to implement our Transformation Plan.

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

*Answer.* In fiscal year 2003, VBA completed the consolidation of pension maintenance work to three regional Pension Management Centers (PMC): Philadelphia, Pennsylvania; St. Paul, Minnesota; Milwaukee, Wisconsin. In fiscal year 2009, VBA subsequently consolidated the processing of pension, DIC, and burial benefit claims at the PMCs. The consolidation provides greater processing efficiency and specialization for these claims and focuses attention and resources on the needs of survivors and wartime veterans who require supplemental income.

Fiscal-year-to-date through the end of April, the average days to complete (ADC) DIC claims was 156 days. By way of comparison, for fiscal year 2007, ADC for DIC claims was 132 days. Although ADC for DIC claims has increased since consolidation (18.2 percent), ADC for all types of compensation and pension claims has increased nationwide over this period due to the dramatic growth in the volume of incoming claims.

VBA's Pension and Fiduciary (P&F) Service, which administers the DIC program, recently reviewed the policies and procedures applicable to the adjudication of DIC claims, to identify obstacles to timely processing. It determined that VBA could quickly grant many DIC claims with little or no additional development, and that certain claims processing steps are redundant and appropriate for elimination.

As a result of these efforts, on March 22, 2013, P&F Service issued Fast Letter 13-04 (FL 13-04), Simplified Processing of Dependency and Indemnity Compensation (DIC) Claims, which instructs VBA field staff on the procedures to follow when processing claims. Among other things, the new procedures require screening of claims at the intake point and limited or no development of additional evidence when information in VBA systems supports granting benefits. It also clarifies that VBA grants DIC under 38 U.S.C. section 1318 based upon total service-connected disability for a prescribed period before death in the same manner as if the death were service connected. Accordingly, in these cases, our field staff will grant service-connected burial benefits and presume the permanence of total disability for purposes of establishing the survivor's entitlement to VA education and healthcare benefits. These new procedures will allow us to grant DIC benefits faster and without unnecessary development.

*Question.* What is the VA doing to enhance efforts to locate homeless veterans and to provide resources and programs to help them?

*Answer.* One of the key pillars of VA's Plan to End Homelessness Among Veterans is to provide effective outreach to homeless and veterans at risk of homelessness. Without effective outreach efforts locating homeless and at-risk veterans, VA has little chance of ending veteran homelessness. Although many VA homeless programs conduct outreach, the HCHV Contract Residential Treatment Program is VA's premier homeless outreach program. The foundation of the program is to provide targeted outreach to veterans who are homeless or at risk of homelessness and not currently receiving VA services. These outreach efforts are an essential component of VA's plan to eliminate homelessness among veterans and provide opportunities for critical medical and psychiatric care and referrals. Once identified and effectively engaged within their own communities, homeless veterans can then be provided with both immediate and permanent stable housing solutions and supportive services.

In fiscal year 2012, HCHV staff conducted outreach and provided outpatient services to over 119,660 veterans and offered more than 11,500 episodes of contract residential community-based treatment. Outreach has proven to be a successful link, as overall data findings suggest that more than 90 percent of the veterans engaged with HCHV received VA mental health services (including direct services provided by the HCHV Contract Residential Treatment Program) in the 6 months following outreach.

The HCHV Contract Residential Treatment Program works in collaboration with other VA programs through a combination of outreach, case management, housing, and supportive services. The program collaborates with a multitude of VA homeless programs including, the Housing and Urban Development—VA Supportive Housing (HUD–VASH) Program, GPD Program, Veterans Justice Outreach (VJO) Program, Health Care for Reentry Veterans (HCRV) Program, Homeless Veteran Supported Employment Program, Homeless Patient Aligned Care Teams (HPACT) as well as community outreach providers (e.g., 100,000 Homes Campaign, Projects for Assistance in Transition from Homelessness (PATH) Program, and local homeless Continuums of Care (CoC)).

In addition to the HCHV Contract Residential Treatment Program, a number of VA homeless programs contribute to extensive and effective outreach. For example, each year VA programs and staff actively participate in stand downs for homeless veterans. Stand downs are collaborative events, coordinated between local VA facilities, assorted Government agencies, and community agencies that serve the homeless. The original stand down for homeless veterans was modeled after the stand down concept used during the Vietnam war to provide a safe retreat for units returning from combat operations. Stand downs provide services to homeless veterans such as food, shelter, clothing, health screenings, VA and Social Security benefits counseling, and referrals to a variety of other necessary services, such as housing, employment, and substance abuse treatment. In 2012, VA-sponsored 205 stand downs nationally, serving over 50,000 veterans.

VA's outreach efforts also include the National Call Center for Homeless Veterans (NCCHV), a program dedicated to providing homeless veterans with referrals to VA and community services, as well as disseminating information to concerned family members and non-VA providers about all the programs and services available to assist these veterans. Calls to the NCCHV number (1-877-4AID VET; 1-877-424-3838) are answered 24 hours a day, 7 days a week, with a brief screening by responders to determine the severity of need. Responders at the NCCHV then link those callers needing referral to their nearest VA medical center (VAMC) anywhere in the country. VAMC homeless programs have designated points of contact responsible for assisting veterans referred to their facility, furthering assessment of need, providing linkages to services within VA and the community, and developing a plan of care appropriate for each veteran. In fiscal year 2012, there were 80,558 total calls to the NCCHV. Of these calls, there were 50,608 referrals to a VAMC homeless program point of contact.

VA's Veterans Justice Programs (the HCRV and VJO Programs) also provide extensive and crucial outreach to veterans involved with the justice system to prevent veteran homelessness. The HCRV Program staff conducts outreach to veterans who are preparing to reenter the community from State and Federal prisons. The goal of this clinical outreach is to connect veterans at risk of homelessness with appropriate VA services, especially homeless, mental health, and substance use services. In fiscal year 2012, the HCRV prison outreach clinicians contacted and conducted re-entry planning with 10,572 veterans in 1,000 of 1,254 (80 percent) total State and Federal prisons. Similarly, VJO program specialists provide outreach to justice-involved veterans in jails and court systems and serve as liaisons between VA and the local criminal justice system, including law enforcement. Every VAMC has at least one full-time VJO specialist. In fiscal year 2012, 27,251 veterans were seen by VJO Program staff.

VA uses all available resources to locate and identify the need for homeless services in each State and community. VA and HUD continue to collaborate, develop, and publish HUD's AHAR. These reports, which advance the Federal effort to end homelessness among veterans through the collection and analysis of timely data, are intended to provide policymakers, practitioners, and the general public with information about the extent and nature of veteran homelessness. In addition to the snapshot and annual estimates of veteran homelessness, the document also describes the demographic characteristics of homeless veterans, including race, ethnicity, gender, age, and disability status.

Finally, VA continues to develop innovative ways to locate and engage veterans at-risk of homelessness, including developing a more proactive approach to identifying those who are homeless or at risk of becoming homeless. In 2012, VA devel-



oped a universal screen of homelessness risk for veterans in the VA healthcare system. The Homelessness Screening Clinical Reminder serves veterans by identifying those who may need housing-related assistance but had not accessed or are not currently being served in a VA homeless program. It also provides additional information about the profile of veterans who are at risk of homelessness, the types of services they need and receive, and how veteran homelessness can be better addressed throughout VA's system. To date, over 2.7 million veterans have been screened using this clinical reminder. Of those screened, 25,881 (0.95 percent) screened positive for housing instability and 30,707 (1.12 percent) screened positive for being at risk for homelessness. A total of 17,309 veterans agreed to referrals for social work services who provided veterans with benefits assistance, counseling, and, where appropriate, referral to homeless programs. Through this process, 14,895 veterans were referred to homeless programs.

*Question.* Veterans suffer from many health problems due to their brave service and sacrifice. I have heard from Kentucky veterans that do not live near VA hospitals or full medical centers that access to certain healthcare services remains a concern for many. What criteria are involved in determining which VA clinics provide specialty care, such as access to mental health resources, podiatry, ophthalmology, and dentistry?

*Answer.* A VA medical center's process for determining sites of care for services, including specialty care, begins with the annual completion of the VA Health Care Planning Model. On a regular basis, a review of the number of days it takes to provide specialty services to all veterans is performed, with an emphasis on those in remote or rural areas. VA medical centers also review the frequency with which it refers veterans outside VA's system for services not currently available and the distance from a veteran's home he/she may have to travel to determine potential service additions at their CBOCs. Finally, VA medical centers utilize community providers to augment its healthcare system when it cannot provide those services in-house or within a specified timeframe. Generally, specialty services such as podiatry, ophthalmology, or dentistry services are not provided at CBOCs due to their small size (less than 10,000 unique patients). Specialty mental health services for PTSD, military sexual trauma, and substance abuse are available in CBOCs and by telemental health to a clinic closest to the veteran's home.

*Question.* Many veterans face difficulty beginning families when they return from service, particularly those who have sustained injuries such as spinal cord injury or disorder (SCI/D). Is reproductive assistance a standard VA medical service provided to veterans with service-connected injuries? What is the VA doing to address the needs of veterans seeking reproductive assistance? Does the VA need additional legislative authority to provide reproductive services?

*Answer.* As part of the medical benefits package, VA provides infertility services to include patient counseling, infertility assessment, and infertility treatment. When medically indicated, VHA will provide the following infertility services:

Infertility services for female veterans	Infertility services for male veterans
<ul style="list-style-type: none"> <li>—Infertility counseling</li> <li>—Laboratory blood testing (e.g., follicle-stimulating hormone, luteinizing hormone)</li> <li>—Genetic counseling and testing</li> <li>—Pelvic and/or transvaginal ultrasound</li> <li>—Hysterosalpingogram</li> <li>—Saline infused sonohysterogram</li> <li>—Endometrial biopsy (e.g., rule out a luteal phase defect)</li> <li>—Post coital test</li> <li>—Diagnostic laparoscopy or hysteroscopy</li> <li>—Surgical correction of structural pathology consistent with standard of care including operative laparoscopy and operative hysteroscopy</li> <li>—Reversal of tubal ligation (Tubal Reanastomosis)<sup>1</sup></li> <li>—Hormonal therapies (Controlled ovarian hyper-stimulation)</li> <li>—Oral medication for ovulation induction (i.e., Clomid/Serophene) (maximum of 4 ovulatory cycles) <ul style="list-style-type: none"> <li>—Injectable Gonadotropin Medications for ovulation induction</li> <li>—Additional hormonal therapies approved for use for this purpose by Pharmacy Benefits Management</li> </ul> </li> <li>—Intrauterine insemination (maximum of 4 cycles)</li> <li>—Oocyte cryopreservation</li> </ul>	<ul style="list-style-type: none"> <li>—Infertility counseling</li> <li>—Laboratory blood testing (e.g., serum testosterone)</li> <li>—Semen analysis</li> <li>—Evaluation and treatment of erectile dysfunction (e.g., in spinal cord injury)</li> <li>—Surgical correction of structural pathology</li> <li>—Vasectomy reversal<sup>1</sup></li> <li>—Hormonal therapies</li> <li>—Sperm cryopreservation<sup>1</sup></li> <li>—Genetic counseling and testing</li> <li>—Sperm retrieval techniques</li> <li>—Post-ejaculatory urinalysis</li> <li>—Transrectal and/or scrotal ultrasonography</li> </ul>

<sup>1</sup> For medically indicated conditions.

The provision of In Vitro Fertilization (IVF) is excluded from VA's medical benefits package. Also, infertility diagnosis and management is a condition of couples. VA has limited authority to provide services to non-veterans; however, in accordance with title 38, Code of Federal Regulation (CFR) 17.272(a)(28), IVF is specifically excluded for coverage under Civilian Health and Medical Program of VA.

Most male veterans with spinal cord injuries or disorders (SCI/D) have erectile dysfunction and infertility directly related to spinal cord dysfunction. Available options for the evaluation and treatment of infertility in veterans with SCI/D are limited. A full diagnostic evaluation is provided. Treatment that is available in VA includes approaches such as surgical correction of structural pathology, hormonal therapies, sperm retrieval and cryopreservation, and intrauterine insemination. In the vast majority of men with SCI/D, VA treatments that are provided do not result in successful pregnancies. Infertility services, including IVF and other Assisted Reproductive Technologies (ART), restore or enhance the ability to procreate, but successful treatment requires the provision of ART services to both the ill/injured veteran and his or her spouse/partner. Currently and in the past, VA has worked with DOD and community partners to identify resources that are available for veterans with SCI/D.

#### QUESTIONS SUBMITTED BY SENATOR SUSAN M. COLLINS

*Question.* Secretary Shinseki, I spoke with you last August about my disappointment with the wasteful conference spending and improper behavior by Department of Veterans Affairs (VA) employees related to two VA conferences held in Orlando, Florida, in 2011. More than \$6.1 million was spent on these two conferences, and the VA Office of Inspector General (OIG) found that as much as \$762,000 was unauthorized, unnecessary or wasteful spending.

I share your belief that effective training of VA personnel—the purpose for the conferences—is necessary. Despite the legitimate purpose of training, there can be no excuse for excessive or wasteful spending of VA resources. I know that you share my concerns about wasteful spending, especially in these challenging fiscal times, and that you agree that at a time when so many veterans are in need of care and assistance, the VA must make every effort to spend each dollar in support of its important mission.

What steps has the VA taken to prevent similar waste and abuse of Government resources in the future?

*Answer.* VA employs over 320,000 employees who provide high-quality healthcare, benefits, and services to veterans every day. VA is the Nation's largest integrated

healthcare system with nearly 1,300 centers of care serving 8.6 million veterans across the country. A large number of VA doctors, nurses, claims processors, and other employees directly benefit from training events every year. Continuous workforce training and development is essential to delivering timely and quality VA care and services our veterans have earned and deserve. VA holds centralized training forums to enhance the delivery of healthcare, benefits, and memorial services unique to veterans. This includes employee development through critical training to improve customer service and the timely delivery of benefits and services; clinical training, which includes post-deployment care, treatment of chronic conditions, mental health, suicide prevention; and strategies to eliminate veteran homelessness. Our training events are designed to achieve our goals—better access, eliminate the backlog, and end veteran homelessness—by training and developing our employees and empowering them to provide the best care and services possible for our Nation's servicemembers and veterans.

VA has implemented a comprehensive action plan to revise and strengthen policies and controls on the planning and execution of training conferences and events. These actions are consistent with the recommendations in the September 30, 2012, inspector general report and are reflected in VA policy issued on September 26, 2012.

Stringent internal controls for training conferences are in place and oversight is provided by the senior executives in the Department. Further, the newly established Training Support Office ensures consistency and clear guidance regarding needed steps for adherence with all appropriate regulations and requirements as the Department balances critical training requirements to ensure achievement of stated goals and objectives while minimizing costs.

Automating data collection is essential to provide accurate and timely information for senior leaders so they can execute their responsibilities and respond to queries for training related events from congressional and other Federal oversight bodies. VA is currently engaged in developing and delivering an automated data collection tool to increase accountability, control conference spending, and produce congressionally required reports.

VA's conference oversight memorandum dated September 26, 2012, supersedes all previously issued conference guidance:

- the approval authorities:
  - a senior executive must approve any conference under \$20,000.
  - two senior executives, the Conference Certifying Official (CCO) and the Responsible Conference Executive (RCE), are appointed when a conference exceeds \$20,000 to ensure adherence to all applicable statutes, regulations, and policies when planning and executing the approved conference.
  - an Under Secretary or Assistant Secretary must approve any conference within the threshold \$20,000 to \$100,000.
  - the Deputy Secretary is responsible for approving conferences exceeding \$100,000 to \$500,000.
  - conferences exceeding \$500,000 require a waiver by the Secretary.
- a quarterly conference planning and execution briefing is now required at least 120 days prior to the quarter of execution. This briefing outlines all the conferences planned for the targeted quarter to include cost, attendees, location, purpose, and outcomes.

The VA conference process has four phases: concept, development, execution, and reporting.

- The concept phase is a disciplined conference authorization process. In October 2012, VA began our quarterly concept authorization briefing as part of the quarterly conference planning and execution briefing cycle where senior officials review all events to ensure the best value prior to being authorized to enter the development phase.
- The development phase builds the business case for the event; provides the guidance for the planning and execution of the potential conferences; appoints a senior executive as the CCO and a senior executive as the RCE. The CCO certifies the event details are in compliance with all directives. The event plan is then submitted through the appropriate channels to the approving official for approval, disapproval or modification of the planned event.
- The execution phase covers the period after the conference plan has been approved and the responsible organization begins to execute the approved plan. The RCE is responsible for executing the approved plan in accordance with laws, regulations, and policy. Additionally, the RCE oversees the spending and contract execution, approving any changes to contract agreements or increases in spending.

—The reporting phase covers the period after the execution of the conference. The RCE submits an After Action Review (AAR) reflecting how the event was conducted; providing conference attendance and details on how the spending was tracked and reported in accordance with Public Law 112–154 and OMB M–12–12. The administrations and staff offices leadership review the AAR to verify that the event was executed in accordance with the plan and all applicable policies and regulations.

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#### QUESTIONS SUBMITTED BY SENATOR DANIEL COATS

##### CLAIMS PROCESSING

*Question.* The President’s fiscal year 2014 budget calls for an 8.5-percent increase in funding for the Department of Veterans Affairs from fiscal year 2012. The administration justifies this increase in funding in order to reach a target goal to “process all claims within 125 days with 98-percent accuracy in 2015.” The average wait time in Indianapolis is 600 days.

With even more servicemembers entering the VA system in the next year, as we drawdown from Afghanistan, how feasible is this goal?

*Answer.* Right now, too many veterans wait too long to receive benefits they deserve. This has never been acceptable to VA or to the dedicated employees of VBA—52 percent of whom are veterans themselves. In January 2013, VA delivered its Strategic Plan to Eliminate the Compensation Claims Backlog to Congress ([http://benefits.va.gov/transformation/docs/va\\_strategic\\_plan\\_to\\_eliminate\\_the\\_compensation\\_claims\\_backlog.pdf](http://benefits.va.gov/transformation/docs/va_strategic_plan_to_eliminate_the_compensation_claims_backlog.pdf)). We are confident that we will meet our 2015 goal as we continue to implement our Transformation Plan. While the troop drawdown may result in an influx of new claims, VBA has anticipated this workload and considered its impact on VBA’s ability to reach the 2015 goals. It is important to note that the timeline for eliminating the backlog could be affected if policymakers establish new presumptive conditions, courts make new precedential decisions, or legislators make laws that establish new entitlements. VBA continues to monitor the performance impact of transformation, as well as other external factors that could potentially have an impact.

*Question.* What specific actions has the Department of Veterans Affairs taken to reach this goal?

*Answer.* VBA has developed and is implementing a comprehensive Transformation Plan designed to eliminate the claims backlog and achieve our goal of processing all claims within 125 days at a 98-percent accuracy level in 2015. This major transformation in claims processing includes a series of people, process, and technology initiatives that are being implemented according to a carefully developed multiyear timeline. The transformational initiatives are being rolled out in a progressive, deliberate sequence that enables efficiency gains while minimizing risks to performance.

VBA reorganized its workforce into cross-functional teams that enable employee visibility of the end-to-end case management approach of the entire processing cycle of a veteran’s claim. These cross-functional teams work together on one of three segmented lanes: express, special operations, or core. VBA instituted Challenge Training in 2011 and Quality Review Teams (QRT) in 2012 to improve employee training and quality while decreasing rework time. Challenge Training is focused on overall skills and readiness of the workforce, and QRTs focus on improving performance on the most common sources of error in the claims processing cycle; data on VBA’s largest sources of error are captured and analyzed by its National Accuracy Team. VBA tracks the impact of these initiatives on quality through a 3-month rolling average accuracy metric that is reported on VA’s ASPIRE Web site and can be found online at <http://www.vba.va.gov/reports/aspiremap.asp>.

VBA actively solicited innovative ideas for process improvement from veterans, employees, and industry stakeholders through a variety of structured mechanisms. Literally thousands of ideas were received and culled down to those with the largest potential to attack the backlog. For example, automated Disability Benefits Questionnaires (DBQ) (discussed below)—arguably one of the most highly leveraged changes—came from one of the VBA employee idea competitions. Additionally, VBA has also conducted Lean Six Sigma and Kaizen events on these selected targets of opportunity, all focused on five major areas of focus: wait time, rework, productivity, digital intake, and variance.

VBA also implemented the simplified notification letter initiative. This initiative has reduced key strokes and automated production language in the decision letter

for the veteran, thus improving rating decision productivity and quality. VBA implemented this initiative on March 1, 2012.

Electronic DBQs are forms that physicians complete during an exam that contain explicit medical information needed to decide a disability compensation claim. The single largest category for rework that results in delays in rating decisions are exams that contain insufficient data. Fully and properly complete DBQs eliminate these errors. The DBQs, now deployed to all 56 regional offices, can increase production and reduce the amount of time spent on each claim by organizing key information. Seventy-one DBQs are now available to private physicians as well. VBA continues to work with DOD regarding the use of DBQs in exit exams.

Key to VBA's transformation is ending its reliance on outmoded and paper-intensive processes. VBA is developing technology solutions that improve access, drive automation, reduce variance, and enable faster and more efficient operations. The deployment of the VBMS, VBA's new digital, paperless processing system, is occurring across four distinct phases or generations of development. Generation One of VBMS concluded with the successful implementation of Release 4.1 in January 2013. This generation culminated in a foundational Web-based, electronic claims processing solution. Under our accelerated deployment schedule, all 56 regional offices and our Appeals Management Center are now using VBMS. We will also continue to enhance the automated functionalities and build additional system capabilities in three future generations of VBMS to be deployed over the next 2 years. As we move into future generations of VBMS, our focus is on leveraging more complex automation features and more extensive data exchange and system integration capabilities so that our employees will be able to process claims electronically from receipt to payment.

*Question.* What actions will be taken in the future to make sure our brave men and women are not waiting nearly 2 years to get a reply from the VA?

*Answer.* VA's goal of processing claims within 125 days with 98-percent accuracy is a permanent goal. Our Transformation Plan, which incorporates people, process, and technology initiatives, will ensure that the backlog is resolved and that the results are sustained and continuously improved upon.

VBA's new organizational model, which incorporates a case-management approach to claims processing, has been implemented at all 56 regional offices. VBA projects that the segmented lanes initiative, part of this new organizational model, will accelerate simpler claims, predictably taking less time through the express lane, with the remainder of claims flowing through either a special operations lane (claims requiring special handling) or core lane. This segmented, case-management approach to claims processing is creating efficiencies within our workforce.

Under our accelerated deployment schedule, all 56 regional offices and our Appeals Management Center are now using VBMS. Once fully developed, VBMS is projected to provide a 20-percent increase in productivity, or an estimated increase in production of over 200,000 claims in fiscal year 2015.

Future generations of VBMS will focus on continuing to improve electronic claims processing by providing increased system functionality and more complex automation capabilities for all VBMS end-users. VBA, in collaboration with the Office of Information and Technology, is building new decision-support tools to make our employees more efficient and their decisions more consistent and accurate. We have already developed rules-based calculators for disability claims decisionmakers to provide suggested evaluations. For example, the hearing loss calculator automates decisions using objective audiology data and rules-based functionality to provide the decisionmaker with a suggested decision.

VBA's partnership with Veterans Service Organizations (VSOs) is also crucial to our transformation. Today, only about 5 percent of claims received by VA come with the documentation necessary for a decision. As a result, VBA reviewers commit countless hours attempting to locate medical and service records, and arranging physical examinations needed to support veterans' claims. VBA is greatly expanding education and collaboration efforts with VSOs that result in the submission of more "fully developed" claims (FDC) (<http://benefits.va.gov/transformation/fastclaims/>)—claims that come to VA ready for final review and decision.

VBA is also completing the integration with other Federal departments that enables inter-departmental data review and exchange to support pension and disability claims processing. This includes the Social Security Administration, Internal Revenue Service (income verification), and the Department of Defense (military personnel and medical records). Currently, claims take an average of 314 days to process, and approximately 239 of those days are taken up in the process of gathering information from other sources.

## PATIENT CENTERED COMMUNITY CARE (PCCC) PROGRAM

*Question.* There are concerns from local healthcare providers that the VA is not properly communicating the new Patient Centered Community Care (PCCC) Program. For example, last September, the public was given only 2 weeks to provide comments/suggestions to the VA's request for proposal for the PCCC Program—this was not nearly enough time to assess the impact of the implementation of PCCC nor was it enough time for the 5,000-page program to be understood by the healthcare providers who serve our veterans.

Do you think there should have been a larger window for that comment period to improve transparency?

*Answer.* While we realize that not everyone in the community responded with questions and comments, we believe ample time was provided. We began our market research in 2011 with a Request for Information (RFI) posted to Federal Business Opportunities (FedBizOps), which allowed anyone in industry to respond to questions designed to help guide the program's development. We also conducted Industry Day events in Portland, Oregon, Minneapolis, Minnesota, and Atlanta, Georgia, in November and December 2011 to allow anyone in the community to attend and hear our plans, ask questions, and have one-on-one time with the program team and contracting officers.

A draft Request for Proposals (RFP) was released in September 2012 that allowed time for community/industry providers and companies to see the actual requirements we planned to release and to provide comments or ask questions. The final RFP was released in December 2012. Through extensions, the RFP comment and question period was prolonged to March 6, 2013. From the time of the original RFI in November 2011 to the extended RFP comment period, March 6, 2013, the program team, through the contracting officer, was open for discussion and comments and also held multiple briefings with U.S. House of Representatives and U.S. Senate congressional staff.

One of the attachments to the 114-page RFP added a number of pages to the overall solicitation, but this data is intended to show the types and volumes of care we have purchased historically. This information was requested by industry so they could get a sense of care purchased in the past and assist them in planning network development. We assume the reference to 5,000 pages includes a printed version of the fiscal year 2010–2012 data spreadsheet.

*Question.* Second, what are your opinions on requiring a minimum length for an open comment period for a proposal of this significance?

*Answer.* Federal Acquisition Regulations (FAR) requires the agency to establish a response time for commercial item acquisition that will afford offerors a reasonable opportunity to respond. For non-commercial item acquisitions, a minimum of 30 days is required by FAR. The time allotted for offerors to respond with a proposal to the PCCC RFP exceeded 30 days. With each amendment and extension of the proposal submission timeline, open periods for comments and questions were allowed. The final date range from initial RFP release to receipt of proposals, after all amendments, is December 21, 2012, to May 28, 2013.

There appear to be many concerns from healthcare providers about the Patient Centered Community Care Program (PCCC). For example, healthcare providers are worried their existing contracts will be allowed to expire and replaced and the VA will prohibit contracting with long-term care hospitals and hospice. Furthermore, some are under the impression PCCC will require veterans in rural areas needing hospital level care to travel up to four hours or more to receive care even if care is available in the veteran's community but it is not a PCCC hospital.

*Question.* What specific communications strategies has the VA implemented to address these questions from the public and better inform them on these complex provisions stemming from PCCC.

*Answer.* Through the draft RFP and final RFP comment and question process, we responded to any questions asked about local contracts and provided these answers in amendments posted to the RFP on FedBizOps. This follows normal acquisition procedures. Furthermore, we provided a fact sheet to congressional staff and followed up with briefings and open general sessions, including:

- holding a Four Corners briefing with the House and Senate Veterans' Affairs Committees in January;
- responding to an inquiry from the Senate Budget Committee;
- holding general session Non-VA Medical Care Contracting 101 briefings for House and Senate staff;
- briefing, in February and April 2013, the Senate Appropriations Committee; and
- briefing, in May 2013, the House Appropriations Committee.

VA is not restricting local VA medical centers from contracting through the Federal acquisition process. Those community providers wishing to support or continue supporting veterans through PCCC can participate in an awarded contractor's network. Please note long-term care and Hospice are not included in PCCC; therefore, these existing contracts are not impacted in any way.

Through contracts awarded as a result of PCCC procurement, we will be able to partner with networks of community providers that already have existing facilities in rural and highly rural areas that will be available to our veterans when VA determines they should receive the needed care in their communities. If the contracted partner does not have a facility within reasonable range of the veteran's home, individual authorizations are available to allow VA to furnish the care from community providers not under the PCCC contract.

The Patient Centered Community Care Program (PCCC) does not utilize the most current quality outcome measurement tools, such as value based purchasing used by Medicare. Instead, the RFP creates three quality review committees looking at publicly available data instead of requiring an outcome measurement system.

*Question.* Why doesn't the VA include state-of-the-art patient outcome measurement requirements of its contractors?

*Answer.* The PCCC RFP includes quality requirements established by VA clinical providers and management. A key principle in the PCCC process is to get medical diagnostic and treatment information back to VA care teams so that a veteran's care is managed and less fragmented than can often occur outside VA. Requirements developed include: timeliness for the return of medical documentation, credentialing, privileging, licensure, board certification, medical documentation, and safety reporting. The RFP also includes performance measurement requirements specifically around surgical outcomes and cardio-thoracic procedures that are not publicly available.

The requirement for Peer Review and Quality Oversight Committees is a positive lesson learned from VA's Project HERO pilot in which our partners had these committees as standard network operations. Operationally, medical staff review patient/episodic quality cases to ensure patients are protected and receiving high-quality levels of care. The Peer Review Committee is responsible for reviewing provider standards of practice while the Quality Oversight Committee reviews access, patient satisfaction, and performance standards. Most commercial networks have existing medical officers and quality committees to provide oversight of their networks. It is in the best interest of VA to follow these community practices and benefit from quality activities already in place in the business community. The requirement for VA to be allowed to participate in these committees enhances our assurances of the provision of quality care so we are not delegating or abdicating quality oversight to the contracting networks.

Publicly reported data will be sent to VA after acceptance by the requesting organizations; VA will receive and evaluate that data versus asking the contracted partner to have a subcommittee to accomplish that activity. Our desire is to create partnerships that will leverage existing valid quality management programs to enhance patient quality, safety, and access to care. Additionally, as the Centers for Medicare and Medicaid Services move toward full implementation of pay for performance initiatives, VA will seek ways to collaborate and apply these pay for performance initiatives to the care purchased for veterans. The development of healthcare networks is a dynamic process; as hospitals and healthcare providers are recognized as exceptional performers, VHA can request potential recruitment of said performers into the existing provider network.

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#### QUESTIONS SUBMITTED TO RICHARD J. GRIFFIN

#### QUESTION SUBMITTED BY SENATOR TIM JOHNSON

##### VA—DOD COOPERATION

*Question.* In the VA budget submission, information technology oversight was listed as one of the major program challenges for the inspector general. The VA—DOD integrated Electronic Health Record, or iEHR, is certainly a major IT initiative. Being a joint agency project no doubt presents oversight challenges. But it is top priority of both the VA and DOD Secretaries, and essential to the seamless transition of health records for veterans.

I am very concerned about the direction of this initiative given recent indications that the two agencies may drop plans for a joint system in favor of separate systems

with file-sharing capabilities. It appears that soaring costs and time considerations played a major role in this change of course.

What is the VA inspector general planning to do to monitor the cost, development timeline, and likelihood to meet program goals of the iEHR?

Answer. The status of the integrated Electronic Health Record (iEHR) is currently in a state of uncertainty; as a result, we consider it premature for the VA Office of Inspector General (VA OIG) to undertake an assessment of the initiative at this time. We understand that the Government Accountability Office is currently reviewing this issue.

VA continues with efforts to modernize the Veterans Health Information Systems and Technology Architecture—its “core” system for the iEHR initiative. The VA OIG will continue to monitor decisions made regarding the iEHR so that we can review this system development initiative when the timing is right. We will then initiate an audit focusing on the VA perspective as the VA OIG’s oversight authority does not cross departmental lines.

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QUESTION SUBMITTED BY SENATOR MARK BEGICH

MENTAL HEALTH CARE IN RURAL AREAS

*Question.* Mental health continues to be a concern in rural areas, access, wait times, etc. Can you tell me in your inspections, if contract mental health is being utilized to the full extent and what are your recommendations to expand?

Answer. Our inspections indicate that VA struggles to provide access to mental health services to veterans across the United States. VA has the ability to utilize non-VA care (also known as fee basis) and contract programs to provide healthcare to supplement the care VA is able to provide through its own facilities. VA needs to institute contract and fee basis agreements to permit timely and coordinated mental healthcare for veterans who would benefit from these services. Better coordination with State and local government mental health officials, who often support community mental health services, and with private mental health providers has the potential to dramatically improve the access to mental health services by veterans.

SUBCOMMITTEE RECESS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 4:31 p.m., Thursday April 18, 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 2014**

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**THURSDAY, MAY 9, 2013**

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

The subcommittee met at 2:30 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Tim Johnson (chairman) presiding.  
Present: Senators Johnson, Udall, Begich, Kirk, and Collins.

**DEPARTMENT OF DEFENSE**

**OFFICE OF THE SECRETARY OF DEFENSE**

**STATEMENTS OF:**

**HON. ROBERT F. HALE, UNDER SECRETARY OF DEFENSE (COMPTROLLER) AND CHIEF FINANCIAL OFFICER**

**JOHN CONGER, ACTING DEPUTY UNDER SECRETARY OF DEFENSE (INSTALLATIONS AND ENVIRONMENT)**

**OPENING STATEMENT OF SENATOR TIM JOHNSON**

Senator JOHNSON. Good afternoon. This hearing will come to order.

We meet today to discuss the President's fiscal year 2014 budget request for military construction (MILCON) and family housing for the Department of Defense (DOD) and the Navy.

We will have two panels today. Our first panel includes Mr. Robert Hale, Under Secretary of Defense, Comptroller; and Mr. John Conger, Acting Deputy Under Secretary of Defense for Installations and Environment. We welcome you both to this hearing, and we look forward to your testimony.

The President's fiscal year 2014 budget request for MILCON and family housing is \$11 billion, which is on par with the fiscal year 2013 request and reflects the continued fiscal constraints under which DOD is operating.

I understand the fiscal reality, but I hope that military construction accounts are not being starved to feed operational priorities, as important as those programs are. Our troops stationed around the world live, work, and train on U.S. military bases. Many families live in military family housing, are treated at military clinics and hospitals, and in some areas, send their kids to on-base military schools. At a time of unrelenting wartime pressure on our troops and their families, we simply cannot afford to short-change

them when it comes to providing state-of-the-art training and operational facilities and safe and convenient housing.

I am very concerned about the impact of the sequester on the fiscal year 2013 MILCON program, and potentially on the fiscal year 2014 program. I understand that the Office of Management and Budget (OMB) is still calculating the impact on specific fiscal year 2013 MILCON projects, which is continuing to cause delays in executing the projects. We are now more than halfway through the fiscal year, and I hope OMB guidance will be forthcoming soon.

I am also concerned about the potential impact of a sequester on the fiscal year 2014 MILCON program. The Office of the Secretary of Defense (OSD) and the services may have the resources now to make up funding shortfalls in projects by backfilling them with bid savings. But as the MILCON program continues to shrink, bid savings are likely to shrink as well. I hope OSD has a plan B for executing the fiscal year 2014 MILCON program under a sequester.

Secretary Hale and Mr. Conger, I look forward to discussing these and other issues with you. Mr. Secretary, I know you have worked tirelessly to manage and mitigate the impact of sequestration on the Defense Department, including the troops on the ground and the army of civilians that come to work every day to support the defense of our Nation. We thank you for your service.

I now ask my ranking member for any opening remarks he cares to make.

Senator Kirk.

#### STATEMENT OF SENATOR MARK KIRK

Senator KIRK. Thank you, Mr. Chairman.

A quick overview. I want to talk about three things, which are a request for a background and overseas bases consolidation, and I will just note on the Base Realignment and Closure (BRAC) 2005 it was estimated to cost \$13 billion, and it cost \$35 billion. Only in the Government could a base closing exercise end up over-running its budget.

I will say I think if we are to discuss any kind of a BRAC, we need to complete the overseas base consolidation plan of DOD to make sure that we have looked at everything overseas and we don't launch into the BRAC, which affects many local economies.

Mr. Chairman, Thank you. That's it.

Senator JOHNSON. Thank you, Senator Kirk.

I will remind our witnesses that their prepared statements will be placed in the record, so I encourage you to summarize your remarks.

Secretary Hale, please proceed.

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

Mr. HALE. Mr. Chairman, Senator Kirk, Senator Collins, thank you for the chance to be here today to discuss the MILCON and family housing request. Your support is critical to our required infrastructure. I will summarize my statement briefly.

Let me first turn to a very brief overview of our defense budget as a whole for context. We are requesting \$526.6 billion in discretionary budget authority, which is about the same as our 2013 request, but about 8 percent higher than we are executing right now

in 2013 under sequestration. Beyond 2014, if we are able to carry out the President's plan, we would anticipate increases of about 2 percent a year, roughly enough to keep up with inflation.

Our overall budget request represents the amount the President and the Secretary of Defense believe is needed to protect our national security interests in a time of very complex challenges. Our request does not take into account a possible \$52 billion reduction if sequester becomes an annual event. However, the President has submitted a budget with a balanced deficit reduction plan of \$1.8 trillion over 10 years, more than enough to meet the targets in the Budget Control Act. We strongly hope the Congress will pass this plan or another plan supported by President and repeal sequestration.

Our proposed base budget was built on a number of guiding principles, in particular the need to continue to serve as good stewards of taxpayer dollars. Accordingly, the budget includes \$5.5 billion in fiscal year 2014 in efficiency savings, \$34 billion over the 5-year period of 2014 through 2018. That is in addition to several other efficiency packages we have submitted over the last year; and, of course, the plan, the proposal last year for \$487 billion in DOD topline reductions over a decade.

In an effort to be good stewards, we are proposing many initiatives, ranging from healthcare to weapons terminations, but let me emphasize one that I know is of interest and probably of concern. We need to consolidate and reduce infrastructure. The only effective way to do that is for Congress to authorize a new round of base realignment and closure, so we ask for a round in 2015.

BRAC saves money. Let me say that again: BRAC saves money. We are saving \$12 billion a year from the past BRAC rounds. I would hate to think what I would be doing right now as Comptroller of the Department of Defense, especially in this environment, if I had to find another \$12 billion of savings in the fiscal 2014 budget.

And I might add I understand the concerns about 2005, and we will discuss it. We do not intend to repeat the experience of 2005. It was a move-around BRAC. This is going to be a close-the-bases BRAC. It will be a lot less expensive and save money much more quickly.

We need your support so we can make further cuts in infrastructure in 2015 and hold down the amount of dollars the American taxpayer has to give us to meet our national security needs.

Seeking to be good stewards of the public funds is just one of the themes in the budget. We also are seeking to strengthen our alignment to the President's defense strategy that was announced last year. We also seek a ready force with an emphasis on people. But, frankly, sequestration is seriously undermining both of those goals.

Let me turn briefly to military construction for 2014. We are requesting \$9.5 billion in that category, roughly equal to the President's request of \$9.6 billion in 2013, and \$11 billion, as you said, Mr. Chairman, in family housing. On the MILCON side, we request \$3.3 billion for operational training facilities, \$0.9 billion to modernize medical facilities, 17 dependent school projects, and many others. In addition, we are asking for \$1.5 billion in family housing, in order to provide quality, affordable housing for our

military families. My colleague, John Conger, can provide more details on our MILCON and family housing requests.

In very brief terms, that is an overview of our 2014 budget. Let me close with a few words about the impact of sequestration on military construction in the current year. We are still researching the specific impacts, but we know most of them.

Most of the military construction accounts will not experience sequester-related cuts in 2013 because of special crediting provisions in the current law that apply when Congress enacts major cuts in an appropriation. The law says if the cuts are big enough, there is no further sequestration.

For the construction accounts that are affected, which are mainly Navy and Defense-wide, we believe we can absorb most of the sequestration reductions with available bid savings. We don't intend to reduce the scope of any construction projects, at least as of now. We don't believe that will be necessary, and we plan to minimize the number of canceled projects as a result of sequestration. We will have to do a larger than normal number of reprogrammings, which will add to our workload, and also to yours.

I should add that while sequestration and related problems do not affect most military construction projects, they are devastating military readiness. I just can't believe what we are doing to the military right now. I don't think any of us meant to do this. Moreover, facility sustainment and restoration and modernization projects, which I know are of interest to this subcommittee, are being cut severely in fiscal 2013. We are essentially funding only down to safety, life and property projects for the rest of the year. Overall, I think sequestration is living up to its unfortunate reputation for imposing devastating effects on our military.

#### PREPARED STATEMENT

Mr. Chairman, that concludes my opening statement. On behalf of the men and women who wear America's uniform and the civilians who support them, I want to thank you for your support. After Mr. Conger finishes, I will welcome 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 2014 budget for the Department of Defense.

This subcommittee's support is essential if America's Armed Forces are to have the infrastructure and facilities needed to carry out their missions and to continue ensuring the security of the United States.

Before I discuss the Military Construction and Family Housing request, I would like to set the stage with a brief summary of the President's budget for the entire Department of Defense.

#### BASE BUDGET REQUEST

For fiscal year 2014 the Department is requesting \$526.6 billion in discretionary budget authority. That is about 8 percent higher than what we are executing in fiscal year 2013 under the impact of sequestration, but it is similar to the level of funding in our fiscal year 2013 budget request. In the years beyond 2014, we anticipate budgets that will increase by about 2 percent per year, roughly enough to keep pace with inflation.

I would make two broad points regarding our request for fiscal year 2014. First, our overall budget is consistent with the adjusted provisions of title I of the 2011

Budget Control Act (BCA). However, it does not take into account what could be a \$52 billion reduction if the BCA remains unchanged and these reductions become an annual event. The President has submitted a budget that calls for a balanced deficit reduction of \$1.8 trillion over the 10-year period. We hope that Congress will enact this deficit reduction plan, or an alternative that the President can sign, and then repeal sequestration.

Second, our budget does not yet include a request for Overseas Contingency Operations (OCO) funding. In order to give our commanders time to make the best judgments about the drawdown of troop levels in Afghanistan, the President did not announce force level decisions until mid-February, and even then he did so only for the period through February 2014. Since those force level decisions were made, we have been working on completing the OCO budget, and we hope to deliver it to Congress this month.

In short, the request we submitted last month for \$526.6 billion represents the base budget for the Department. It was developed with a number of fundamental principles in mind.

#### STEWARDSHIP

The first of these principles is to continue to serve as good stewards of taxpayer dollars. We recognize that, in a time of uncertainty when the Nation is beset by economic problems, we need to do our part and stretch Defense dollars. Consequently, we have proposed a budget that includes \$5.5 billion in efficiency savings next year and about \$34 billion in the 5 years from 2014 through 2018. Keep in mind that this is on top of the belt-tightening that the Department has gone through in recent years, including a budget plan in fiscal year 2013 that reduced the Department's topline by \$487 billion over a decade.

As part of this ongoing commitment to good stewardship, we are asking Congress for authority for a new round of Base Realignment and Closure, better known as BRAC. It is not appropriate to identify specific facilities to be closed until this process has been completed, but we are patterning the effort after the rounds in 1993 and 1995. We know that BRAC, while it saves substantial sums in the long run, requires upfront funding. To pay related costs, we have added \$2.4 billion to the out-years of this budget in fiscal years 2016 through 2018.

We are also looking at a restructuring of the military healthcare system in order to address some significant underutilization in military treatment facilities. Our past efforts to control healthcare costs have met with some success, but we need to do more.

These two initiatives—BRAC and healthcare restructuring—are important for restructuring the civilian workforce. We anticipate a total civilian reduction of between 4 and 5 percent, or as many as 34,000 positions.

Other stewardship efforts in fiscal year 2014 also include initiatives to terminate or restructure additional weapons systems. Specifics include termination of the precision tracking satellite system in favor of additional research on interceptor capability, and restructuring the SM-3IIB missile system in favor of warhead improvements.

In addition, we are undertaking additional efforts to slow the growth in military compensation, while continuing to provide strong support for the All-Volunteer Force. The requested budget includes a modest slowing of the growth of military pay by implementing a 1-percent pay raise in fiscal year 2014, instead of the 1.8-percent increase authorized in law.

Our request also includes additional changes to the TRICARE program in the fiscal year 2014 budget to bring the beneficiary's cost-share closer to the levels envisioned when the program was implemented—particularly for working age retirees. This change in healthcare cost-share, along with our pay raise proposal, will save \$1.4 billion in 2014 and \$12.8 billion through fiscal year 2018, which helps the Department avoid cuts in end strength, or in training and modernization, beyond those already planned.

#### ALIGNING WITH STRATEGIC GUIDANCE

After efficiencies, our second guiding principle in developing the proposed budget is to implement and deepen program alignment with the President's new Strategic Guidance that was introduced last year. That strategy envisions a smaller, leaner force. As a result, we are continuing to draw down ground forces. By the end of fiscal year 2014, we will be about two-thirds of the way toward an end strength target of 490,000 for the Army and 182,100 for the Marine Corps.

We also proposed a number of ship retirements last year in line with strategic needs. Congress rejected those proposals and provided funds to operate those ships

through 2014. However, because these are costly but lower priority vessels, we plan to retire the ships after fiscal year 2014. We did reach agreement with Congress on aircraft retirements, and we are moving ahead on those.

The President's strategy also involves a rebalance toward the Asia-Pacific region while sustaining a presence in the Middle East. Our proposed budget reflects these goals. We are moving our most capable forces forward—F-22s are now in Kadena and Okinawa and, by 2020, we'll have 60 percent of our Navy forces in the Pacific region. We are also working to expand access and cooperation in the region. That includes establishing a rotational Marine Corps presence in Australia and deploying ships to Singapore. We also envision a continued strong presence in the Middle East, aimed at providing stability in the region in part by deterring Iranian aggression.

Building alliances is a critical aspect of this strategy. We already have authority for the Global Security Contingency Fund (GSCF), a fund that DOD and the State Department can use jointly to aid allies. In fiscal year 2014, for the first time, we are asking for dedicated funding of \$75 million for the GSCF.

Alignment with the new Strategic Guidance also involves protecting and investing in new capabilities and technology to sustain our role as the world's preeminent military force. Highlights include investments in fiscal year 2014 in missile defense, upgrades to our carriers, enhanced long-range strike, a new tanker, the joint strike fighter, more and better precision-guided munitions, procurement of an additional *Virginia*-class submarine, and an increase in funds for cybersecurity.

#### SEEKING A READY FORCE

Besides stewardship and alignment with the President's Strategic Guidance, the Department's fiscal year 2014 budget request seeks to ensure and maintain a ready force. Over the last decade, our emphasis has been on counterinsurgency and counterterrorism. This budget emphasizes a return to full-spectrum operations and training across the Services.

For example, the marines are shifting from what has been almost exclusively a land mission to their historic specialty in amphibious expeditionary warfare. We also hope to invest more in steaming and flying hours, reversing the severe limitations imposed by the present sequestration. Special Operations Command will return to its earlier status as a global force rather than concentrating on Afghanistan.

Unfortunately, our efforts to seek a ready force are being undermined by sequestration and wartime budget shortfalls. The resulting large shortfalls in our operating accounts have driven us to cuts in training that are having devastating effects on military readiness. The Army, for example, has canceled seven combat training center rotations—ending this experience as a culminating training event for numerous units. As a result, by year's end many Army units will be below acceptable readiness levels. The Air Force has stopped flying at about one-third of its active combat-coded squadrons. This decision, and other reductions in flying hours, will limit the Service's ability to support combatant commanders. The Navy has cut back on deployments and also on training. All the Services have cut fiscal year 2013 maintenance funding, which will adversely affect future readiness.

These unfortunate decisions not only seriously damage readiness in fiscal year 2013. They will also damage military capability beyond this fiscal year.

#### PEOPLE ARE CENTRAL

The fiscal year 2014 budget also seeks to maintain a vital emphasis on people in Defense. That is the fourth principle behind our budget request. It means, for example, that the Department continues to ensure that our budget in fiscal year 2014 reflects our commitment and support for wounded warriors and military families.

As with readiness, our goal to make people central is being undermined by the budgetary chaos in fiscal year 2013. Our civilians, who have suffered numerous pay freezes, may now face furloughs. Secretary Hagel is currently evaluating whether DOD should impose furloughs. Even our military personnel, whose funding is exempt from sequestration, are being hurt by resulting budget cuts because some can no longer train and stay ready to protect our Nation's security—which is one reason they joined the military. Indeed, today's sequestration problem may become tomorrow's retention problem.

#### MILITARY CONSTRUCTION AND FAMILY HOUSING

Mr. Chairman, that provides a brief summary of our proposed budget for 2014 and the basis for the proposal. It also provides a context for the Military Construction request that we are here to discuss today.

For fiscal year 2014, we are asking \$9.5 billion for Military Construction, which is roughly equal to the President's request of \$9.6 billion for fiscal year 2013. Our current request will provide \$3.3 billion to support operational and training facilities, \$0.9 billion to modernize medical facilities, and \$0.8 billion for 17 Dependents Schools projects. The request also includes \$1.3 billion for maintenance and production facilities and \$0.5 billion for BRAC-related expenses, primarily to cover environmental and caretaker costs for property not yet conveyed. The remaining \$2.7 billion of the request provides for research and development, supply, administrative and utility facilities, troop housing, the NATO Security Investment Program, the Energy Conservation Investment Program, minor construction and planning and design.

In addition, we are asking for \$1.5 billion for the Family Housing program, which will help to provide and maintain quality, affordable housing for military personnel and their families in locations that lack adequate rental housing.

#### SELECTED ISSUES

Let me turn to several specific issues, starting with the effects of sequestration on Military Construction funding in fiscal year 2013. Many Military Construction accounts will not experience sequestration cuts because of crediting provisions in the current law. Our initial assessment is that, for those accounts that are cut by sequestration, we can absorb most of the sequestration with available bid savings. Emphasis will be placed on completing on-going construction projects (including incrementally funded projects). We do not intend to reduce the scope of any construction projects. Our plan is to minimize the number of projects deferred or canceled as a result of sequestration. However, since sequestration of affected accounts affects projects with unobligated balances, a large number of reprogramming actions will likely be required to execute the projects. Managing sequestration at the project level has been very difficult and will cost the Department many man hours to manage and implement.

Turning to the fiscal year 2014 request, I want to highlight the importance of our request for funding in support of Global Defense Posture initiatives. In addition to the \$1.4 billion investment planned for overseas military facility investments, we are asking for another \$0.5 billion to continue strengthening forward capabilities and to ensure support for allies. Included are funds:

- To continue working with Japan to achieve an end state Marine presence in Okinawa consistent with the April 2012 joint statement on planned force posture;
- To enhance the ability of forces in the Asia-Pacific region to survive in potential future conflicts;
- For CV-22 support facilities in the United Kingdom; and
- For continued construction of AEGIS Ashore mission facilities in Romania.

In the Asia-Pacific region, investment is needed to establish a more enduring U.S. role in advancing security and prosperity in the region. This includes funds for the development of Guam as a strategic hub in the Western Pacific and to relocate marines from Okinawa. These initiatives are particularly important because of our strategic goal to rebalance our forces toward the Asia-Pacific region.

I also want to highlight our efforts to reduce overseas infrastructure. For years we have been pursuing an aggressive program. 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. The Army plans to close 33 additional sites between fiscal year 2013 and fiscal year 2016, including those associated with the announced decision to reduce our presence from four to two brigade combat teams.

Still, given recent announcements to further reduce our forces in Europe, we decided it was appropriate to build on our past successes in BRAC and use a similar approach to review our European infrastructure. We have initiated a comprehensive infrastructure analysis effort that will identify potential closures and consolidations. We are developing business case analyses for this task, taking into consideration operational impacts, return on investment, and military value. By the end of this year, we plan to produce a fully vetted list of options from which the Secretary can make strategic investment decisions.

As we reduce our footprint overseas, we also need to consolidate infrastructure in the United States. The only effective and fair way to do that is BRAC. And, contrary to some assertions, BRAC does save money. Today we are saving \$12 billion every year because of changes made during past BRAC rounds. We need to consolidate infrastructure now, and that statement will be even more true if Congress decides to continue cuts in defense funding. We must have your help to permit us to make cuts in infrastructure so that we can maintain a fighting force that is ready and modern. In short, we need your support for a BRAC round in 2015.

## CONCLUSION

In conclusion, I believe that the fiscal year 2014 budget request is appropriate given the needs of the Armed Forces and the current fiscal reality. In particular, the budget supports a reasonable Military Construction and Family Housing program. We seek your support for our request. We also ask your help, and the help of others in Congress, to take actions to repeal sequestration and end its mindless and disastrous effects on our military forces.

Mr. Chairman, members of the subcommittee, thank you again for your support for the Department of Defense and especially the men and women who wear America's uniform as well as the civilians who support them. That concludes my statement. I welcome your questions.

Senator JOHNSON. Thank you, Mr. Secretary.  
Mr. Conger.

## STATEMENT OF JOHN CONGER

Mr. CONGER. Thank you, Mr. Chairman. Chairman Johnson, Ranking Member Kirk, Senator Collins, I appreciate the opportunity to appear before you to discuss the Department's fiscal year 2014 budget request for installations and environment. The testimony that I have submitted for the record describes the \$11 billion that we are requesting for military construction, the \$10.9 billion more that we are investing in sustaining and restoring our facilities, and the \$3.8 billion that we are seeking for environmental compliance and cleanup.

As Mr. Hale mentioned, these numbers are not significantly lower than those we requested in fiscal year 2013 and, in fact, they represent a slight increase from what was appropriated this year. That's because the President's budget request replaces the across-the-board sequester cuts, as Mr. Hale mentioned. The fiscal year 2014 budget request allows us to continue a prudent investment in our infrastructure.

I did want to mention two quick points in my opening statement. First, I wanted to talk a little bit more about the sequestration impact not to military construction, where the impact will be minor, but on facilities sustainment and restoration accounts. Because operation and maintenance (O&M) dollars or more discretionary and thus more flexible, the operational accounts were given more protection and facilities sustainment was cut more deeply to make up the difference. In fiscal year 2013, we are deferring all but the most critical repairs, we are deferring routine maintenance, we are holding off on major purchases and accepting risk by looking for building equipment to hold out longer.

Frankly, we can accommodate this for a short period of time, but facilities will break if we short-change these accounts for multiple years. Building systems will begin to fail. The cost to repair broken systems is much higher than that to maintain them, just like changing the oil in your car. Keep in mind, this car is actually a real property portfolio of more than 500,000 facilities and a plant replacement value of more than \$800 billion. If we don't invest in keeping it up, it will deteriorate and we will end up with a steady increase in failing or unusable facilities.

Finally, let me say a word or two about BRAC. As you know, the administration is requesting a BRAC round in 2015. The Department is facing a serious problem created by the tension caused by constrained budgets, reductions in force structure, and limited



flexibility to adapt to the first two. We need to find a way to strike the right balance so infrastructure does not drain too many resources from the warfighter.

Without question, installations are critical components of our ability to fight and win wars, whether that installation is a forward operating location or a training center in the United States. Our warfighters can't do their jobs without bases from which to fight, on which to train, or in which to live when they are not deployed.

However, we need to be cognizant of the fact that maintaining more infrastructure than we need taxes other resources that the warfighter needs as well, from depot maintenance to training to bullets and bombs. We are continually looking for ways to reduce the cost of doing business, from looking for ways to reduce the cost of military construction to investing in energy efficiency that pays us back in lower operating costs. BRAC is another very clear way for us to reduce the infrastructure costs to the Department, and the previous five rounds of BRAC are providing us with the recurring savings of \$12 million that Mr. Hale mentioned. These savings come from the elimination of excess, so they don't result in decreased capability.

I am well aware of the skepticism that many in Congress have about the need for BRAC, and that seems to be based on the fact that we spent more than originally advertised during the 2005 round. To be clear, BRAC 2015 will not look like BRAC 2005. BRAC 2005 was conducted, one, while force structure was growing; two, while budgets were growing; and three, under leadership that directed the use of that authority to accomplish transformative change, not just the elimination of excess.

Let me talk about that last point for just a second. Keep in mind that under the law, the only way to move functions of any significant size from base to base, simply to manage them, is through BRAC. In BRAC 2005, 33 out of the 222 recommendations had no recurring savings. There were 70 more recommendations that took over 7 years to pay back. This wasn't a mistake. It was a conscious choice to use BRAC authority to better manage the enterprise. But even with BRAC 2005 significant expenditure on transformation, it's generating \$4 billion in recurring savings. With no more investment in BRAC 2005, we're going to save those \$4 billion a year in perpetuity.

Today's situation is dramatically different than 2005. The force structure is shrinking, the budget is shrinking, and we are firmly focused on reducing our future costs. That description characterizes the first four rounds of BRAC as well. Frankly, it also characterizes the other one-half of the recommendations that have fast payback from the 2005 round. The 119 recommendations that did have fast payback from the 2005 round cost us \$6 billion and paid back \$3 billion of the \$4 billion in recurring savings. So there were savings that occurred in the 2005 round.

#### PREPARED STATEMENT

That concludes my opening statement. I appreciate the opportunity to testify this afternoon. It is a pleasure to be here, and I look forward to your questions.

[The statement follows:]

## PREPARED STATEMENT OF JOHN CONGER

## INTRODUCTION

Chairman Johnson, Ranking Member Kirk and distinguished members of the subcommittee: Thank you for the opportunity to present the President's fiscal year 2014 budget request for the Department of Defense programs supporting installations, facilities energy and the environment.

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

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

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

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

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

My testimony will outline the fiscal year 2014 budget request and highlight a handful of top priority issues—namely, the administration's request for BRAC authority, European consolidation efforts, status of the plan to move marines from Okinawa to Guam, an overview of our energy programs, and the request to renew or expand our land withdrawals at several critical installations.

## FISCAL YEAR 2014 BUDGET REQUEST—MILITARY CONSTRUCTION AND FAMILY HOUSING

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

TABLE 1.—MILCON AND FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2014

[Dollars in millions]

	Fiscal year 2013 request	Fiscal year 2014 request	Change from fiscal year 2013	
			Funding	Percent
Military Construction .....	\$8,540.7	\$8,505.3	\$(35.3)	(0.4)%
Base Realignment and Closure .....	476.0	451.4	(24.7)	(5.2)
Family Housing .....	1,650.8	1,542.7	(108.0)	(6.5)

TABLE 1.—MILCON AND FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2014—Continued  
[Dollars in millions]

	Fiscal year 2013 request	Fiscal year 2014 request	Change from fiscal year 2013	
			Funding	Percent
Chemical Demilitarization .....	151.0	122.5	(28.5)	(18.9)
Energy Conservation Investment Program .....	150.0	150.0	.....	.....
NATO Security Investment Program .....	254.2	239.7	(14.5)	(5.7)
Total .....	11,222.7	11,011.6	(211.7)	(1.9)

Numbers may not add due to rounding.

#### MILITARY CONSTRUCTION (MILCON)

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

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

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

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

#### FAMILY HOUSING AND UNACCOMPANIED HOUSING

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

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

The Department is committed to improving housing for our unaccompanied personnel as well. In recent years, we have invested heavily in unaccompanied personnel housing to support initiatives such as BRAC, global re-stationing, force structure modernization and Homeport Ashore—a Navy program to move sailors from

their ships to shore-based housing when they are at their homeport. The fiscal year 2014 MILCON budget request includes \$423 million for 11 construction and renovation projects that will improve living conditions for more than 2,000 unaccompanied personnel.

The Services rely largely on privatization to provide family housing on U.S. installations. As you've heard from my predecessors, privatization of family housing—where the Services partner with the private sector to generate housing built to market standards—is the single most effective reform my office has carried out. Prior to privatization, the Services' chronic underinvestment in their facilities had created a crisis, with almost 200,000 of the Department's family housing units rated "inadequate." Privatization leverages the power of the commercial market to serve our needs. With an investment of approximately \$3.6 billion, the Services have generated \$29.7 billion in construction to build new and renovate existing family housing units. The Services also transferred responsibility for maintenance, operation and recapitalization for 50 years to private entities that have an incentive to maintain the housing so as to attract and retain military tenants.

TABLE 2.—FAMILY HOUSING BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2014  
[Dollars in millions]

	Fiscal year 2013 request	Fiscal year 2014 request	Change from fiscal year 2013	
			Funding	Percent
Family Housing Construction/Improvements .....	\$190.6	\$193.8	\$3.1	1.6%
Family Housing Operations & Maintenance .....	1,458.3	1,347.2	(111.2)	(7.6)
Family Housing Improvement Fund .....	1.8	1.8	.....	(0.3)
Total .....	1,650.8	1,542.7	(108.1)	(6.5)

Numbers may not add due to rounding.

#### FACILITIES SUSTAINMENT, RESTORATION AND MODERNIZATION (FSRM)

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

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

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

TABLE 3.—FACILITY SUSTAINMENT, RESTORATION AND MODERNIZATION BUDGET REQUEST, FISCAL YEAR 2013 VS. FISCAL YEAR 2014

(Dollars in millions)

	Fiscal year 2013 request	Fiscal year 2014 request	Change from fiscal year 2013	
			Funding	Percent
Sustainment .....	\$7,895.0	\$8,040.0	\$145.0	1.8
Restoration and Modernization .....	2,794.0	2,666.0	(128.0)	(4.6)
Demolition .....	125.0	145.0	20.0	16.0
Total FSRM .....	10,814.0	10,851.0	37.0	0.3

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

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

## ONGOING INITIATIVES TO REDUCE COSTS AND IMPROVE VALUE

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

*Clarifying Anti-Terrorism/Force Protection (AT) Standards.*—On December 7, 2012, the Deputy Secretary issued policy for DOD to begin using the antiterrorism standards developed by the Federal Interagency Security Committee (ISC) for DOD leased space in buildings, in lieu of continuing the use of DOD-developed standards. The revised policy will put DOD in line with other Federal agencies when determining security requirements for leased facilities, thereby promoting efficiencies with leasing arrangements through General Services Administration, particularly in buildings with multiple Federal tenants, as commonly found in urban areas. Additionally, because the ISC standards will allow DOD to better align organization missions to threats and risk mitigation, the Department can realize cost-savings through decreased relocation, rent, and retrofit costs. We will also be reviewing our on-base processes for applying antiterrorism standards to determine if the ISC or similar processes and standards are more appropriate given the vast spectrum of missions that occur on military installations.

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

*Improving Asset Investments Planning and Programming.*—Budgets associated with sustaining, renovating and modernizing DOD facilities are dropping at a disproportional rate compared to the size of our existing inventory. The facility investments made over the last decade, as a result of Grow the Forces, BRAC 2005, and Army Modularity initiatives, can easily be undermined with sharp reductions in future maintenance budgets. The Department is nearing completion on establishing

a facility recapitalization program that focuses on the use of FCIs, which makes having an accurate and consistent facility inspection program essential. The recapitalization program will contain elements that look broadly across DOD's facility inventory as well as target specific facilities that fall below a minimum FCI. The former element provides the DOD components with flexibility in prioritizing which assets best support their operational priorities and maintaining appropriate levels for quality of life. For assets that fall below an acceptable FCI, the DOD components will be charged with determining whether that asset should be repaired, replaced or demolished. The concept is to only retain and sustain those facilities that contribute to our military readiness and are in a condition that will not jeopardize life, health, and safety of DOD personnel, weapon systems, or equipment.

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

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

#### FISCAL YEAR 2014 BUDGET REQUEST—ENVIRONMENTAL PROGRAMS

The Department has long made it a priority to protect the environment on our installations, not only to preserve irreplaceable resources for future generations, but to ensure that we have the land, water and airspace we need to sustain military readiness. To achieve this objective, the Department has made a commitment to continuous improvement, pursuit of greater efficiency and adoption of new technology. In the President's fiscal year 2014 budget, we are requesting \$3.83 billion to continue the legacy of excellence in our environmental programs. While this is below the fiscal year 2013 request, the reduction reflects improved technologies and processes rather than any decline in effort.

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

TABLE 4.—ENVIRONMENTAL PROGRAM BUDGET REQUEST, FISCAL YEAR 2014 VS. FISCAL YEAR 2013

[Dollars in millions]

	Fiscal year 2013 request	Fiscal year 2014 request	Change from fiscal year 2013	
			Funding	Percent
Environmental Restoration .....	\$1,424	\$1,303	– \$121	– 8.5
Environmental Compliance .....	1,449	1,460	+ 11	+ 0.8
Environmental Conservation .....	378	363	– 15	– 4.0
Pollution Prevention .....	111	106	– 5	– 4.5
Environmental Technology .....	220	214	– 6	– 2.7
Legacy BRAC Environmental .....	318	379 <sup>1</sup>	– 12	– 3.1
BRAC 2005 Environmental .....	73	379 <sup>1</sup>	– 12	– 3.1
<b>TOTAL .....</b>	<b>3,974</b>	<b>3,826</b>	<b>– 148</b>	<b>– 3.7</b>

<sup>1</sup> BRAC accounts were combined in fiscal year 2013 NDAA.

## ENVIRONMENTAL RESTORATION

We are requesting \$1.7 billion to continue cleanup efforts at remaining Installation Restoration Program (IRP—focused on cleanup of hazardous substances, pollutants and contaminants) and Military Munitions Response Program (MMRP—focused on the removal of unexploded ordnance and discarded munitions) sites. This includes \$1.3 billion for “Environmental Restoration,” which encompasses active installations and Formerly Used Defense Sites (FUDS) locations and \$379 million for “BRAC Environmental.” DOD is making steady progress, moving sites through the cleanup process towards achieving program goals. While the fiscal year 2014 request for environmental restoration is down 8.5 percent, that reduction is because DOD has nearly finished investigating our sites and is bounding the problem.

TABLE 5.—PROGRESS TOWARD CLEANUP GOALS<sup>1</sup>

	Status as of the end of fiscal year 2012 (percent)	Projected status at the end of fiscal year 2018 (percent)	Projected status at the end of fiscal year 2021 (percent)
Army .....	88	97	98
Navy .....	72	89	95
Air Force .....	68	89	94
DLA .....	88	91	91
FUDS .....	75	90	94
Total .....	77	92	96

<sup>1</sup> Goal: Achieve Response Complete at 90 percent and 95 percent of active and BRAC IRP and MMRP sites, and FUDS IRP sites, by fiscal year 2018 and fiscal year 2021, respectively.

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

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

Note in particular that we are cleaning up sites on our active installations in parallel with those on bases closed in previous BRAC rounds—cleanup is not something that DOD pursues only when a base is closed. In fact, the significant progress we have made over the last 20 years cleaning up contaminated sites on active DOD installations is expected to reduce the residual environmental liability.

## ENVIRONMENTAL TECHNOLOGY

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

While the fiscal year 2014 budget request for Environmental Technology overall is \$214 million, our core efforts are conducted and coordinated through two key programs—the Strategic Environmental Research and Development Program (SERDP—focused on basic research) and the Environmental Security Technology Certification Program (ESTCP—which validates more mature technologies to transition them to widespread use). The fiscal year 2014 budget request includes \$72.3 million for SERDP and \$39.5 million for ESTCP for environmental technology demonstrations. (The budget request for ESTCP includes an additional \$32.0 million for energy technology demonstrations.)

These programs have already achieved demonstrable results and have the potential to reduce the environmental liability and costs of the Department—developing new ways of treating groundwater contamination, reducing the lifecycle costs of multiple weapons systems, and most recently, developing technology that allows us

to discriminate between hazardous unexploded ordnance and harmless scrap metal without digging up an object. This last development promises to reduce the liability of the MMRP program by billions of dollars and accelerate the current cleanup timelines for sites within the program—without it, we experience a 99.99-percent false positive rate and are compelled to dig up hundreds of thousands of harmless objects on every MMRP site. We are proceeding deliberately and extremely successfully with a testing and outreach program designed to validate the technology while ensuring cleanup contractors, State and Federal regulators, and local communities are comfortable with the new approach. We are already beginning to use this new tool at a few locations, but hope to achieve more widespread use within the next few years.

#### ENVIRONMENTAL CONSERVATION AND COMPATIBLE DEVELOPMENT

In order to maintain access to the land, water and airspace needed to support our mission needs, the Department continues to manage successfully the natural resources entrusted to us—including protection of the many threatened and endangered species found on our lands. DOD manages over 28 million acres containing some 420 federally listed threatened or endangered species, more than 520 species-at-risk, and many high-quality habitats. A surprising number of these species are endemic to military lands—that is, they are found nowhere else in the world—including more than 10 listed species and at least 75 species-at-risk.

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

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

In 10 years of the program, REPI partnerships have protected more than 270,000 acres of land around 64 installations in 24 States. This land protection has resulted in tangible benefits to test and training, and also significant contribution to biodiversity and endangered species recovery actions. For example, the U.S. Fish and Wildlife Service recently found it was not warranted to list a butterfly species as endangered in Washington State, citing the “high level of protection against further losses of habitat or populations” from Joint Base Lewis-McChord's REPI investment on private prairie lands in the region. In California, the U.S. Fish and Wildlife Service exempted Marine Corps Base Camp Pendleton populations of Riverside fairy shrimp from critical habitat designation because of ongoing base management activities and also off-post buffer protection. Both of these actions allow significant maneuver areas to remain available and unconstrained for active and intense military use at both locations.

#### HIGHLIGHTED ISSUES

In addition to the budget request, there are several legislative requests and other initiatives that have received interest from Congress. In the sections that follow, I highlight five specific items of interest:

- Base realignment and closure;
- European basing consolidation;
- Rebasing of marines from Okinawa to Guam;
- DOD facilities energy programs; and
- Request for legislative land withdrawals.

#### *Base Realignment and Closure (BRAC)*

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

The Department is facing a serious problem created by the tension caused by declining budgets, reductions in force structure, and limited flexibility to adapt our in-



infrastructure accordingly. We need to find a way to strike the right balance, so infrastructure does not drain resources from the warfighter. Without question, installations are critical components of our ability to fight and win wars. Whether that installation is a forward operating location or a training center in the United States, our warfighters can't do their job without bases from which to fight, on which to train, or in which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs—from depot maintenance to training to bullets and bombs.

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

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

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

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

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

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

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

Additionally, and of primary importance, is the BRAC requirement for an "All or None" review by the President and Congress, which prevents either from picking and choosing between the Commission's recommendations. Together with the provision for an independent commission, this all-or-none element is what insulates BRAC from politics, removing both partisan and parochial influence, and dem-

onstrating that all installations were treated equally and fairly. It is worth noting that the process validates the importance of those bases that remain and are then deserving of continued investment of scarce taxpayer resources.

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

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

The Department anticipates approximately 13,000 jobs will be generated by eight EDCs for real and related personal property at the following BRAC 2005 locations: Kansas Army Ammunition Plant, Kansas; Lone Star/Red River Army Depot, Texas; Naval Air Station Brunswick, Maine; Newport Chemical Depot, Indiana; Buckley Annex, Colorado; Fort Monmouth, New Jersey; Pascagoula Naval Station, Mississippi; and Ingleside Naval Station, Texas. The Department anticipates approving additional EDCs in fiscal years 2013 and 2014.

#### *European Basing Consolidation*

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

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

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

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

#### *Rebasing of Marines to Guam*

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

On April 27, 2012, the SCC issued a joint statement detailing changes to the plans. Specifically, the United States and Japan separated the requirement of tangible progress on the construction of the Futenma Replacement Facility (FRF) before the movement of marines to Guam, from other Marine restationing efforts on Okinawa to return lands to local communities. Also, while the overall number of marines planned to leave Okinawa remained essentially the same (approximately

9,000), the new distributed laydown will result in fewer marines (and accompanying family members) being re-stationed to Guam (approximately 5,000) with the remainder of the forces moving to Hawaii and the continental United States.

The revised laydown, commonly referred to as the “distributed laydown” establishes fully capable MAGTFs (maritime, air, ground, logistics, and associated lift) in Okinawa, Guam (5,000), Australia (2,500 through a rotational deployment) and Hawaii (2,700) and ensures that individual MAGTFs can respond rapidly to low-end contingencies (e.g., humanitarian assistance/disaster relief, counter-piracy, etc.) while also ensuring that the force can aggregate quickly to respond to high-end contingencies. Additionally, the revised laydown increases our ability over time to train and exercise with allies and partners throughout the region.

The President’s fiscal year 2014 budget request includes \$85 million for construction of an aircraft hangar at the north ramp of Andersen Air Force Base. In addition to supporting the Marine Corps Aviation Combat Element relocation to Guam, this facility can also be utilized to meet current operational requirements of Marine units in the Pacific. Our request includes another \$273.3 million for non-military assistance to address Guam water and wastewater improvements. As a result of the fragile state of Guam’s water and wastewater infrastructure, remedies and new infrastructure are required to support existing military missions, as well as potential growth associated with the Department’s rebalance to the Asia-Pacific region. Numerous Federal agencies, including the Environmental Protection Agency (EPA), worked with the Department and validated these water and wastewater requirements, concluding significant capital improvements were necessary.

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

#### *DOD Facilities Energy Programs*

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

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

#### *Reduce Demand*

From DOD’s new energy budget data system within the Department’s fiscal year 2014 budget request, there are approximately \$1 billion in energy conservation investments, mostly for investments in repair and upgrading systems in existing buildings. The preponderance of these investments are within the Facilities Sustainment, Restoration and Modernization accounts along with other necessary investments in maintaining our existing real property. As mentioned in that section above, this constrained funding follows significant reductions in energy conservation investments from sequestration reductions in fiscal year 2013, which will make achievement of DOD’s statutory energy intensity goals impossible to attain for the foreseeable future. One account that is singled out is the Energy Conservation Investment Program (ECIP), a military construction appropriation for which we are requesting \$150 million. DOD also is investing more than \$2 billion in energy conservation projects for Operational Energy, including aviation and other transportation fuels that are used on DOD bases.

The Services also use third-party financing tools, such as Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), to improve the energy efficiency of their existing buildings. While such performance-based contracts have long been part of the Department’s energy strategy, in fiscal year 2012 the DOD committed to award nearly \$1.2 billion in performance-based

contracts by the end of 2013, or soon thereafter, in response to the President's December 2, 2011, commitment (\$2 billion in such contracts Federal Government-wide). To date, the Department has awarded 39 contracts worth \$362 million with another \$930 million in contracts under development.

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

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

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

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

The Army issued a Multiple Award Task Order Contract (MATOC) Request for Proposal for \$7 billion in total contract capacity for RE. Army projects currently underway include Fort Bliss, Texas (1 MW Solar PV), White Sands Missile Range, New Mexico (4.5 MW Solar PV), and Fort Carson, Colorado (2 MW Solar PV). The Navy has a goal to produce at least 50 percent of the Navy's shore-based energy requirements from renewable sources by 2020. Projects currently underway include Marine Corps Air Station, Miramar, California (3 MW Landfill Gas), Marine Corps Logistics Base, Barstow, California (1.5 MW Solar PV), Naval Air Weapons Station China Lake, California (13.8 MW Solar PV), and Marine Corps Air Ground Combat Center Twentynine Palms, California (1.2 MW Solar PV). Air Force is using existing authority to lease non-excess land for the development of large-scale RE projects, the first of which is under negotiation at Edwards AFB, California (200 MW Solar PV projected to come on line in 2016).

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

#### *Enhance Security*

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

#### *Leverage Advanced Technology*

DOD's Installation Energy Test Bed Program was established to demonstrate new energy technologies in a real-world, integrated building environment so as to reduce risk, overcome barriers to deployment and facilitate widespread commercialization. DOD is partnering with the DOE and reaching out directly to the private sector to identify those energy technologies that meet DOD's needs. The fiscal year 2014 budget request includes \$32 million for the test bed under the Environmental Security Technology Certification Program (ESTCP).

The test bed has >85 projects underway in five broad areas: advanced microgrid and storage technologies; advanced component technologies to improve building energy efficiency, such as advanced lighting controls, high performance cooling systems and technologies for waste heat recovery; advanced building energy manage-

ment 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. The rigorous Installation Energy Test Bed Program provides an opportunity for domestic manufacturers to demonstrate the technical and economic feasibility of implementing their innovative products. These demonstrations provide the credible evidence needed by investors to commercialize emerging technologies to serve the DOD and broader markets.

#### *A Note on Renewable Energy Siting*

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

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

In addition to reviewing projects, the Clearinghouse has conducted aggressive outreach to energy developers, environmental and conservation groups, State and local governments, and other Federal agencies. By encouraging developers to share project information, we hope to avert potential problems early in the process. We are being proactive as well by looking at regions where renewable projects could threaten valuable test and training ranges.<sup>1</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. For example, the Clearinghouse and the Navy have negotiated two agreements that provide for developer contributions for mitigation measures to protect the precision approach radar at the Naval Air Station (NAS) Kingsville, Texas, from wind turbine impacts. The agreements facilitate the continued growth of wind energy generation along the Texas Coastal Plain while providing for the safety of student pilots at NAS Kingsville and NAS Corpus Christi. We believe there will be other situations where developers will wish to contribute funds toward mitigation measures in order to realize a much larger return on a project; section 358 is an extremely useful, market-based tool that allows us to negotiate these win-win deals.

#### *BLM Land Withdrawals*

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

Presently, withdrawals for Naval Air Weapons Station (NAWS), China Lake, California, and the Chocolate Mountain Aerial Gunnery Range (CMAGR), California, expire on October 31, 2014. Additionally, the Army needs to convert its use of public

<sup>1</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 can be used by developers as a risk-management tool.

lands at the Montana Army National Guard, Limestone Hills Training Area, from a BLM issued right-of-way to a legislative withdrawal. Finally, the Marine Corps seeks a new withdrawal of public lands at Marine Corps Air Ground Combat Center (MCAGCC) Twentynine Palms, California, to expand its training areas to support increased requirements.

*NAWS China Lake.*—NAWS China Lake consists of over 1.1 million acres of land of which 92 percent are withdrawn public lands. The current legislative withdrawal, expiring in 2014, is for a 20-year term. Under a memorandum of understanding between the Department of the Navy and the Department of the Interior, the Commanding Officer of NAWS China Lake is responsible for managing the withdrawn land. The installation is home to approximately 4,300 DOD personnel and its primary tenant is the Naval Air Warfare Center Weapons Division.

*Chocolate Mountain AGR.*—The Chocolate Mountain range was established in 1941. The range consists of about 459,000 acres of which approximately 227,000 acres are withdrawn public lands under the co-management of the Marine Corps and Bureau of Land Management. The current 20-year withdrawal is set to expire on October 31, 2014. Its primary uses are aviation weapons training, including, precision guided munitions, and Naval Special Warfare (SEAL) training ranges. It is the only Marine Corps aviation range that is capable of accommodating training with precision guided munitions. Failure to renew the legislative withdrawal will have the practical effect of shutting the entire range down because it is an unusual checkerboard configuration of several hundred parcels of alternating fee-owned DOD land and withdrawn public lands.

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

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

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

Because of the looming expiration dates of the current withdrawals for NAWS China Lake and CMAGR and the BLM issued right-of-way for the Limestone Hills Training Area, as well as the continuing Marine Corps training requirement shortfalls, DOD, with DOI's concurrence and cooperation, is leading the renewal process and proposes that the withdrawals be enacted with the fiscal year 2014 National Defense Authorization Act. This is somewhat different, in that in past withdrawals, the Department of the Interior typically introduced the withdrawal proposals to its congressional committees. However, the Department opted to combine these four

withdrawals into a single legislative proposal. Unlike prior legislative withdrawals which were uncodified, stand-alone provisions of law, DOD is proposing that these withdrawals be made in a new chapter of title 10, United States Code. This would allow commonality among the withdrawal provisions, place them in a location that is easy to find and refer to, and, if used for future withdrawals, reduce the need to reconsider and revise provisions on responsibilities, rights and requirements with each proposal. An important objective of the consolidated approach is to make the withdrawal process substantially more efficient.

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

Senator JOHNSON. Thank you.

For the information of Senators, we will begin with a 7-minute round of questions. We will use the early bird rule, and I will recognize members from alternating sides in the order in which they arrive.

#### PRESSURES ON MILCON BUDGET

Secretary Hale, as I mentioned in my opening statement, I am concerned that MILCON will have a place at the table when upcoming decisions are made in light of the overall constraints on the DOD budget. I fully understand the priority of operational readiness, but I also understand that MILCON plays an important role in readiness, not only in providing mission-critical training and operational facilities, but also in providing for military families during wartime operations.

Last year, the Air Force took what it called a strategic pause in MILCON to fund higher priorities. Sustainment, Restoration, and Maintenance (SRM) is being underfunded by all of the services in both fiscal years 2013 and 2014 due to budget constraints. I worry that MILCON, especially quality of life MILCON, will fall victim to budget pressures. Could you comment on that?

Mr. HALE. Well, Mr. Chairman, I think there is a risk. First, let's hope that we can reach a broad budget agreement, that the Congress can work with the administration, and we can go back to the levels that appear in both the House and Senate budget resolutions for fiscal year 2014 for Defense. They are all pretty consistent with the President's budget request. So if there were a broad budget deal, it seems to us we will get back to the level that both the President and the Secretary of Defense believe is appropriate.

But if we find ourselves taking \$52 billion out of that request, as would be required if there is no changes in the Budget Control Act, then the suddenness of that decline will cause serious problems. You would need to cut force structure, and we will if we are allowed. But you generate very little savings in the first year because it takes a while for people to leave. Modernization will certainly have to be cut severely, but there is only so much you can do. I think in that case, there will be a risk to military construction.

We want a balanced drawdown. That is the right way to do this. What we need is some time to do that and a ramp down if we're going to go to a lower level rather than falling off a cliff. So let's hope that either we can stay at the level that we believe is the

right one, or we can drawdown gradually. If we fall off the cliff, I think there is a risk. I hope I haven't been too blunt.

Senator JOHNSON. Yes. You are not.

Secretary Hale, I understand that OSD and the services believe they can deal with the fiscal year 2013 MILCON sequestration without major problems by applying funds from bid savings to backfill any project shortfalls. However, if bid savings continue to be used to backfill current projects, this ability will likely diminish. Does OSD have a plan B for executing the fiscal year 2014 MILCON under a sequester if future bid savings are not sufficient?

Mr. HALE. Well, I wish you had said plan B and stopped there rather than under sequestration. My preferred plan B, as I have said, would be a broad budget deal that avoids sequestration. If it happens, I think you are right. I mean, we still may see some bid savings as the economy recovers, but I suspect you are right, that they will get smaller, and I think we will be forced in that case into changes we don't want to make in the scope and timing of these projects. Let's hope not.

As you said, we will avoid most of them this year. We are still looking at some of the details. I don't want to sit here and tell you there won't be effects, but we don't believe there will be significant ones in 2013. I think there is more risk in 2014.

#### QUALITY OF LIFE PROJECTS

Senator JOHNSON. Secretary Hale, do OSD and the services have prioritization guidelines if necessary for fiscal year 2014, and where do quality of life projects fall on that priority list?

Mr. HALE. Well, I assume you are asking about the guidelines in the event of a big cut, right? We are working on that now. We still support the President's budget and I want to emphasize that point. As I said in my testimony, we are hopeful that there will be a budget deal that allows the Congress to support that level.

We recognize that we may have to make changes, and so the Secretary has initiated his strategic choices and management review, which is looking at those priorities. So I think the answer to your question, Mr. Chairman, is we understand that we need to maintain our facilities. I was in the Air Force in the 1990s. We struggled. All of DOD did. We were under-investing significantly in facilities sustainment, restoration and modernization, and in MILCON as well. I think we have gotten well to some extent in the subsequent decade, but I do fear that we may be going back down that path again. I mean, it is certainly a risk, and if I am at the Pentagon at that point, I will be mindful of that risk.

Senator JOHNSON. Mr. Conger, DOD is currently working on the European basin setting report that will align the master plan for the future force laydown in Europe. The report is currently scheduled to be released in December 2013. However, we hope to conference and pass the fiscal year 2014 MILCON bill before then.

#### EUROPEAN BASIN REPORT

Can the European basin report be expedited so that the subcommittee can review it, or at least its interim findings, prior to conferencing with the House this autumn?



Mr. CONGER. I think the short answer is that we are certainly going to keep the subcommittee informed, and we are hopeful that we can provide some early information that will inform your process. The original schedule was to start in January, kicked off by the Secretary's memo, to finish with some results in December. Mr. Kendall, the leader of the process—he chairs the senior steering group that governs it—has asked us to accelerate that as well, and he is looking for answers in October.

There is a concentrated amount of effort that we are going to have to do in order to do this work. We will try to get some preliminary answers on that schedule. We are certainly going to work toward that end. Because this is not BRAC but rather BRAC-like, we have more freedom to talk to the Congress about interim results, to tell you guys where we are going, to give insight into which bases might very well be the enduring ones in advance of the final product. In BRAC, that wouldn't be possible. In this analysis, it would be.

Senator JOHNSON. One last question. In the 2014 budget, there are numerous requests for projects located in Europe. How can this subcommittee be assured that the fiscal year 2014 project requested in Europe will be supported by the findings of the pending report?

Mr. CONGER. It's a fair question. Recall back when we have conducted BRAC rounds before, we didn't have any sort of a MILCON pause then. We are not intending to have a MILCON pause in Europe while we are doing this analysis. However, our goal is to be sure to inform the subcommittee as results become apparent so that we don't make investments in places that we don't expect to be enduring. I think the plan that you have in front of you actually has construction at locations we expect to hold onto. That said, we will commit to have a regular conversation with this subcommittee so that we can inform your process as you go forward.

Senator JOHNSON. Senator Kirk.

Senator KIRK. Thank you, Mr. Chairman. I have one strategic question. More and more, I am worried about MILCON and Guam, and I want to make sure we can eventually defend that investment, no matter what, for the United States, since the President has outlined the importance of the Pacific. My hope is that you guys could come forward with us for making permanent the THAAD deployment there, and that we can build a structure around that to preserve that asset out of MILCON. For lack of a better term, I will call it a THAAD-in-the-box just to pop out and make sure we defend our enormous investment in Guam so that that entire infrastructure is always there when we need it.

Mr. HALE. Well, I think I need to—I don't know if I can make any full commitments, Senator Kirk. We have the fat over there for obvious reasons in connection with North Korea, and it's an important deployment, and I think we will be looking carefully at our next steps. But I am not going to sit here and tell you I have a firm answer to your question.

#### INVESTMENT IN GUAM

Mr. CONGER. I think that we are certainly committed to moving forces to Guam into the plan moving forward, and the Navy panel

that is coming up behind me is going to be able to answer these questions to a larger degree. So rather than dance up here and come up with an incomplete answer, I think that we might defer the questions to them.

Senator JOHNSON. Senator Udall.

Senator UDALL. Thank you, Chairman Johnson and Ranking Member Kirk. And I want to thank everyone on the panel. Thank you for your service, and thank you for being here with us today.

As you know, in New Mexico, military construction is very important to our bases. They are important for providing important mission capabilities to our soldiers, and also important for ensuring that there is adequate quality of life for both servicemembers and their families. I am supportive of the President's request for military construction in New Mexico. Thank you for working to ensure that our soldiers, sailors, airmen, and marines have the facilities they need to train, operate, and carry out their missions.

However, I have to tell you, I am also skeptical about the need for another BRAC. We need to know a lot more from DOD before we move forward and authorize another round of BRAC.

#### WHITE SANDS MISSILE RANGE (WSMR)

Now to questions, Mr. Conger. I want to thank you for the time you have spent with the New Mexico delegation and addressing the important issues posed by the Sunzia transmission project and the White Sands Missile Range (WSMR). My understanding is that a technical working group has been formed by the Department of Defense to explore options to mitigate against any impacts the transmission line might have on WSMR's national security missions. The New Mexico delegation has encouraged the projects sponsor to minimize any impacts to WSMR, but also believes that transmission infrastructure is very important to tap New Mexico's vast renewable energy resources. I am urging DOD and the Bureau of Land Management (BLM) to continue to work together to resolve these difficult issues.

Along those lines, I would like to ask about possible DOD mitigation options. Has DOD examined modification to military tasks and evaluation activities, military training routes or military training procedures, or the acquisition of new systems by the DOD and other departments and agencies of the Federal Government as a possible way to mitigate against the preferred route?

Mr. CONGER. The short answer is yes. We have looked at a variety of impacts, and we certainly don't want to highlight problems when we can simply get around them. There are problems. If the line does go in without any sort of mitigation, it will impact test programs that are going to be difficult to replicate and are difficult to change. I certainly would be happy to offer you a briefing on more specifics on that particular program that might get into the classified arena.

That said, we are working with BLM to identify mitigations if the line goes in along that route. The possible mitigations could include specific siting to minimize impacts, burial of portions of the route. There are a variety of items that we have outlined both to the developer and to BLM, and we hope to be able to come to resolution on those.

Senator UDALL. Thank you for doing that. Has DOD considered the cost of military construction for constructing a new launch facility south of the current desert ship which could meet mission needs? And if not, when does DOD plan on determining if such a facility is a feasible mitigation option?

Mr. CONGER. I would like to defer that specific question for the record because I think that we are going to need to talk to the specific program manager to get you the details on that. But the short answer is that desert ship is close to the southern edge of the installation, and as it has been outlined to me, there is not a whole lot of room for it to move, even if we were going to invest the money to use that as an accommodation for this particular situation.

Senator UDALL. Thank you, and we would be happy to take you up on the briefing that you mentioned.

In 2011, the Congress appropriated military construction funds for barracks at White Sands Missile Range. To date, we have only heard excuse after excuse why this project has not broken ground. Our soldiers at White Sands Missile Range deserve better, and I believe that it is about time that DOD and the Army carried out this appropriation. What can you tell me about the status of the barracks, and when will we be able to see this project get started at White Sands Missile Range?

Mr. CONGER. I have to admit, I am not familiar with the particular project. We will get you an answer for the record.

[The information follows:]

An fiscal year 2011 MILCON project was authorized and appropriated to replace the existing barracks at White Sands Missile Range. The project was designed and advertised for construction award, but was placed on hold pending final decisions in force structure. If the final decision in force structure continues the requirement to station the 2nd EN BN at White Sands Missile Range, the replacement of the barracks may be prudent. The existing barracks meet Army standards and currently have an occupancy rate of 79 percent. The Army will continue to provide routine maintenance and repair of the existing barracks until a decision to proceed is made.

Senator UDALL. Okay, thank you.

#### HIGH-SPEED TEST TRACK

The Central Test and Evaluation Investment Program has been a crucial program for defense testing, including testing done at Holloman Air Force Base's high-speed test track. The track is a cost-effective alternative for reducing expensive air vehicle testing. The current track, however, is limited to useful speeds up to Mach 1, and DOD is currently working on programs which far exceed this capacity.

Is DOD still committed to the high-speed test track? Would DOD support updating this technology to allow vibration-free testing up to Mach 3 in order to expand ground-based testing at reduced cost compared to airborne testing?

Mr. HALE. I think we'll have to take that one for the record, too. I apologize. Maybe some of our subsequent witnesses can help you. I'm sorry.

[The information follows:]

*Question.* Is DOD still committed to the high-speed test track?

*Answer.* Yes. The Holloman High Speed Test Track (HHSTT) is recognized as a national test and evaluation (T&E) asset and included as a component part of the

DOD's designated Major Range and Test Facility Base. The test capabilities resident at the HHSTT are viewed as important elements that fill the gap between laboratory investigations and full-scale flight tests.

As a point of clarification, the HHSTT is currently capable of operations exceeding Mach 9. The technology referenced in the question is most probably the Holloman Magnetic Levitation Track (MAGLEV) currently being developed to provide a low vibration environment for payloads on rocket-propelled sleds for speeds from subsonic to Mach+. The MAGLEV can now achieve Mach 1 speed and future plans increase this capability to Mach 3.

*Question.* Would DOD support updating this technology to allow vibration-free testing up to Mach 3 in order to expand ground-based testing at reduced cost compared to airborne testing?

*Answer.* Yes, but there is concern that the technology may not be mature enough for full-scale development at this time. The suggested update to technology might be a candidate for either an Air Force budgeted capability improvement or possibly as a Service proposed Central Test and Evaluation Investment Program (CTEIP) project. CTEIP competitively evaluates proposed projects that best align with the objectives of the Strategic Plan for DOD Test and Evaluation Resources and provide enterprise solutions that benefit the Department as a whole.

Senator UDALL. Okay. Just as a final comment here and focusing back on BRAC, it seems to me that with the large numbers of foreign bases we have, that that is the first place we ought to be looking. I know from your comments that we have made some progress there, and you have listed this out, that you have turned 100 sites in Europe back to their respective host nations and that the Army is planning to close 33 additional sites between 2013 and 2016. But I think it is important that we see the overall plan and understand the savings, how much has been done there. I would just like a lot more transparency on that front to know that you have done a thorough analysis, that you have really looked hard at that and you have squeezed out the savings that can be had there before we look at a domestic BRAC.

So with that, I really appreciate your service.

Mr. HALE. May I just respond briefly?

Senator UDALL. Yes, please.

Mr. Chairman, I'm out of my time.

Mr. HALE. All right. Well, I will be very brief.

#### BASING DECISIONS

You know, we face some really serious budget problems, and I would urge you to let us proceed concurrently. We know that we are going to be able to make changes in our European basing, but we also need to make changes in the continental United States, and we can only do those effectively and fairly with BRAC. It takes several years for a BRAC to come into being.

So I believe we need to get started, and we will obviously provide you every bit of information we can along the way about the European efforts. But I would hope you wouldn't delay this request. We are costing the American taxpayers more money.

Senator UDALL. Well, when I talk about overseas bases, I am talking about our bases all over the world. I highlighted the European because that is in your statement, but I think you need an overall analysis of all of those bases and tell us what the plan is, tell us how much the savings is so that we can see you have really done the analysis and done the work.

Sorry, Mr. Chairman, for going over. Thank you very much.

Senator JOHNSON. Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

FURLONGHS OF CIVILIAN EMPLOYEES

Secretary Hale, I met this morning with a group of supervisors from the Portsmouth Naval Shipyard in Kittering, Maine, and they were extremely persuasive in presenting me with additional data to supplement that which I have already brought to your attention and to the Secretary's attention, along with my colleague Senator King, that suggests that if you impose a disruption on a ship's maintenance or modernization schedule at one of our public shipyards—and Kittering, as you know, overhauls submarines—that you end up paying more in the long run than if you had kept on schedule, not to mention the fact that the submarines are going to be delayed in being returned to the fleet and the obvious impact on readiness that that has.

Yesterday, Assistant Secretary of the Navy, Sean Stackley, testified before an Armed Services Sea Powers Subcommittee hearing that there is going to be more than a one-for-one impact if you furlough civilian employees at one of our public shipyards, and he went on to say, "Everyone understands that the shipyards are a special case in terms of direct impact on readiness," and he said that the shipyards are "in the mix for possible exceptions to the Department-wide furloughs."

The fact is that if we furlough these employees and then you have not budgeted for increased costs in fiscal year 2014, the costs are very real. They are going to occur to both the taxpayer and the military. That's why the Navy has come up with an alternative approach that still meets the budget targets but does so without resorting to furloughs.

So I would like you to give me your view on whether we should be accepting the Navy plan, as I believe we should, to avoid these higher costs and these adverse impacts.

Mr. HALE. Well, Senator Collins, Secretary Hagel hasn't made a decision yet, so I am not going to get ahead of my boss. But let me tell you, we are faced with a truly nasty set of choices. I mean, the United States Air Force has stopped flying in 12 combat-coded squadrons. The Army has stopped all of its combat training center rotations for the rest of the year. Many of our units in the Army and the Navy will be below acceptable readiness levels by the end of the year if the sequestration continues.

We are actively looking at ways to mitigate those problems, and we are faced with some truly nasty choices, like will you take an action over here that you know is stupid—furloughs are a bad idea for everybody—in order to avoid an action even more stupid over here? Like I said, I am not enjoying this job right now. But we haven't made a final decision, and we are well aware, the Navy has made this abundantly clear, their feelings on this issue. We haven't made a final decision, so I can't give you that decision.

Senator COLLINS. Well, it just seems to me that if a service can come up with an alternative way of meeting the budget target, that that ought to be accepted, embraced, and applauded.

Mr. HALE. Well, perhaps we should move that money if something over here in the Air Force and the Army is even more stupid.

I mean, that is the dilemma we face. It's a really nasty set of choices.

Senator COLLINS. Well, it seems to me each service is responsible for coming up with its own plan, and has done so. The National Guard also has a plan to avoid furloughs and still meet the targets. I'm just perplexed by the reluctance here.

I want to bring up a related issue, and that is, according to the most recent figures from your office, the shortfall in the military readiness accounts is not due solely to sequestration, and let me go on record again. I agree with you that sequestration is an extraordinarily poor policy, and it makes no sense not to set priorities. But that's what the Navy is trying to do, is set priorities. It shouldn't be blocked from doing so.

But the fact is that a portion of the shortfall in the readiness accounts, about 25 percent, maybe even a little more, is not due to sequestration. It's due to unanticipated costs related to the wars.

So is the Department going to submit a supplemental request to cover these unanticipated war costs? It's not fair to furlough employees when the Department understandably did not anticipate correctly what the war costs would be. You should be coming to us for additional funds for the war costs.

Mr. HALE. Well, I don't think we will submit a supplemental request. I mean, in this environment, I think it would be a fool's errand. But we will submit a reprogramming request. Now, unfortunately, Congress also limits the amount of transfer authority we have, and although we asked for an increase, it was not granted. So we won't be able to meet all of the wartime shortfalls. But we will very soon, I hope, submit a large reprogramming request to try to move money from investments and military personnel accounts into the operation and maintenance accounts to significantly reduce that wartime shortfall or meet much of that gap.

Senator COLLINS. Well, I personally think that it's not fair for the Department to blame the readiness crisis entirely on sequestration, even though I am totally opposed to sequestration, when in fact at least one-quarter of it is due to unanticipated war costs.

Mr. HALE. I agree with that. Whenever I speak, I always say it's not just sequestration, there are problems with the wartime costs. It's also our choice, which we thought we had to make to protect the wartime operating costs. We are not going to leave General Rumford and his troops over there without the resources they need, and that means more money out of the base budgets. So that is another problem.

Senator COLLINS. Which is why I would urge you to submit a supplemental for those unanticipated war costs.

Just one more point, if I may, Mr. Chairman. Since so many of us mentioned the proposal for another round of BRAC, I just want to remind all of us what the results of the 2005 BRAC round cost data were, and it's why you see such skepticism among so many members of this subcommittee.

The Government Accountability Office (GAO) did an analysis which was released in June of last year and found that the one-time cost grew from \$21 billion, estimated by DOD, to \$35 billion. That was a 67-percent increase. Overall, the military construction costs increased 86 percent from the original estimate, \$13.2 billion

to \$24.5 billion. And the 20-year net present value savings expected to be reaped by the Department of Defense decreased by 72 percent. I'm not saying that there aren't annual recurring savings, but the fact is the Department was way off in its estimates, and from my perspective we lost some valuable assets in this country.

I can't tell you how many very high-ranking naval officers have told me what a mistake it was to close the Brunswick Naval Air Station, the last Active Duty air station in the Northeast, and now the P-3s have to come from Jacksonville, Florida, to patrol the North Atlantic shipping lanes, and we've lost a lot of other advantages as well. So I just want to go on record as sharing the skepticism of my colleagues about having another BRAC round.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Begich.

Senator BEGICH. Thank you very much, Mr. Chairman. Let me follow up and associate at least some of my comments with Senator Collins on the issue of furlough, if I can just ask this question. Have you received, you or your office or other offices, from the Navy or Air Force other proposals to save the money rather than furloughs?

Mr. HALE. Yes.

Senator BEGICH. Can you share that with the subcommittee?

Mr. HALE. I think we probably already have in testimony. But I can tell you what they are. We started in January with a whole set of initiatives including hiring freezes, and reducing facilities, sustainment, restoration and modernization. As discussed today, we also cutback in base operating costs. All of the services did that. The next step, which you will see soon, is a reprogramming effort to transfer money to offset the shortfalls, mainly the wartime shortfalls. That was all we could do within the constraints of the law other than cutting training and maintenance, and we have made far-reaching cuts—

Senator BEGICH. Can you—

Mr. HALE. So furloughs are the last issue. The question is do we cut more training and maintenance, or do we move to furlough?

Senator BEGICH. Just on those two departments, I would like to, even if you have—I don't have them right here, so I would like it if you would submit—

Mr. HALE. Sure, we'd be happy to get you that information.

[The information follows:]

To buy back civilian furloughs, the Navy would defer 50 percent of its fiscal year 2013 restoration and modernization program for reducing Q4 barracks. This could delay the Department's goal of maintaining all barracks at Q1 and Q2 condition by fiscal year 2022, but is a lower overall readiness impact than civilian furlough. Additionally, Navy would slightly reduce funding for fleet operating targets for ship repair parts/consumables/repairables and other administrative requirements.

To buy back civilian furloughs, the Marine Corps would defer \$58.3 million of facility sustainment, restoration and modernization projects planned to improve the habitability at headquarters elements and bases and stations across the Marine Corps. This action could result in falling short of the facility sustainment goal, but balances overall readiness impacts and recognizes the critical work performed by civilian marines.

To enable the buyback of civilian furloughs, the Air Force must have full support of its \$1.8 billion emergency reprogramming request and, even then, the absence of furloughs would end any chance of restarting much-needed flying operations. Buying back 11 days of civilian furloughs would cost approximately \$220 million, which is roughly equivalent to the cost of flying hours necessary to return at least 10 cur-

rently stood down active combat coded fighter and bomber squadrons to combat mission ready flying rates; as well as associated funding for ranges and a portion of training forces. Training forces include aggressor and weapons squadrons, as well as their deferred weapons system sustainment.

While these specific buyback proposals have been received, furloughs must be considered in view of the Department's overall fiscal situation. The Army is having significant problems meeting wartime needs. Part of the solution is to transfer funds from the Navy to Army, as has been requested in the current reprogramming action. Furloughs help make this possible. As noted above, Air Force furloughs may help restart some flight training.

Senator BEGICH. That would be great.

#### UNANTICIPATED WAR COSTS

And on the unanticipated war costs, again, it may be in the mill here, but I know you're not going to request that, but can you give me something that just says here's what the unanticipated war costs were, even though you're not asking for it, to say what that number is?

Mr. HALE. Sure. I can tell it to you, too. It ranges from \$7 billion to \$10 billion. Most of it is the Army, primarily two things.

Senator BEGICH. Is it mostly transferring of goods back?

Mr. HALE. Two things. That's part of it, but that's a smaller part of it. We didn't anticipate the closure of the ground lines of communication in Pakistan, obviously, and the sluggish reopening of them, which has raised our transportation costs. But the bigger part of it is higher than expected operating tempo, and it's not just the Army. It occurred in the Air Force and to a lesser extent in the Navy, as well. But, yes, I can give you the numbers.

Senator BEGICH. That would be great. I'm just trying to watch my time here. So let me, if I can, last year, when we did the annual authorization bill, one of the pieces we changed in the law in DOD, the ability to realign, to limit DOD's ability to realign enclosed bases, like section 993 and 268 of title 10, which I worked on when I was on the Armed Services Committee to strengthen that. The idea was to ensure that there wouldn't be a backdoor BRAC process, and I want to make sure—I'm going to be very specific here.

#### EIELSON AIR FORCE BASE

As you know, Eielson Air Force Base was slowly being stripped away or proposed to be stripped away, and other bases were being affected around the country. I want to make sure you concur with the understanding that Congress has on this, that you would not propose, like last year, when the Air Force tried to backdoor an effort, especially on Eielson Air Force Base, do you concur with the language and what its intent is?

Mr. HALE. Well, we certainly concur. We're going to obey the law.

Senator BEGICH. Good. That's the first question. Good.

Mr. HALE. Right.

Senator BEGICH. So the second question is do you also agree that the Air Force, again because of the changes, they must seek congressional approval before proposing any significant realignments at Eielson or any other installation, based on the law?

Mr. CONGER. Let me take that one. The language, as far as realignments go, requires notification to Congress, and that is still the law. We are still going to follow the law.



Senator BEGICH. You acknowledge that's the rule.

Mr. CONGER. The second piece of the puzzle, though, if I recall, if I am getting the reference that you made for a backdoor BRAC, the rule said you can't make transfers that lowers the number below the threshold of 300 and then say, oh, it's below 300, we can close the base.

Senator BEGICH. Correct.

Mr. CONGER. We acknowledge the new rule and the constraint that that places on us.

Senator BEGICH. Very good. I'm doing that because I can tell you in Fairbanks, Alaska, where Eielson touches, you hear rumblings all the time, and I want to make sure it's clear, and this is a great place to do it, to make sure it's on the record and that it's very clear how this process works, because that's what was happening last year. So we appreciate that kind of acknowledgment.

Mr. CONGER. So the question then becomes is what the Air Force proposed a backdoor closure?

Senator BEGICH. Last year it was.

Mr. CONGER. The idea that was the base going to be closed or kept at sort of a more empty—

Senator BEGICH. Stripped down.

Mr. CONGER. And a stripped-down base is not a closed base.

Senator BEGICH. Well, I'll tell you, to the Fairbanks economy, it sure as heck is.

Mr. CONGER. I understand that as well, and I don't mean to debate that point. I just want to be clear that the impact of the legislation said you can't close the base. Well, actually, it said you have to wait a certain amount of time.

Senator BEGICH. Right. But you understand that the new piece of the puzzle was the 300 threshold, because what was slowly happening was it was being picked away. You're right, we don't want to debate this because we agree on the law. I just remember when I was mayor of Anchorage and they would say, my guys would say in transit, well, this bus service isn't getting a lot of riders. And I would say, well, what's the frequency? They'd say, well, it's only once a day. And I'd say, well, of course. And then they'd say, well, we should close it because there's not a lot of riders, right? But if they did it five times a day, they'd have a lot more riders, a lot more use. So I just want to make sure that we are clear that the threshold is there and that you understand and concur with the law, and it sounds like the answer is yes.

Mr. CONGER. Of course, we're going to obey the law.

Senator BEGICH. Let me go to the broader BRAC, if I can, because I think, again, I associate my comments with many people here. I know before I got here, Senator Kirk made some additional comments on it. I agree with him, we should be continuing to look overseas and seeing where we can and squeeze down where we can there.

On the \$12 billion or so that you estimate that you are saving on the last BRAC per year—

Mr. CONGER. The last five.

Senator BEGICH. The last five, can you give me the detail of how those savings are associated, where they come from, and then what other agencies unrelated to the Air Force—oh, I'm sorry—to the

DOD that may be recurring costs but are not included in your analysis, if any?

#### BASE REALIGNMENT AND CLOSURE (BRAC) SAVINGS

Mr. CONGER. I'm not sure how we would calculate how much additional cost a different agency incurs with the BRAC decision.

Senator BEGICH. Let me do it a different way, then. Can you just indicate what agencies may be affected? And then we'll talk to the agencies. Like the Department of Education was probably affected to some degree, right? Because you had education facilities.

Mr. HALE. This goes back to the 1980s.

Senator BEGICH. Well, do what you can, okay?

The other, if I can, we've asked—I sent a letter last week, but this has been a pending request by the Army, to go look at Eielson Air Force Base for some of the work they are going to do on unmanned aircraft, because they see opportunity to maximize some of the use of that facility there for saving money, which I think we are all into that. They have had this request sitting at the Air Force side for months, almost 5 months, with no answer. It makes no sense, what I'm about to say to you. The Air Force will say to the Army, hey, sure, no problem, go look at our assets up there and determine if that fits into your plan, because if it does, with unmanned aircraft, with unmanned aircraft utilization, then let's consider it. But the Air Force has been sitting on that request by the Army for 5 months, and I just sent a letter last week trying to jack that loose. Can you look at that? I don't understand why——

Mr. HALE. I'm not familiar with the details.

Senator BEGICH. It seems so simple, a base that has opportunities. So if you could do that, I'd greatly, greatly appreciate it.

Mr. CONGER. Sure.

[The information follows:]

There are several ways in which the costs associated with constructing a facility by DOD differ from the private sector. While there were no details provided on the \$40 million and \$14 million school projects, in general, differences in the costs can be attributed to whether any support facilities are included in the private sector project, how the educational requirements are factored in each project, and the specific Federal statutes and regulations that apply to DOD.

Specific to school designs, DOD costs are higher because designs reflect costs of adopting 21st Century Education Specifications developed by the DOD Education Activity. These specifications reflect lower student/teacher ratios, thereby requiring more classrooms and teachers for a given number of students. Most public school districts have not adopted these standards.

More generally, the Department recently completed a study to identify and quantify factors that contribute to cost differences between DOD and private sector construction projects. The study concluded that statutes, regulations, and policies that apply to the DOD and not to the private sector create a cost premium the study estimated that DOD has to pay 20–30 percent more for the same building type than it would cost for an equivalent private sector facility.

Driving factors include: the application of prevailing labor wages required under the Davis-Bacon Act; DOD's internal design practices that differ from the private sector; anti-terrorism and force protection standards; Federal sustainability and energy-conservation standards; safety standards and enforcement; and base access restrictions for construction personnel and material delivery. DOD is looking further at the factors contributing to higher construction costs to determine where we can make changes that continue to provide quality facilities at a lower cost.

Senator BEGICH. Thank you all very much.

Thank you, Mr. Chairman.

## SCHOOL RENOVATION

Senator JOHNSON. Senator Kirk and I have one last question. Mr. Conger, the fiscal year 2014 budget request includes \$798 million to renovate 17 DOD schools. Seven of these projects are elementary school replacements in the United States. It costs around \$40 million each. However, the National Clearinghouse for Educational Facilities places the average national cost of a comparable private-sector 600-student elementary school at \$14.8 million. What are the reasons for this dramatic cost difference between DOD schools and the equivalent private-sector schools? Are there ways that the DOD can maintain high standards while getting closer to private-sector costs?

Mr. CONGER. Let me answer that question in two parts. We are fully cognizant of the fact that it costs more money to build the same building on a base with military construction than it does for the commercial sector to build a similar building off base. We have been exploring the reasons for that and studying it, and there are a few things that bubble up as to the rationale.

There are Federal rules. When you spend Federal money, there is additional regulation that is imposed, prevailing wage rates, et cetera. There are military requirements on how one can construct the building. There are anti-terrorism force protection requirements that aren't required off base. There are additional costs to construction when one has to get through security. Just the access to the site adds cost.

That cost delta is significant but not on the scale that you just described. The information that we've got implies something on the order of a 30-percent premium that we pay. We are looking at those rules to find out what is in our control and what we can change in order to create a more balanced number, something that has less of a premium. We want to get the same building for less, we really do.

The second piece of this is the school-specific piece. In order to figure out why a \$40 million school, on the one hand, has a comparable analog of \$14 million—I think those were the numbers you cited—that we are going to have to dig into a little bit more because I wasn't familiar with that order-of-magnitude difference.

[The information follows:]

On May 28, 2013, the Secretary of the Air Force approved the Army's request to conduct a site survey of Eielson to assess its potential to host a MQ-1C Gray Eagle company. Once all the site surveys are complete, the results will be evaluated and a recommendation presented for decision. This decision is expected to occur later this summer.

Senator JOHNSON. It's somewhat the same with the Indian country schools. I've been mystified, and as soon as you can come up with an answer, that is welcome.

Senator Kirk.

Senator KIRK. Mr. Chairman, I will turn to the Pacific, which I think I completely agree with the President on. I understand that we deployed B-2s to Anderson in Guam, but they do not have hardened facilities. I want to make sure that it is typhoon hardened as well and we don't lose an asset like the B-2 that is essential to our diplomacy to calm the Koreans down.

Mr. CONGER. I know that we are investing a significant amount of funds in Guam for resiliency and hardening. The specific typhoon hardening that you are referring to, we can find out if the specs meet that requirement.

Senator KIRK. Over to you, Mr. Chairman.

#### ADDITIONAL COMMITTEE QUESTIONS

Senator JOHNSON. This panel is excused.

[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 MARK L. PRYOR

*Question.* There are three fiscal year 2013 military construction projects in Arkansas: \$6.8 million for Field Maintenance Shop, Army Guard, Searcy; \$4.17 million for C-130J Flight Simulator Addition, AF Active Duty, LRAFB; and \$26 million for C-130J Fuel Systems Maintenance Hangar, AF Active Duty, LRAFB.

Have these projects been cut or delayed as a result of sequestration?

*Answer.* The two fiscal year 2013 Air Force military construction projects (C-130J Flight Simulator Addition project and C-130J Fuel Systems Maintenance Hangar project) located at Little Rock Air Force Base, Arkansas, were not cut or delayed as a result of sequestration. The Air Force military construction account did not experience sequestration cuts because of crediting provisions in the current law.

The Field Maintenance Shop project located at Searcy, Arkansas, and funded in the Military Construction, Army National Guard appropriation has been reduced by \$214,000 due to sequestration. A below threshold reprogramming will be able to restore funding if necessary.

*Question.* How many military construction projects have currently been delayed or canceled as a result of sequestration?

*Answer.* At this time, our intent is to not cancel any projects and to date, no projects have been canceled as a result of sequestration. Due to the late receipt of fiscal year 2013 appropriations and the subsequent sequestration, all projects have been delayed. Further delays will be experienced for projects that will require congressional prior approval reprogramming to restore the lost sequestration funding to make the projects executable at full scope.

*Question.* How much do you think it would cost to deal with any necessary contract renegotiations, penalties for delays, and any additional design, planning and engineering work needed to address a reduced project scope for fiscal year 2013 military construction projects?

*Answer.* The Department does not plan to reduce the scope of any projects as a result of sequestration. At this time, the Department intends to use its reprogramming authorities to fund projects at full scope.

*Question.* Does the fiscal year 2014 budget request account for the impacts of contract renegotiations, penalties for delays, and any additional design, planning and engineering work as a result of a reduced project scope for fiscal year 2013 military construction projects caused by sequestration?

*Answer.* No. Our intent is to not reduce the scope of any projects. At this time, the Department intends to use its reprogramming authorities to fund projects at full scope.

*Question.* Has the Department of Defense already begun new contract negotiations as a result of sequestration?

*Answer.* No. Our intent is to not reduce the scope of any projects as a result of sequestration. At this time, the Department intends to use its reprogramming authorities to fund projects at full scope.

*Question.* What is the impact on military readiness for fiscal year 2013 military construction project delays or cancellations?

*Answer.* At this time, the Department does not plan to cancel any projects as a result of sequestration. Due to the late receipt of fiscal year 2013 appropriations and the subsequent sequestration, all projects have been delayed. However, we do not anticipate any degradation of military readiness as a result.

*Question.* Senate Report 112-173, to accompany S. 3254, the National Defense Authorization Act for Fiscal Year 2013, specifically addressed the "Critical manufac-

turing capabilities and capacities” within the defense organic industrial base. Specifically, the report states, “the committee directs the Secretary of Defense to identify critical manufacturing capabilities and capacities that should be government owned and government operated, identify the level of work needed to sustain capabilities, and report to the congressional defense committees on these matters no later than February 28, 2013.” When can Congress expect to receive this report?

Answer. The Assistant Secretary of Defense for Logistics and Material Readiness is completing the required report. Consistent with the letter to you from the Under Secretary of Defense for Acquisition, Technology, and Logistics dated April 26, 2013, the Department anticipates providing the report by the end of June 2013.

*Question.* Will the February 28, 2013, report address both the level of work needed to sustain capabilities, and the level of work required to remain a cost-effective production solution?

Answer. The report required by Senate Report 112-173, which accompanied S. 3254, directs the Secretary of Defense to, “. . . identify critical manufacturing capabilities and capacities that should be government owned and operated, identify the level of work needed to sustain capabilities and report to the congressional defense committees on these matters no later than February 28, 2013.” Consistent with the letter to you from the Under Secretary of Defense for Acquisition, Technology, and Logistics, dated April 26, 2013, the Department anticipates providing the report by the end of June 2013.

This report will identify workload estimates, in direct labor hours, required to sustain critical manufacturing capabilities. The report will not specifically address workload estimates required for a cost-effective production solution since this direction was not included in Senate Report 112-173. However, the Department has initiated a study to develop a proven, repeatable methodology for the identification of minimum sustaining workloads, economic sustaining workloads, and surge requirements necessary to protect critical manufacturing capabilities. The results of this study will be available by March 2014.

*Question.* In 2010, the Department of Defense established a policy that new construction and major repair and renovation projects be certified at least LEED-Silver, or its equivalent; however, the Department has not clearly defined an equivalent standard. Further, it is my understanding that the LEED standard does not accept over 75 percent of wood grown in the United States, therefore opening the door for use of foreign wood products. Is the Department updating its current policy and how is the Department making sure that all certification standards are treated equally?

Answer. The Department has published a new building standard (Unified Facilities Criteria) that does not rely on third-party rating systems, but instead draws from consensus green building standards like ASHRAE 189.1. The new building standard establishes a minimum level of performance that all new buildings and major renovations must meet. This new standard does not articulate any preference for a third-party certification system or for a particular kind of wood.

*Question.* I am concerned that specifically naming the LEED-Silver standard in the Department's policy creates a bias towards using the LEED standard despite existence of other acceptable standards, and in some cases, other standards may be more cost-effective. What are the other acceptable green building rating systems that the Department has determined to be equivalent to the LEED-Silver standard?

Answer. In accordance with the Energy Independence and Security Act (EISA) section 436, the Department of Energy determines which green building rating systems are acceptable for use by Federal agencies. Notwithstanding the DOE decision, DOD has published a new building standard (Unified Facilities Criteria) that does not rely on third-party rating systems, but instead draws from consensus green building standards like ASHRAE 189.1. The new building standard establishes a minimum level of performance that all new buildings and major renovations must meet. This new standard does not articulate any preference for a third-party certification system.

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#### QUESTIONS SUBMITTED BY SENATOR MARK KIRK

##### BASE REALIGNMENT AND CLOSURE (BRAC) AUTHORIZATION—OFFICE OF THE SECRETARY OF DEFENSE

*Question.* While Congress is debating the new BRAC proposal, the Department of Defense is conducting a study on European Infrastructure Consolidations. The goal of this study is to “reduce expenses by eliminating excess capacity in Europe”. According to the DOD policy guidance, the services and COCOMS are to analyze capacity and compare the current facility inventory to the requirements of planned

force structure. Unfortunately, this study is not planned to be completed until December 2013, well after Congress has to vote on the authorization for a new CONUS BRAC authority. Many members want to see what facilities will be closed in Europe and if forces will return to the United States before they agree to another round of closures in the United States.

Mr. Hale, can you offer a reasonable explanation as to why we should vote to authorize another round of U.S. base closures before the Department completes the European Consolidation Study?

Answer. BRAC is recognized as the only fair, objective, and proven process for closing and realigning military installations within the United States and its territories. Without statutory BRAC authorization, the Department is limited in its ability to reduce infrastructure in a comprehensive manner.

The Department has initiated a comprehensive infrastructure analysis to identify opportunities for consolidation in Europe, beyond the significant reductions already accomplished in this area. This effort, however, is not focused on relocating forces and organizations back to the United States, but instead on trimming capacity that is excess to what is necessary to support our enduring presence in Europe. The process will ultimately result in a validation of those enduring European infrastructure requirements, providing an analytical basis to support sustainment funding and future recapitalization.

Given the size of the current budget cuts and the uncertainty of the Department's future fiscal circumstances, it is unrealistic to expect all reductions to come from overseas sources. This is why the Department has requested authority to conduct a BRAC round, which is a critical element of our strategy to reduce infrastructure and personnel costs.

#### GUAM—OFFICE OF THE SECRETARY OF DEFENSE

*Question.* The Navy is requesting \$318 million for projects in Guam while the Air Force is requesting \$176 million, that's nearly a half a billion dollars this year alone. Looking back in 2013 we appropriated \$102 million; \$168 million in 2012; in 2011 we appropriated \$246 million; and in 2010 we appropriated \$675 million. That means in the last 5 years alone the appropriations are nearing \$2 billion. And, we are planning over \$10 billion more once we work out the issue on transferring the marines there. That is a huge investment for one location—granted an important strategic location—but my point is with that investment we have not adequately planned to protect it.

Mr. Hale, the original Guam master plan called for a missile defense of the island. Only recently did we even put a deployable THAAD unit on Guam. Will you comment from the OSD perspective why we have not adequately planned on a permanent missile defense to protect such an important yet vulnerable strategic location and will the current Secretary revisit that decision?

Answer. Guam is clearly an important strategic hub in the Asia-Pacific and the facilities there play a critical role in our ability to project power into the region. It is also a United States sovereign territory, and accordingly, we consider the defense of Guam and other U.S. territories against the threat of intermediate and long-range missile strikes a priority—a position demonstrated by our decision earlier this year to deploy a ballistic missile defense (BMD)-capable Aegis ship and the Terminal High Altitude Area Defense (THAAD) system to the island in response to North Korea's threat to strike U.S. bases in the Pacific with intermediate range ballistic missiles.

We will continue to evaluate the requirement for forward deployment of missile defense capabilities in defense of Guam and the Commonwealth of the Northern Mariana Islands as the situation with North Korea unfolds. However, it's important to note that because global demand for missile defense assets exceeds their availability, the Department of Defense is purposefully developing an array of mobile, re-locatable missile defense capabilities—such as the Aegis BMD and THAAD systems—that make possible our ability to shift additional assets into an area in times of crisis. Each of these systems is capable of providing protection to U.S. citizens and forces forward-deployed in our territories and foreign countries.

DEPARTMENT OF THE NAVY

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

ACCOMPANIED BY:

MAJOR GENERAL JAMES A. KESSLER, COMMANDER, MARINE CORPS INSTALLATIONS COMMAND AND ASSISTANT DEPUTY COMMANDANT FOR INSTALLATIONS AND LOGISTICS (FACILITIES)

REAR ADMIRAL KEVIN SLATES, DIRECTOR, CHIEF OF NAVAL OPERATIONS, ENERGY AND ENVIRONMENTAL READINESS DIVISION

Senator JOHNSON. Will the second panel please be seated?

I am pleased to welcome our second panel of witnesses. Mr. Roger Natsuhara, Principal Deputy Assistant Secretary of the Navy for Energy, Installations and Environment; Major General James Kessler, Commander of the Marine Corps Installations Command and Assistant Deputy Commandant for Installations and Logistics; and Rear Admiral Kevin Slates, Director, Chief of Naval Operations Energy and Environmental Readiness Division.

This year's military construction and family housing budget request for the Navy and Marine Corps is \$2.4 billion, roughly equal to the fiscal year 2013 request. I note, however, that the budget request for the Naval Reserve is decreased 33 percent from the fiscal year 2013 request, \$33 million from \$49 million. However, the Naval Reserve received a robust 88-percent increase in fiscal year 2013. It is important that we continue to make wise, long-term investments in Reserve and Guard forces during this time of budget belt tightening.

The Navy's MILCON request encompasses several important and evolving mission requirements, including the pivot toward the Pacific, the relocation of marines from Okinawa to Guam, and the continued build-up of facilities in Djibouti. I look forward to discussing these initiatives with our witnesses today.

I thank our witnesses for coming today, and we look forward to your testimony.

Mr. Natsuhara, I understand that yours will be the only opening statement. Your full statement will be entered into the record. Please proceed.

SUMMARY STATEMENT OF ROGER M. NATSUHARA

Mr. NATSUHARA. Thank you, Mr. Chairman. Chairman Johnson, Ranking Member Kirk, and member Begich, I am pleased to appear before you today to provide an overview of the Department of the Navy's investment in its shore infrastructure. For fiscal year 2014, the Department is requesting over \$12 billion in various appropriation accounts to operate, maintain, and recapitalize our shore infrastructure.

This level of funding represents continued investment to enhance combatant commanders' capabilities, improve servicemembers' quality of life, and recapitalize aging infrastructure. The fiscal year 2014 budget also demonstrates the Department's commitment to energy security by funding cost-effective projects that will improve our energy infrastructure and reduce our energy consumption.

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

Our request includes \$1.7 billion in military construction projects supporting several key objectives of the Defense Strategic Guidance of 2012. For instance, the Navy and Marine Corps have programmed approximately \$657 million to enhance warfighting capabilities in the Asia-Pacific region such as the new hangar, apron and infrastructure at Marine Corps Base Hawaii and the Navy's warfare improvements at Naval Base Guam; \$200 million in projects such as the Broad Area Maritime Surveillance hangars in California and Guam; and the EA-18G Growler and P-8 Poseidon projects in Washington State that will ensure the United States remains capable of projecting power in anti-access and area denial environments.

The Navy's investment in a barracks and armory at Camp Lemonnier, Djibouti, provides supporting infrastructure enabling Special Operations forces to carry the fight forward, conducting stability and counterinsurgency operations for U.S. Central and U.S. Africa Commands.

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

Guam remains an essential part of the United States' larger Asia-Pacific strategy, which includes developing the island as a strategic hub and establishing an operational Marine Corps presence. The Department recognizes congressional concerns regarding execution of the Guam military realignment and is taking steps necessary to resolve critical issues that will resolve the construction program and move forward.

Furthermore, 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 their robust security alliance, and the United States remains committed to enhancing the United States-Japan alliance and strengthening operational capabilities.

Our Nation's Navy and Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department's fiscal year 2014 request supports critical elements of the Defense Strategic Guidance



by making needed investments in our infrastructure and people and preserving access to training ranges, afloat and ashore.

#### PREPARED STATEMENT

I look forward to working with you to sustain the warfighting readiness and quality of life for the most formidable expeditionary fighting force in the world. Thank you for the opportunity to testify before you today, and I welcome your questions.

[The statement follows:]

#### PREPARED STATEMENT OF ROGER M. NATSUHARA

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

#### MEETING THE CHALLENGE OF FISCAL UNCERTAINTY

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

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

The effects of the fiscal year 2013 sequester will persist beyond the current year and profoundly affect the Navy and Marine Corps' ability to carry out their missions in today's threat environment using the protocols and force structure that currently exist. Moreover, the President's fiscal year 2014 budget request assumes the Congress will reach a compromise on deficit reduction; otherwise, the programs and projects we present today will be subject to reductions as well.

#### INVESTING IN OUR INFRASTRUCTURE

##### Overview

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

[Dollars in millions]

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

Figure 1: DON infrastructure funding by appropriation.

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

#### *Military Construction*

Our fiscal year 2014 President's budget request of \$1.7 billion keeps pace with last year's request and supports several key objectives of the Defense Strategic Guidance of 2012. For instance, the Navy and Marine Corps are investing approximately \$657 million to enhance warfighting capabilities in the Asia-Pacific region such as the new hangar, apron, and infrastructure (\$132.2 million) at Marine Corps Base, Hawaii that will support the second squadron of MV-22 "Osprey" aircraft arriving in 2016; and Navy's wharf improvements (\$53.4 million) at Naval Base Guam.

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

The Department continues efforts to reduce our energy costs. The fiscal year 2014 request includes nearly \$70 million to decentralize steam plants at Marine Corps Base Camp Lejeune and Marine Corps Recruit Depot San Diego, installing new gas-fired energy-efficient space and domestic water-heating systems. Additionally, the Department will benefit from nearly \$61 million in energy and water conservation projects funded through the Defense-Wide Energy Conservation Investment Program. These funds will enhance energy security at Camp Smith, Hawaii (\$8 million) and Marine Corps Air Station Miramar, California (\$18 million); increase sources of cost-effective renewable energy (\$1.7 million); improve water conservation efforts (\$2.4 million); and increase energy efficiency in many other locations (\$30.7 million). However, the almost \$600 million fiscal year 2014 reduction in SRM/O&M and Base Operating Support (figure 1 above) in addition to the sequester reductions in fiscal year 2013 will make the statutory energy intensity goals more difficult to achieve. Moreover, a reduced investments in energy projects now will result in lost opportunity for savings in the future, higher utility costs and, ultimately, reduced readiness as funds are diverted to pay these bills.

#### *Facilities Sustainment, Restoration and Modernization (FSRM)*

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

The Navy budgeted \$1.5 billion (80 percent of the model) in fiscal year 2014 and continues to take risk in its shore infrastructure to increase investment in afloat readiness and capabilities. It manages this risk by prioritizing work to address mission-critical facilities in poor condition and resolve life-safety issues. Projects not meeting these criteria are deferred. There are, however, exceptions to the "80 percent" rule. Maintenance dredging, flagship educational institutions, Camp David, and the Naval Observatory receive 100 percent of the funding recommended by the model. Furthermore, the Navy programmed \$425.1 million to meet the 6 percent capital investment in depots required by title 10, U.S.C. section 2476.

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

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

#### INVESTING IN OUR PEOPLE

##### *Overview*

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

##### *Training and Education*

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

##### *Unaccompanied Housing*

In addition to expeditionary housing the Navy will build in Djibouti, the fiscal year 2014 request includes two projects that will provide accommodations for 1,220 transient and permanent party personnel. The first project replaces outdated and deteriorating housing for initial skills training (“A” School) students at Naval Station, Great Lakes (\$35.9 million). The second project, at Naval Base Ventura County, acquires and converts 300 existing leased section 801 family housing units and two supporting facilities to address pressing billeting needs (\$33.6 million).

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

##### *Family Housing*

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

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

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

Additionally, the Navy and Marine Corps estimate spending almost \$75 million to lease over 2,500 housing units domestically (781) and abroad (1,763). Over the past several years, the Navy has reduced its number of foreign “high-cost” leases (based on thresholds contained in U.S.C. title 10, section 2828. This past year, the Department instituted a policy to limit the leasing of high-cost homes overseas (based on 10 U.S.C. 2828 thresholds). We will only consider such leases for designated high-risk billets/high-risk personnel where there are no less costly options to provide secure housing or where it can be demonstrated that such a lease is in the best interests of the Government.

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

#### MANAGING OUR FOOTPRINT

##### *Overview*

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

##### *European Consolidation*

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

##### *Base Closure and Realignment (BRAC)*

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

Year and service	Battle force ships	Primary authorized aircraft-active	Personnel-active	Installations
PB 2005:				
Navy .....	290	1,402	365,900	94
USMC .....	.....	995	175,000	26
Total .....	.....	2,397	540,900	120
PB 2013:				
Navy .....	284	2,012	322,700	83
USMC .....	.....	1,041	197,300	25
Total .....	.....	3,053	520,000	108

Figure 2: Force structure vs. number of installations.

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

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

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

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

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

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

#### *Compatible Land Use*

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

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

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

Figure 3: Restrictive easements acquired through encroachment partnering in fiscal year 2012.

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

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

#### *Land Withdrawals*

A number of Department of Navy installations are located wholly or partially on public lands that have been withdrawn from the public domain. Withdrawals exceeding 5,000 acres must be authorized in statute. As part of the National Defense Authorization Act for fiscal year 2014, the administration requests to renew the withdrawals for Naval Air Weapons Station, China Lake, California, and the Chocolate Mountains Air Gunnery Range, California, managed by the U.S. Marine Corps. The Marine Corps also seeks to withdraw an additional 154,000 acres at its Air Ground Combat Center, Twentynine Palms, California, to support increased training requirements. These three withdrawal actions have been combined into a single legislative proposal with the Army's request to convert its use of public lands at the Limestone Hills Training Area, Montana. Each of these withdrawal actions would extend for a period of 25 years.

### RELOCATING MARINES TO GUAM

#### *Overview*

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

#### *Moving Forward*

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

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

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

The fiscal year 2014 budget request includes \$85.7 million for construction of a type II hangar at the Anderson Air Force Base North Ramp. To match the U.S. effort in fiscal year 2013, the Government of Japan has agreed to reallocate \$10.8 million to fund planning and design for the second increment of North Ramp utilities and site improvement using their Japan fiscal year 2009 funds already transferred to the United States and for fiscal year 2014, transferring \$114.3 million of Japan

fiscal year 2011 funds for the construction of this project. None of these projects are impacted by the SEIS.

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

#### CONCLUSION

Our Nation's Navy-Marine Corps team operates globally, having the ability to project power, effect deterrence, and provide humanitarian aid whenever and wherever needed to protect the interests of the United States. The Department's fiscal year 2014 request supports critical elements of the Defense Strategy of 2012 by making needed investments in our infrastructure and people; reducing our world-wide footprint; and preserving access to training ranges, afloat and ashore.

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

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

#### GUAM BASING

Senator JOHNSON. Thank you. Mr. Natsuhara, in your testimony you noted that Guam remains an essential component of the U.S. Pacific strategy. Last year there were significant changes to the administration's strategic plan for the Pacific AOR, providing for U.S. rotations of our forces in Australia, Singapore, and the Philippines. The planned U.S. marine presence at Guam was reduced from 8,600 to 5,000, with an additional 2,500 marines shifted to Hawaii.

I understand that a comprehensive basing plan for Guam may not be finalized until 2015. Without a plan, how can we know that the investments the Navy is making in the Pacific fit with DOD's long-term strategy?

Mr. NATSUHARA. The current investments in Guam for the Navy this year are for our existing missions. So our logistics force has been stationed and operating out of Guam; our MSC ships resupply the current fleet. So the bulk of the funds for fiscal year 2014 for the Navy, all of the funds for Guam are for the existing mission.

The project we are requesting for 2014 for the Marine Corps is to support a need for a current mission that we have in Guam where the marines come for training. So it is for an existing mission, and it will also be used for the upcoming new laydown of marines as they come to Guam from Okinawa.

#### FUTENMA BASING PLANS

Senator JOHNSON. General Kessler, in the 2014 budget, there is a request for airfield security upgrades at Marine Corps Air Station Futenma in Okinawa. However, after years of negotiations, a timeline to relocate U.S. forces from Futenma remains uncertain at best. How do the marines plan to balance investments needed to maintain operations at the current Futenma facility in the next 10 to 15 years without making an over-commitment of resources given the policy of relocating the base?

General KESSLER. Thank you, Mr. Chairman. That particular project that we have in the fiscal year 2014 MILCON submission is a \$5 million project for a security fence. Over about a 3-year pe-



riod, we will have a total of about \$11 million requested for additional MILCON, and probably about \$36 million in FSRM requests. Those are all in there in order to ensure that we maintain a level of safety and operational capability at Futenma for as long as we will be there.

As you stated, we expect that is going to be at least 10 to 15 years. Futenma has been looked at for closure for such a long time that it has had some neglect over the years, that we simply have to ensure that we take care of it to ensure its future use.

#### MARINE CORPS AIR STATION FUTENMA TIMELINE

Senator JOHNSON. General Kessler, what is the timeline for facility investment at Marine Corps Air Station Futenma to maintain mission readiness? Are the needed projects in the fiscal year 2014 to 2018 future years defense plan (FYDP)?

General KESSLER. Yes, sir. The timeline that we are looking at right now, we expect that we will be at Futenma for probably the next 10 or 15 years. You know that the Futenma replacement facility, or the FRF, is the planned replacement for Futenma. The prime minister recently delivered to the Governor of Okinawa a permit for a landfill. That was delivered in March of this year. The Governor has 1 year in which to sign that. We expect he will take that year to do so, at which time we can actually begin the Futenma replacement facility up in Honoko.

So we expect, Mr. Chairman, that we are going to need to continue to support Futenma over that 10- or 15-year period. The investments that we do make there are going to be very targeted and very precise investments to ensure safety and operational capability, but not to over-invest, knowing that we aren't going to be there forever.

#### CAMP LEMONNIER INVESTMENTS

Senator JOHNSON. Admiral Slates, in the 2013 update to the Camp Lemonnier, Djibouti master plan, the Navy knows that the construction standards are being developed for Camp Lemonnier. These include the minimal permanent structures, footprint and finishes to meet the mission. Yet, the same report states that the master plan is based on a 25-year time horizon, indicating that Camp Lemonnier is an enduring mission, one in which we expect to invest close to \$1 billion in construction.

With the understanding that we must seek the best value for our investment, will the austere standards being applied at the camp meet our long-term mission requirements at the base?

Admiral SLATES. Mr. Chairman, the answer is yes. I think we have evaluated the construction standards for the environment in Djibouti. When we say austere, they are standards that meet life, safety, health construction codes for the environment, provide a better quality of living standard than the facilities that we have that last a 25-year life cycle. But austere means they don't necessarily have all of the finishings and furnishings and the nice features that we would have for a facility here in one of our bases in the United States.

So we have two projects in the fiscal year 2014 budget. One is a barracks project with 60-plus rooms to be able to house up to four

people in each of those rooms. That doesn't mean we will. Our first priority would be to get people out of tents and to get people out of the facilities that don't have water.

#### PACIFIC LAYDOWN PLANS

The other project is a secure armory facility, which is basically just a facility intended to consolidate all of the units and their weapons storage and their weapons maintenance and cleaning into one secure structure instead of having them dispersed in temporary facilities around the base.

Senator JOHNSON. Senator Kirk.

Senator KIRK. I would just say that I am hoping for all of you, on the implementation of the sequester, that we move away from what I would call the insidious implementation of the sequester, meant to harm the Nation to make a political point, to blame the Congress, on the eve of a potential conflict with Korea. I think it is completely reprehensible to have an Air Force that doesn't fly and a Navy that doesn't sail and an Army that doesn't train.

I'm going to follow up on something totally different. My understanding is in the future-year program, you have three \$200 million plugs for the Pacific laydown. As I best remember it, the President announced the deployment of roughly a platoon of marines to Darwin, Australia. That kind of works out to \$200 million, \$220 million per marine. I'm sure those guys would love accommodations like that.

So my question is for further detail on those \$200 million plugs on the Pacific laydown.

#### TRAINING FACILITIES IN ALASKA

Mr. NATSUHARA. Sir, we continue to work with our colleagues both in DOD and in DON and our international partners, and part of that is working through and finalizing the laydown, but also working with our international partners on how much they will be contributing to the move, in Australia in particular. We are not there yet. It is a joint discussion between OSD policy, State Department, and the Australians. So we are aware of that. We will try to get the answer as quickly as possible.

Senator JOHNSON. Senator Begich.

Senator BEGICH. Thank you, Mr. Chairman.

First off, this is a comment and a question. I really appreciate the work you all have been doing to enhance the training facility in Alaska for SEALs. We know it is a great place to do training because the weather conditions are tough, and we appreciate that. I think a couple of years ago there was project, maybe \$18 million or so, give or take, and I think they broke ground last year, or maybe they are doing it this year. I just would love to get an update. If you don't have that now, for the record, how that project is going.

And then also, as you continue to develop it, as I understand, at some point in the training for the SEALs, they are going to go to Alaska. Everyone goes there at some point. Are there additional things that you may need in the future that you should let us know about? I don't know if anyone wants to answer that first.

Mr. NATSUHARA. Sir, I will have to take that for the record.

Senator BEGICH. Okay.

Mr. NATSUHARA. I believe that is actually funded through SOCOM.

Senator BEGICH. Okay.

Mr. NATSUHARA. I don't think that's a Navy project, but we will verify that and we will take that for the record, sir.

[The information was not available at press time.]

Senator BEGICH. Sure, that would be great. Also, just a side note again, to the Navy and marines, we just did the ceremony in Alaska on the USS *Anchorage*, a great ceremony, an incredible facility. Seeing the marines and the Navy there, Anchorage loved it, incredible technology on that ship, and impressive to talk to the manufacturers of that facility, as well as meeting some of the crew and the folks. So I just want to tell you that that was a real uplift for the community. Hopefully, the folks that were there felt it, too. But we really appreciated the work on that. That was a fantastic ceremony and a fantastic ship to add to the fleet.

Let me ask you two things, maybe three. One is on energy security. Obviously, I come from an energy State. I know the DOD has been under attack in the past for some of the technology developments because of fuel costs per gallon. I am not one of those. I think it's like when we first bought our first flat screen TV, we mortgaged our house to get it. When we got our first cell phone, now they give them free. Technologies around energy will cost a lot on the front end as you develop it, but the critical need is down the road if you can have multiple sources.

#### ENERGY SECURITY PLANNING

Can you just give me an indication of are you, in the development of energy security, what kind of relationships you have with the private sector and the partnerships that you're developing on these new technologies? And I know there is a lot of different stuff in the mill. Can you give me just any general comments from whoever feels comfortable to do that?

Mr. NATSUHARA. Overall, we in the Department established a new deputy assistant secretary for energy to focus just on that.

Senator BEGICH. Which we've had in Alaska, which we are very happy about that.

Mr. NATSUHARA. And we are happy to see that the other services have also established a counterpart. So Mr. Hicks, Tom Hicks, is our——

Senator BEGICH. And there is one for the whole DOD, if I remember right.

Mr. NATSUHARA. Correct. Ms. Burke——

Senator BEGICH. Yes, that's who we had, yes.

Mr. NATSUHARA [continuing]. Is the operational energy assistant secretary. So as a Department, we have a structure now to do that, and particularly for the Department of the Navy. Mr. Hicks, along with the Navy team and the Marine Corps energy team, have worked very closely with industry in all forms, the biofuels energies, all the operational energy. The Marine Corps holds energy forums. Essentially, they call it Experimental Forward Operating Base (ExFOB), where they bring industry out and let them show

their technologies that the marines have taken to the battlefield very quickly.

Senator BEGICH. I have seen some of the solar energy that the marines have utilized in the Forward Operating Bases (FOBs), and it is unbelievable. I didn't mean to interrupt you, but I know the marines don't want to be humping batteries all around. They want to have their weapons and bullets, and to know that you went from a big facility down to a much smaller, that has to be life-saving, energy-saving, and operational saving. Is that a fair statement?

Mr. NATSUHARA. Yes.

General KESSLER. Yes, sir, it certainly is. The Marine Corps has taken a very holistic approach, I think, to energy in general. The Commandant published his energy policy called Bases to Battlefields. The part that you saw, sir, is our expeditionary energy, and we really truly can translate some of those activities into saved lives. It means fewer convoys on the road, less exposure to our marines and sailors that are out in harm's way.

Along with that, though, I would say the other part of energy is the installation side, and putting those two together, we have developed what we are calling an energy ethos. That is, while we practice those things to save lives on the battlefield, we want to carry those same energy-minded efficient practices to our installations as well. So it really is a very concerted effort both on the installations and expeditionary side.

Senator BEGICH. Very good.

Admiral.

Admiral SLATES. Sir, if I might, I think from the Navy perspective, we have really two focus areas. One is the shore side, and the other is the operational. On the shore side, our real focus to date has been on consumption reduction. The kilowatt hour or the barrel of oil we don't use is one we save forever and ever. So that has been the primary focus. Renewables, where they make sense, and they make sense in a lot of places, and then also instead of maybe energy security, energy resilience. We need to make sure that key facilities and infrastructure on our bases can continue to operate and to support the fleet as it goes forward.

On the operational side, it may be a little more complex than in the Marine Corps because we are talking very big systems, ships and aircraft primarily. The focus has been on how do we get additional efficiencies out of those platforms that we have for 30 to 40 years so that we can have additional capability for the commander who operates that.

So we see that efficiency on the operational side basically goes hand-in-hand with enhanced combat capability in the future.

#### SERVICE PARTNERSHIPS

Senator BEGICH. Let me say one piece, and I know it is a sister agency, the Coast Guard, who is on the water too. They are doing some great stuff I know in Alaska with biomass and their Sitka operation, and now looking at their Kodiak operation. It's going to save them unbelievable amounts of money in the operational on-shore. So my guess is you are watching all these as they are being developed to see how you can integrate these into your own operation. Is that a fair statement?

Admiral SLATES. Yes, sir. It is a pretty good partnership between all the services, including the Coast Guard, on our energy initiatives.

Senator BEGICH. Very good.

Last question, Mr. Chairman, if I could, and that is I know the Navy has been a lead on this, and that is with Task Force Climate Change, the work you have recognized. I know that people don't want to say the words "climate change." They all flip out. They want to talk about the science. But I know from you guys, you have had an extra effort because of the impacts it could have.

#### TASK FORCE CLIMATE CHANGE

Have you done an analysis on the construction needs of the future that may be required because of changing water depths with so much of your infrastructure? And I don't know who wants to answer that, but Alaska is Ground Zero when it comes to climate change. We are losing shoreline. You name it, we are impacted. So we live it every day.

But I'm wondering, I know you have Climate Change Task Force. It has been very successful with a lot of information, but I know it gets controversial because they wonder why the military is even talking about climate change. Well, because you've got infrastructure, and it's lots of money.

Have you done an analysis of the cost of what this would require with changing water depths?

Mr. NATSUHARA. We have not done an analysis of that yet. We are aware of that. We have started some studies on trying to identify some of the impacts. We will be working with OSD and our interagency counterparts because we believe this is much bigger than the Navy and bigger than DOD. So we have started some analysis, but we don't have any costs right now.

Senator BEGICH. I'll leave it on that and just say I look forward to further discussion on this because I think we have to be real about what these costs will be, because they will not be in the thousands, they will not be in the millions. They will be in the billions because of the amount of shore requirements, just what we saw with the climate change that created the storm in the Northeast. It impacted everybody. So I would be interested as you progress on that.

Thank you, Mr. Chairman.

#### CAMP LEMONNIER RESTRICTIONS

Senator JOHNSON. One last question for Mr. Natsuhara. The mission requirements at Camp Lemonnier have shifted over the past several years, impacting the types of MILCON projects that DOD has taken at the base. Last year, however, the Government of Djibouti demanded that the United States move drone operations from Djibouti International Airport to a French-operated airfield which is well outside the perimeter of Camp Lemonnier.

Are there indications that the Djibouti Government will impose additional limitations on operations and our construction at Camp Lemonnier? And if so, how does that impact our MILCON strategy at that location?

Mr. NATSUHARA. We continue to monitor the situation at Camp Lemonnier with the Djiboutians. As of a couple of weeks ago, and I believe still to date, we have not shifted our RPAs, remotely piloted aircraft, to the outlying field at Chebelley.

The Djiboutians continue to challenge us. We have a great team there that continues to work with them through these challenges. Right now, our construction is going fairly well. We continue to monitor it. We work with the State Department on that and the Ambassador on the ground. It will continue to be a challenge, but our team continues to work through those.

Senator JOHNSON. I thank all of our witnesses for appearing before the subcommittee today. We 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 May 14.

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

#### QUESTIONS SUBMITTED TO ROGER M. NATSUHARA

##### QUESTION SUBMITTED BY SENATOR JON TESTER

*Question.* On September 27, 2012, I sent a letter to Navy Secretary Mabus requesting the Navy name its newest *Virginia*-class submarine, the USS *Montana*. In response, Secretary Mabus shared that the Navy would keep my request under consideration as opportunities presented themselves. In this context, can you provide a list of the most recent naval vessels that have been named, and when each occurred? Additionally, can you provide a list of naval vessels that have yet to be named, as well as expectations for when that will happen?

*Answer.* The Secretary of the Navy is responsible for ship naming and receives recommendations from many sources. Members of Congress, business and community leaders, military personnel, naval historians, and private citizens are among those who suggest names for ships. All recommendations are carefully considered and hundreds of possible names are reviewed by the Secretary of the Navy during the naming process. Naming conventions for recently named ships are:

- JHSV—Joint High Speed Vessels named for small American cities and counties.
- LPD—Amphibious Transport Dock ships named for major American cities and communities attacked on 9/11.
- LCS—Littoral Combat Ships named for regionally important American cities and communities.
- AGOR—Auxiliary General Oceanographic Research vessels named for nationally recognized leaders in exploration and science.
- DDG—Guided Missile Destroyers named for deceased members of the Navy, Marine Corps and Coast Guard, including Secretaries of the Navy.
- SSN—*Virginia*-class attack submarines are named for States.

In April 2013, seven ships were announced:

- USNS *Trenton* (NJ)—JHSV 5.
- USNS *Brunswick* (GA)—JHSV 6.
- USNS *Carson City* (NV)—JHSV 7.
- USS *Portland* (OR)—LPD 27.
- USS *Wichita* (KS)—LCS 13.
- USS *Manchester* (NH)—LCS 14.
- R/V *Sally Ride*—AGOR 28.

In May 2013, the following were announced:

- USS *Paul Ignatius*—DDG 117.
- USS *Daniel Inouye*—DDG 118.

Congress was recently notified of the Secretary of the Navy's intent to name the following ships:

- USNS *Yuma* (AZ)—JHSV 8.
- USNS *Bismarck* (ND)—JHSV 9.

—USNS *Burlington* (VT)—JHSV 10.

—USS *Billings* (MT)—LCS 15.

—USS *Tulsa* (OK)—LCS 16.

In view of ship naming conventions, the most appropriate vessel type to bear the name of a State would be a submarine.

In 2012, six submarines were named:

—USS *Illinois*—SSN 786.

—USS *Washington*—SSN 787.

—USS *Colorado*—SSN 788.

—USS *Indiana*—SSN 789.

—USS *South Dakota*—SSN 790.

—USS *Delaware*—SSN 791.

A block of four submarines will be under contract around October 2013 and the name “Montana” will be given strong consideration.

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#### QUESTIONS SUBMITTED BY SENATOR MARK KIRK

*Question.* Background: For the second year in a row the Navy’s Future Years Defense Plan contains very specific “Pacific Engagement Wedges,” with no explanation or backup justification. The wedges are:

—2015—\$44,000,000;

—2016—\$49,900,000; and

—2016—\$101,300,000.

Mr. Natsuhara, last year we asked to see some planning justification for the Pacific Engagement wedges but nothing was provided. This year’s FYDP still contains the wedges with no justification. When will you be able to share this planning data?

Answer. The Department of the Navy is committed to supporting the Department of Defense’s emphasis on the Asia-Pacific region. So, for programming considerations, we included “wedges” for “Pacific Engagement” in fiscal year 2015 and fiscal year 2016 to accommodate possible infrastructure costs once basing decisions are made. We will include specific data in future budget submissions as we finalize the strategic laydown, infrastructure requirements and availability of host nation support in the Pacific.

*Question.* Background: I understand the Department of Navy 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. The centerpiece to the Department of the Navy’s shore energy program is energy security. The Navy is committed to enhancing combat capability, reducing total ownership costs, and ensuring energy security through investments directed toward efficiency to reduce overall energy demand, while optimizing the use of renewable energy where financially viable, and improving the resilience to grid failures.

*Question.* There are several microgrid demonstration projects underway at this time and the marines are requesting funds for two microgrid projects. I would like to know if you plan to incorporate more microgrid technology into your energy programs to ensure greater energy security.

Answer. The Department of Navy is committed to smart grid and microgrid technologies where it is viable from a mission, technical and financial perspective.

*Question.* What are you doing to ensure energy security, particularly cybersecurity, is part of the plan for energy projects?

Answer. The Department of the Navy ensures that our energy projects are appropriately secure from a cybersecurity perspective. For example, the Navy’s smart grid demonstration integrates Advanced Metering Infrastructure (AMI) and Industrial Control Systems (ICS) into a cyber-secure, NETWARCOM-accredited base network.

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#### QUESTIONS SUBMITTED BY SENATOR DANIEL COATS

*Question.* What is the future of the National Museum of the United States Navy? Does the U.S. Navy intend to have a world-class museum like the U.S. Marine Corps?

Answer. The Navy does intend to have a world-class museum and will consider all options, including relocation off the Washington Navy Yard, to promote the pro-

tection and preservation of the collection of art, artifacts, and records contained in the National Museum of the United States Navy and to make the collection more accessible to the public.

The Navy plans to take more concrete steps toward this vision in the future as the fiscal climate allows.

*Question.* The Naval Inspector General found in their December 2011 report that the, "Naval History & Heritage Command (NHHHC) facilities and offices at the Washington Navy Yard are inadequate to support the command's mission of historic preservation and the administrative requirements of the staff. NHHHC facilities do not meet temperature and humidity control requirements to preserve the Navy's historical archives and artifacts." What initiatives are being taken by Navy to ensure that their facilities are being upgraded to meet the proper temperature and humidity levels required for the long term preservation of art, artifacts, and archival documents?

*Answer.* Navy is currently pursuing completion of the NHHHC Global Strategic Infrastructure Plan, NHHHC Facilities Design Standards, and NHHHC Commemorative Facilities Study. When completed, these planning efforts will support an integrated set of facility requirements to support critical operations and enable targeted facility project planning for best use of limited available funding.

In 2012, Navy executed a repair project for the HVAC and mechanical systems of the Navy Historical Center at the Washington Navy Yard at a cost of \$8.1 million.

*Question.* What resources is Navy placing against this requirement?

*Answer.* Navy funded \$954,000 for development of the three planning measures identified above in addition to the \$8.1 million repair project.

*Question.* What is the projected completion date for all required facilities renovations or construction?

*Answer.* The results of the planning effort are needed in order to develop the proper renovation and/or construction requirements.

*Question.* Has the Navy reviewed the Army support facility at Fort Belvoir?

*Answer.* The Navy has made numerous visits to the site to assess suitability for storage and the possibility of partnering with the Army. The site is not adequately zoned internally to house collections for artifacts requiring separate environmental conditions. In addition, available storage space at this facility is quickly becoming limited as Army collections continue to arrive for caretaking.

*Question.* Does the Navy have any plans to replicate this facility for Navy artifacts, art, and documents?

*Answer.* The Navy is currently conducting an infrastructure review which will balance required capabilities with existing assets. Upon completion of that study at the end of fiscal year 2013, the Navy will better understand if a similar facility is required. In addition, aspects of the design criteria used at the Army support facility will be incorporated into the new NHHHC facilities design criteria.

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#### QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

*Question.* The minor MILCON authority for Defense Laboratories (section 2805(d)) empowers laboratory directors with the authority to fund unspecified military construction projects up to \$4 million with the caveat that the Congress must be notified on projects over \$2 million. Can you identify projects that your lab directors are trying to accomplish this year or are considering in the near future using this authority?

*Answer.* At this time, there is only one proposed project, which seeks to accomplish work in excess of \$35 million to revitalize the Electronics and Technology Lab at the Naval Research Lab, Washington, DC. The current scope of the project exceeds the authorities provided under section 2805(d). We are reviewing changes to scope and other funding alternatives for pursuing this requirement.

*Question.* I understand that the Navy Research Laboratory Director may have projects that could use help getting out of the Pentagon. Will you check into this and ensure the committee that the approval process for Navy Laboratory Revitalization projects is operating efficiently?

*Answer.* The Department of the Navy is continuing to work with the appropriate stakeholders to identify opportunities and find an effective means to use the 2805(d) authority and other mechanisms to address laboratory revitalization.



SUBCOMMITTEE RECESS

Senator JOHNSON. This subcommittee will reconvene on Wednesday, May 15, at 10 a.m. to hear testimony from the Departments of the Army and the Air Force.

This hearing is recessed.

[Whereupon, at 3:55 p.m., Thursday, May 9, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, May 15.]



**MILITARY CONSTRUCTION AND VETERANS  
AFFAIRS, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2014**

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**WEDNESDAY, MAY 15, 2013**

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

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

**DEPARTMENT OF DEFENSE**

**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**

**BRIGADIER GENERAL WALTER E. FOUNTAIN, ACTING DEPUTY DIRECTOR, ARMY NATIONAL GUARD**

**ADDISON D. DAVIS, IV, COMMAND EXECUTIVE OFFICER, ARMY RESERVE COMMAND**

**OPENING STATEMENT OF SENATOR TIM JOHNSON**

Senator JOHNSON. Good morning. I welcome everyone to today's hearing to discuss the President's fiscal year 2014 budget request for Military Construction (MILCON) and Family Housing for the Departments of the Army and the Air Force.

We will have two panels of witnesses today. The first panel representing the Army includes Ms. Katherine Hammack, Assistant Secretary of the Army for Installations. She is accompanied by Lieutenant General Michael Ferriter, Assistant Chief of Staff for Installations Management; Brigadier General Walter Fountain, Deputy Director of the Army National Guard; and Mr. Addison Davis, Army Reserve Command Executive Officer.

We welcome you all to this hearing, and we look forward to your testimony. The Senate has a series of votes this morning, scheduled to begin at 10:30. I do not want to inconvenience our witnesses, so I suggest that we dispense with opening statements and ask our witnesses to limit their opening remarks, so that we can get directly to questions.

Your full statements will be placed in the record.

Senator Kirk, is that acceptable to you?

Senator KIRK. Yes.

Senator JOHNSON. Secretary Hammack, please proceed.

SUMMARY STATEMENT OF HON. KATHERINE G. HAMMACK

Ms. HAMMACK. Thank you very much, Chairman Johnson, Ranking Member Kirk, and members of the subcommittee. On behalf of soldiers, families, and civilians of the United States Army, I want to thank you for the opportunity to present our fiscal year 2014 military construction budget.

For fiscal year 2014, the Army requests \$2.4 billion for Military Construction, Family Housing, and the Army's share of the Department of Defense (DOD) base closure account. This represents a 34-percent reduction from our fiscal year 2013 MILCON request and is equitably distributed among the Active Army, Army National Guard, and Army Reserve.

The \$2.4 billion request includes \$1.6 billion for Military Construction for the Active Army—or, \$1.6 billion for Military Construction for the whole Army. And of that, \$1.12 billion is for the Active Army, \$321 million for the National Guard, and \$174 million for the Army Reserve.

Of the \$2.4 billion, a half billion is for Army family housing and \$180 million is for the base closure account.

As you know, the Army is reducing its end strength and force structure by about 14 percent, or 80,000 soldiers. We are in the process of completing a force structure realignment analysis, which will be released next month, and announce the impacted brigade combat teams.

The resulting force structure reduction to 490,000 in the Active Army will create excess capacity at several installations.

In line with force structure reductions in Europe, the Army is already downsizing our infrastructure there. With a 45-percent reduction in force structure in Europe, the Army is implementing a 51-percent reduction in infrastructure, a 58-percent reduction in civilian staffing, and a 57-percent reduction in base operating costs.

We are working closely with the Office of the Secretary of Defense to examine whether there are additional opportunities for consolidation in Europe through joint or multiservice consolidation.

A future round of base realignment or closure, or BRAC, in the United States is essential to identify and reduce excess Army infrastructure and prudently align our civilian staffing with reduced uniform force structure.

If Army force structure declines but facility overhead and civilian support staff remain constant, our ability to invest in equipment, training, and maintenance will be reduced.

I ask for the subcommittee's continued commitment to our soldiers, families, and civilians in support of the Army's MILCON and installations programs. The Army's fiscal 2014 installation management budget request is a program that supports the Army's needs while recognizing the current fiscal conditions.

The Army fully supports the President's request for authority from Congress to conduct a BRAC round in 2015. The Army's strength is its soldiers, families, and Army civilians who support

them. They are and will continue to be the centerpiece for the Army.

#### PREPARED STATEMENT

Thank you for your attention. I look forward to your questions, as do the other panelists here representing the Active Army, the Army Reserve, and the Army National Guard.

[The statement follows:]

PREPARED STATEMENT OF HON. KATHERINE G. HAMMACK, LIEUTENANT GENERAL MICHAEL FERRITER, BRIGADIER GENERAL WALTER E. FOUNTAIN, AND ADDISON D. DAVIS, IV

#### INTRODUCTION

Chairman Johnson, Ranking Member 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 fiscal year 2014 Military Construction (MILCON) and Family Housing budget request.

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

We ask for the subcommittee's continued commitment to our soldiers, families, and civilians and support of the Army's MILCON and installations programs. The Army's strength is its soldiers and the families and Army civilians who support them. They are and will continue to be the centerpiece of our Army. America's Army is the strength of the Nation.

#### OVERVIEW

The Army's fiscal year 2014 President's budget requests \$2.35 billion for MILCON, Army Family Housing (AFH), and the Army's share of the Department of Defense Base Closure Account (BCA). The request represents 1.8 percent of the total Army budget and a 34-percent reduction from the fiscal year 2013 request. The \$2.35 billion request includes \$1.12 billion for the Active Army, \$321 million for the Army National Guard, \$174 million for the Army Reserve, \$557 million for AFH, and \$180 million for Base Realignment and Closure (BRAC) to address environmental and caretaker requirements at previously closed BRAC sites. In addition and in support of Army installations and facilities, the President's budget request includes \$1.7 billion for installation energy, \$789 million for environmental programs, \$3.8 billion for Facilities Sustainment/Restoration and Modernization (FSRM), and \$8.9 billion for Base Operations Support (BOS).

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

#### ARMY 2020 FORCE STRUCTURE

The Army is in the process of reducing its end strength and force structure. We are steadily consolidating and reducing our overseas force structure. In fiscal year 2013, the Army announced that two brigades in Europe would be deactivated, and that V Corps would not be returning to Europe upon the completion of its deployment to Afghanistan. In coordination with the Office of the Secretary of Defense,

the Army is examining cost-effective opportunities to facilitate joint and/or multi-service infrastructure consolidation at our overseas installations, with a specific focus in Europe.

On January 19, 2013, the Army published a Programmatic Environmental Assessment (PEA), which was prepared in accordance with the National Environmental Policy Act (NEPA). The PEA analyzes the environmental and socioeconomic impacts associated with two alternative approaches to reducing our force structure. In the PEA, the Army set a “stop loss” threshold so that no multi-Brigade Combat Team (BCT) installation would lose more than two BCTs, or 8,000 total military and civilian employee personnel, under the worst case scenario.

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

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

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

#### BASE REALIGNMENT AND CLOSURE (BRAC)

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

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

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

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

BRAC 2005 generated \$4.8 billion in one-time savings and provides over \$1 billion in net annual recurring savings for the Army. These savings were generated with an implementation period investment of about \$18 billion. The Army accounted for

BRAC savings when developing its fiscal year 2007 and subsequent budget requests. This downward budget adjustment was beneficial to the installation program overall; it resulted in real savings.

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

#### ARMY 2020 FACILITY STRATEGY

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

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

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

#### FISCAL YEAR 2014 BUDGET REQUEST—MILITARY CONSTRUCTION, ARMY

The fiscal year 2014 Military Construction, Army (MCA) budget requests an authorization of \$978 million and appropriations for \$1,120 million. The difference between the authorization and the appropriations requests is the \$42 million to fund the second increment of the Cadet Barracks at the United States Military Academy and \$99.6 million for Planning and Design (P&D), Unspecified Minor Military Construction (UMMC), and host nation support. The cadet barracks was fully authorized in the fiscal year 2013 National Defense Authorization Act (NDAA). This MCA budget request supports the MILCON categories of Barracks, Modularity, Redeployment/Force Structure, Revitalization, and Ranges and Training Facilities.

*Barracks (\$239 Million/21 Percent).*—The fiscal year 2014 budget request will provide for 1,800 new initial entry training barracks spaces at three installations replacing current housing in relocatable and temporary buildings. The locations of these replacement projects are: Fort Gordon, Georgia; Fort Leonard Wood, Missouri; and Joint Base Langley-Eustis, Virginia. The final project in this category is \$42 million for the second increment of the Cadet Barracks at the United States Military Academy, which was fully authorized in fiscal year 2013.

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

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

*Revitalization (\$86.8 Million/8 Percent).*—As part of the facility investment strategy of AFS 2020, the Army will invest in five projects to correct significant facility deficiencies or facility shortfalls to meet the requirements of the units and/or organization mission requirements. Projects included are the \$63 million pier replacement and modernization at Kwajalein Atoll, a \$2.5 million entry control building and a \$4.6 million hazardous material storage facility for the National Interagency Bio-defense Campus at Fort Detrick, Maryland; a \$5.9 million command and control oper-

ations facility at Fort Bragg, North Carolina, and a \$10.8 million air traffic control tower at Biggs Army Airfield, Fort Bliss, Texas.

*Ranges and Training Facilities (\$35.5 Million/3 Percent).*—The fiscal year 2014 budget request includes \$35.5 million to construct ranges and simulation training facilities to maintain readiness of units and soldiers. The program will provide for a \$17 million regional simulation center at Fort Leavenworth, Kansas, and a \$4.7 million weapons simulation center in support of enlisted initial entry training, and officer and non-commissioned officer career courses at Fort Leonard Wood, Missouri. The Army will construct a \$4.7 million automated sniper field fire range for special operations forces training at Eglin Air Force Base, Florida, and a \$9.1 million multipurpose machine gun range at Yakima Firing Center, Washington, in support of Active and Reserve component unit training in the area.

*Other Support Programs (\$99.6 Million/9 Percent).*—The fiscal year 2014 budget request includes \$41.6 million for planning and design of MCA projects and \$33 million for the oversight of design and construction of projects funded by host nations. As executive agent, the Army provides oversight of host nation funded construction in Japan, Korea, and Europe for all facilities sustainments. The fiscal year 2014 budget also requests \$25 million for unspecified minor construction.

#### MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The fiscal year 2014 Military Construction, National Guard (MCNG) budget requests an authorization of and an appropriation for \$320,815,000. The MCNG program is focused on the MILCON categories of Modularity, Revitalization, and Ranges and Training Facilities.

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

*Revitalization (\$138 Million/43 Percent).*—The Army National Guard budget funds 12 projects to replace failing and inefficient facilities. There is a maneuver area training and equipment site in the Commonwealth of Puerto Rico, readiness centers in Alabama and Wyoming, an armed forces reserve center in Texas, enlisted transient training barracks in Michigan and Massachusetts, a vehicle maintenance shop and aircraft maintenance hangar in Missouri, a civil support team ready building in Florida, an aviation training/maintenance facility in Pennsylvania, and two water utilities projects in Mississippi and Ohio. These projects will provide modernized facilities and infrastructure to enhance the Guard's operational readiness.

*Ranges and Training Facilities (\$21 Million/7 Percent).*—The fiscal year 2014 budget request includes a scout reconnaissance range gunnery complex in Fort Chaffee, Arkansas.

*Other Support Programs (\$41.2 Million/13 Percent).*—The fiscal year 2014 Army National Guard budget request includes \$29 million for Planning and Design of Future Projects and \$12.2 million for Unspecified Minor Military Construction.

#### MILITARY CONSTRUCTION, ARMY RESERVE

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

*Revitalization (\$143.2 Million/82 Percent).*—The fiscal year 2014 Army Reserve budget request includes nine projects that build out critical facility shortages and consolidate multiple failing and inefficient facilities with new operations and energy-efficient facilities. The Army Reserve will construct four new Reserve centers in California, Maryland, North Carolina, and New York that will provide modern training classrooms, simulations capabilities, and maintenance platforms that support the Army force generation cycle and the ability of the Army Reserve to provide trained and ready soldiers for Army missions when called. The request includes a new access control point/mail/freight center and NCO Academy dining facility at Fort McCoy, Wisconsin. At Joint Base McGuire-Dix-Lakehurst, New Jersey, the Army Reserve will construct a consolidated dining facility and central issue facility and eliminate four failing, Korean War era, buildings. Lastly, the request will provide a modern total Army school system training center at Fort Hunter-Liggett, California, in support of all Army units and soldiers.

*Ranges and Training Facilities (\$15 Million/9 Percent).*—The budget request includes two ranges that will build out a shortage of automated, multipurpose ma-



chinegun ranges and modified record fire ranges at Joint Base McGuire-Dix-Lakehurst, New Jersey. The ranges will enable Active and Reserve component soldiers in the northeastern part of the country to hone their combat skills.

*Other Support Programs (\$16 Million/9 Percent).*—The fiscal year 2014 Army Reserve budget request includes \$14.2 million for Planning and Design of Future Year Projects and \$1.7 million for Unspecified Minor Military Construction.

#### FAMILY HOUSING OPERATION AND MAINTENANCE, ARMY

The fiscal year 2014 budget request includes \$512.8 million to support the Army's Military Family Housing in the following areas: operations, utilities, maintenance, and repair; leased family housing; and oversight management of privatized housing. This request funds over 16,000 Army-owned homes in the United States and overseas, almost 6,500 leased residences worldwide, and Government oversight of more than 86,000 privatized homes.

*Operations (\$101.7 Million).*—The Operations account includes four subaccounts: management, services, furnishings, and a small miscellaneous account. All operations subaccounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate the AFH-owned inventory. Within the management subaccount, Installations Housing Service Offices provide referral services for off-post housing for 67 percent of the Army families that reside in the local communities.

*Utilities (\$96.9 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.

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

*Leasing (\$180.9 Million).*—The Army Leasing program is another way to provide soldiers and their families with adequate housing. The fiscal year 2014 budget request includes funding for 1,369 temporary domestic leases in the United States, and 5,064 leased units overseas. The overseas leases include support for NATO housing in Belgium and SOCOM housing in the Dominican Republic, Jamaica, Colombia, and Miami.

*Privatization (\$25.7 Million).*—The Privatization account provides operating funds for portfolio and asset management and strategic oversight of privatized military family housing and it pays for civilian pay at 44 locations; travel; contracts for environmental and real estate functions, training, and real estate development and financial consultant services. The need to provide oversight over the privatization program and projects is reinforced in the fiscal year 2013 NDAA which requires more oversight to monitor compliance, reviews and reporting performance of the overall privatized housing portfolio and individual projects.

In 1999, the Army began privatizing family housing assets under the Residential Communities Initiative (RCI). The RCI program continues to provide quality housing that soldiers and their families and senior single soldiers can proudly call home. All scheduled installations have been privatized through RCI. RCI has met its goal to eliminate those houses originally identified as inadequate and built new homes where deficits existed. RCI family housing is at 44 locations and is projected to eventually represent 98 percent of the on-post family housing inventory inside the United States. Initial construction and renovation investment at these 44 installations is estimated at \$13.2 billion over a 3- to 14-year initial development period (IDP), which includes an Army contribution of close to \$2 billion. All IDP's are scheduled to be completed by 2018. After all IDP's are completed, the RCI program is projecting approximately \$34 billion in development throughout the 44 locations for the next 40 to 50 years. From 1999 through 2012, our partners have constructed 29,173 new homes, and renovated another 24,641 homes.

#### FAMILY HOUSING CONSTRUCTION, ARMY

The Army's fiscal year 2014 Family Housing Construction request is for \$39.6 million for new construction and \$4.4 million for planning and design. The Army will construct 56 single family homes at Fort McCoy, Wisconsin, to support the senior officer and senior non-commissioned officer and families stationed there. Additionally, the Army will construct 29 townhouse style quarters in Grafenwoehr at Vilseck, Germany, as part of the consolidation and closure of the Bamberg and Schweinfurt garrisons.

## BASE CLOSURE ACCOUNT (BCA)

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

The fiscal year 2013 NDAA consolidated BRAC Legacy and BRAC 2005 accounts into a single DOD Base Closure Account (BCA). The Army's portion of the fiscal year 2014 budget request is for \$180,401,000. The request includes \$50.6 million for caretaker operations and program management of remaining properties, and \$129.8 million for environmental restoration efforts. In fiscal year 2014, the Army will continue environmental cleanup, and disposal of BRAC properties. The funds requested are needed to keep planned cleanup efforts on track, particularly at prior-BRAC installations including Fort Ord, California, Fort McClellan, Alabama, Fort Wingate, New Mexico, Fort Devens, Massachusetts, and Savanna Army Depot, Illinois. Additionally, funds requested support environmental restoration projects at several BRAC 2005 installations such as Lone Star Army Ammunition Plant, Texas, Kansas Army Ammunition Plant, Kansas, and Umatilla Chemical Depot, Oregon. Completing environmental remediation is critical to transferring property back into productive re-use and job creation.

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

## ENERGY

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

*ECIP (\$43 Million).*—The Army invests in energy efficiency, on-site small-scale energy production, and grid security through the DOD's appropriation for ECIP. In fiscal year 2014, the DOD began conducting a project-by-project competition to determine ECIP funding distribution to the services. The Army received \$43 million for 11 projects to include 6 energy conservation projects, 4 renewable energy projects, and 1 energy security project.

*Energy Program/Utilities Modernization (\$344 Million).*—Reducing consumption and increasing energy efficiency are among the most cost-effective ways to improve installation energy security. The Army funds many of its energy efficiency improvements through the Energy Program/Utilities Modernization program account. Included in this total are funds for energy efficiency projects, the development and construction of renewable energy projects through the Energy Initiatives Task Force, the Army's metering program, modernization of the Army's utilities, energy security projects and planning and studies.

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

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

## ENVIRONMENT

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

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

## FACILITY SUSTAINMENT, RESTORATION AND MODERNIZATION (FSRM)

This year's Facility Sustainment, Restoration and Modernization (FSRM) funding is \$3,760,996,000. This request includes \$3,082 million for Sustainment (80 percent of the OSD FSM requirement, for all Army components), \$36 million for demolition, and \$643 million for Restoration and Modernization. The Army views 80 percent sustainment funding as a necessary adjustment due to the economic impacts and the requirements of the fiscal year 2011 Budget Control Act. FSRM funding is an integral part of the Facility Investment Strategy (FIS) proponent of AFS 2020. The Army is taking a slight risk in the sustainment of our facility inventory valued at \$312 billion. In keeping with the FIS, the Army has increased its investment in facility restoration through the O&M-R&M account. This will fully restore trainee barracks, enable progress toward energy objectives, and provide commanders with the means of restoring other critical facilities. Facilities are an outward and visible sign of the Army's commitment to providing a quality of life for our soldiers, families, and civilians that is consistent with their commitment to our Nation's security.

## BASE OPERATIONS SUPPORT (BOS)

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

## CONCLUSION

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

The planned reduction of 14 percent of the Active Army's end strength to 490,000 by the end of fiscal year 2017 will create excess U.S.-based installation infrastructure. Since 2005, as we reduced installations overseas, many units relocated back to the United States. For example, Forts Benning, Bliss, Bragg, Carson, Knox, and Riley received approximately 7 million square feet of additional infrastructure to host and support these units returning home from overseas. The additional capacity

here at home was important because it helped the Army transform from a division-based force into modular brigade combat teams.

With sequestration triggered, we face additional and significant reductions in the annual funding caps limiting defense budgets for the next 9 years; these reductions would cause reductions in military and civilian end strength. A future round of base realignment and closure (BRAC) is essential to identify excess Army infrastructure and prudently align civilian staffing and infrastructure with reduced force structure and reduced industrial base demand. BRAC allows for a systematic review of existing DOD installations to ensure effective joint and multi-service component utilization. If we do not make the tough decisions necessary to identify efficiencies and eliminate unused facilities, we will divert scarce resources away from training, readiness, and family programs and the quality of our installation services will suffer. We are requesting authority from Congress to conduct a BRAC round in 2015.

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

Senator JOHNSON. Thank you, Secretary Hammack.

For the information of Senators, we will limit questions to 5-minute rounds, and I ask my colleagues to be mindful of that limit so that everyone has a chance to participate. You may, of course, submit questions for the record.

We will use the early bird rule, and I will recognize members from alternating sides in the order in which they arrive.

Secretary Hammack, the Army is currently conducting a force structure initiative called the Total Army Analysis review, or TAA, to look at how to best draw down from 570,000 soldiers in 2010 to 490,000 in fiscal year 2017.

At the same time, the Army is also involved in two basing initiatives, OSD's European basing study that will outline a master plan for an enduring force lay-down in Europe and a proposed 2015 BRAC round to close bases in the United States.

What steps is the Army taking to coordinate these different reviews and plans? And how can this subcommittee be assured that recommendations from the TAA will support the European basing study or the recommendations of a future BRAC commission?

#### ARMY INITIATIVES

Ms. HAMMACK. These initiatives are very well coordinated together. Currently, the force structure that will be announced, as you said, is a reduction of 80,000. We have already announced the force structure reductions coming out of Europe to brigade combat teams, so we know what our force structure is planned for Europe.

In the United States, it's at least eight brigade combat teams and maybe more with impacts of sequestration.

When we put together our fiscal year 2014 MILCON budget, we took into account the potential impacts of force reductions at our bases that have significant numbers of soldiers. And so you do not see us investing in brigade combat team headquarters; you do not see us investing in permanent party barracks. We're investing in training ranges; we're investing in training barracks; and we're investing in infrastructure improvements or fixes that do not require or will not be impacted by stationing moves.

## EUROPEAN MILITARY CONSTRUCTION

Senator JOHNSON. The budget request includes funding for several Army projects and for a number of DOD schools at U.S. Army bases in Germany.

If everything is on the table, why should Congress invest in MILCON in Europe until the basing reviews are completed? And if certain installations are not on the table, can you identify those for us?

Ms. HAMMACK. I believe that the OSD budget has plans for Department of Defense Education Activity (DODEA) schools. That's not in the Army budget. The Army budget is Army family housing in locations that will be enduring.

There is coordination on schools. And as part of the European infrastructure consolidation analysis, we are looking at the entire educational system in Europe.

The other thing to be aware of is the DODEA schools do support Federal agencies beyond just the military that are stationed in Europe.

Senator JOHNSON. For U.S. bases, the first part of TAA, an environmental assessment, was recently completed. The assessment focused on brigade combat teams and their size, composition, and location.

I understand that the Army is now entering the next phase of the process, where it will begin to look at possible stationing decisions.

## TOTAL ARMY ANALYSIS (TAA)

Secretary Hammack, when do you expect to complete the TAA, and will its findings be incorporated into the fiscal year 2015 budget submission?

Ms. HAMMACK. The fiscal year 2015 budget will be impacted by the TAA, and we are looking very closely what projects to add in that had been postponed and what projects would be removed from the Future Years Defense Plan (FYDP).

The Secretary of the Army and the Chief of Staff of the Army announced that the TAA would become final in June. And I do not know an exact date at this point in time.

Senator JOHNSON. Senator Kirk.

Senator KIRK. Thank you, Mr. Chairman. I'll try to be pretty quick with your guidelines.

I'd like to focus on Pacific lay-down, like the President has been focusing on. I want to make sure our plans to harden Army facilities in PACOM, I understand we have about \$153 million in hardening plans coming up.

Because of the potential of a Korean scenario, the B-2 deployment to Andersen in Guam concerns me, to make sure that that asset is preserved, that we have that around.

My only real question is that the hardening study be in line with the PACOM, the combatant commander's wishes. I put in a request to see him whenever he gets in, to make sure that's also in line with PACAF and what they're looking at.

Ms. HAMMACK. Sir, it's my understanding that that is something that the Air Force is looking at, in conjunction with the Navy on Guam. Currently, there are no Army equities there.

Senator KIRK. Thank you.

Senator JOHNSON. Senator Udall.

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

And thank you for being here and thank you for your service.

#### WHITE SANDS MISSILE RANGE

I asked this question last week and was not able to get a clear answer on it, so I'm hoping you can clarify about the status of appropriated funds for White Sands Missile Range.

The Congress appropriated military construction funds for barracks at White Sands Missile Range for fiscal year 2011, as I mentioned last week. To date, we have only heard excuse after excuse of why this project has not broken ground.

Our soldiers at White Sands Missile Range deserve better, and I believe it is about time that DOD and the Army carried out this appropriation. What can you tell me about the status of the barracks and when will we be able to see this project get started at White Sands Missile Range?

Ms. HAMMACK. Sir, the project you're talking about is a \$29 million project for about 300 barracks spaces. My office put that project on hold pending the stationing actions, which will be announced next month.

We do not want to build excess capacity should stationing actions not require that facility.

Also at White Sands Missile Range, my understanding is the barracks occupancy currently is at 79 percent. That was as of January 1 of this year. Because there is barracks capacity currently at White Sands Missile Range with the stationing actions, the project will continue to be on hold until stationing actions indicate that there is a need for those barracks.

Senator UDALL. When do you expect that to happen?

Ms. HAMMACK. By the end of next month.

Senator UDALL. So at the end of next month, that's when you'll have a clearer picture as to whether to move forward or not?

Ms. HAMMACK. Yes, sir.

Senator UDALL. Yes, okay. Thank you.

White Sands Missile Range is home to one of the largest solar photovoltaic systems in the country, and I want to thank you for your leadership to make this a reality.

The solar array will supply about 10 percent of the energy for White Sands Missile Range and reduce carbon emissions by 7,400 tons per year. This is an important step toward making our bases more energy independent, which I believe is a really important national security issue.

Could you talk about future plans for alternative energy and the other programs that are in the works for White Sands, Fort Bliss, and other military installations, and what type of support you need from Congress to make these programs a reality?

## ENERGY SECURITY

Ms. HAMMACK. One of the initiatives we have is to improve energy security. We have seen between fiscal years 2011 and 2012 a fourfold increase in the number of power disruptions on our bases. That means that we are required to provide more generation on our bases so that we can continue our mission.

Renewable energy like that at White Sands helps us continue our mission with that energy security. What we are doing at White Sands, we are looking at Fort Bliss and other bases, and that is to leverage public-private partnerships, so that we do not have to come to Congress to ask for the money to invest in renewable energy, but we depend upon the private sector to install it, to operate and maintain it. We buy energy from them at a market or lower-than-market price.

That helps give us stability in our energy budgets. That also helps with the energy security and mission effectiveness.

Senator UDALL. Thank you.

And we very much appreciate your efforts to move toward these alternative forms of energy and put the military in a position of energy independence, which you know has a big impact on national security.

I know I only have another minute. I wanted to raise the issue of the F-16 beddown at Holloman Air Force Base, so let me just cut quickly to that.

I mean, how closely is the Army working with the Air Force to help de-conflict scheduling issues and airspace coordination to support the F-16 training mission at Holloman? And do you believe White Sands has the facilities and personnel it needs to manage this change in the mission in the range's airspace and at Holloman Air Force Base?

Ms. HAMMACK. Currently, sequestration is affecting all of us. And the Secretary of Defense announced that there will be 11 furlough days for members of the Department of Defense. That is affecting all of our testing missions at White Sands Missile Range. It's also affecting the availability of de-conflicting testing missions with airspace for Holloman.

It is a challenge, and it will remain a challenge through the summer as we have civilians on shortened work hours. We're not allowed to work any overtime. We're not allowed to work any weekends. And they're allowed to only work 32 hours a week. It will impact Holloman, as it impacts the Army.

## ADDITIONAL COMMITTEE QUESTIONS

Senator UDALL. Thank you very much. We're trying to lift that sequester and do everything we can to get you the resources you need. Thank you.

Senator JOHNSON. Thank you.

This panel is excused.

[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, LIEUTENANT GENERAL  
MICHAEL FERRITER, BRIGADIER GENERAL WALTER E. FOUNTAIN, AND ADDISON D.  
DAVIS, IV

#### QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

##### EUROPEAN BASING

*Question.* The fiscal year 2014 budget request includes funding for Army projects and DOD schools at Army bases in Germany. If everything is on the table, why should Congress invest in MILCON in Europe until the basing review is completed? If certain installations are not on the table, can you identify those for us?

*Answer.* Military construction (MILCON) in Europe is required for Army communities where soldiers and families have been consolidated over the last 10 years as part of DOD's Global Defense Posture plans, EUCOM's Theater Posture Plan, and Army Transformation. In keeping with these long-term plans, the Army in Europe has closed hundreds of smaller, inefficient sites since 1989 and the end of the cold war. Enduring communities like Wiesbaden, Grafenwoehr, and Kaiserslautern, Germany, are mainstays of America's forward presence in Europe and provide operational and quality of life support for the 30,000 soldiers who will remain in theater.

Construction in these locations is in line with our support efforts and can be expected to be utilized for as long as U.S. forces remain in the European theater. All MILCON in Europe is reviewed carefully to ensure we do not waste taxpayer money on sites that may no longer be needed.

While all sites are included in the review, initial assessments indicate that there are sites that are unlikely to be impacted by the study. Unless all forces are withdrawn from Europe, and with that, the United States opts to relinquish its strategic political and geographic advantages of a forward presence, then remaining communities like Wiesbaden, Grafenwoehr, and Kaiserslautern will require some support.

The fiscal year 2014 submission includes DOD-level projects to replace schools in Wiesbaden and Kaiserslautern, which have surpassed their structural lifecycle, do not support current educational standards, and are overcrowded. As a critical command and control main operating base, Wiesbaden is now home to U.S. Army Europe headquarters with its signal and military intelligence assets to be co-located together on one site at Clay Kaserne. Kaiserslautern represents not only a location for strategic airlift, but is also the community that houses the Army's combat support and logistical units. Also in Kaiserslautern is the United States' only regional medical center between the United States and areas of persistent conflict in the Middle East, Africa, and other trouble spots. Due to its geographic position, this medical facility has increased Wounded Warrior treatment and survival rates to historic highs over the past 10 years with its combat-tested casualty evacuation system.

Further, there are members of the DOD staffs involved in the basing review to ensure that the Army program and DOD schools are synchronized, as they move forward in the programming process.

The fiscal year 2014 project for housing at South Camp Grafenwoehr will help alleviate existing housing shortfalls in the community. With its rural location, the Grafenwoehr community does not have sufficient off-post housing capacity with an appropriate radius to accommodate the numbers of soldiers stationed there. More on-post family housing is needed to address this situation. With Grafenwoehr as our primary training facility in Europe, the location of our largest concentration of soldiers stationed in any European garrison, and the focal point of the preparation for deployment of all U.S. soldiers in Europe, it warrants our continued support.

##### MILITARY CONSTRUCTION TOTAL ARMY ANALYSIS

*Question.* Will the projects requested in fiscal year 2014 be impacted by TAA? In other words, has Army requested projects this year that might become unnecessary or redundant by the TAA findings and Army's ensuing realignment plans?

*Answer.* The projects submitted in the fiscal year 2014 MILCON program are for valid and necessary requirements that will not be affected by future decisions regarding end strength or brigade combat team reductions. The projects support enduring requirements for combat aviation brigade stationing, Gray Eagle stationing, initial entry training barracks, and recapitalization of existing facility requirements across the Army.

##### BRIGADE MOVEMENT STRATEGY

*Question.* Prior to the completion of the TAA review and OSD's European basing review, how can the Army make the determination that moving two of the 173rd



brigade's battalions from Bamberg and Schweinfurt to Grafenwoehr is the correct strategy to undertake?

Answer. The DOD decision, which was announced on February 16, 2012, to reduce the Army's European force by approximately 2,500 soldiers in enabling units and two Brigade Combat Teams (BCT), allowed U.S. Army Europe to adjust its stationing plans and maximize use of our facilities in Italy and Germany.

Placing the two battalions at Grafenwoehr eliminates additional MILCON requirements that would otherwise be needed in Vicenza if the units were relocated there as previously planned. Subsequent growth in U.S. Army Africa, the 173rd IBCT (ABN), and other elements in the community led to serious overcrowding in Vicenza. The original MILCON request for Del Din was to accommodate some 1,830 soldiers of the 173rd U.S. Army Europe will now use these facilities for some 2,000 173rd soldiers, so the new facilities will be used at capacity. Relocating the two battalions to Grafenwoehr reduces stress on community support facilities at Ederle. Stationing the entire 173rd in Italy would require new MILCON for barracks, schools, a CDC expansion, and more for roughly \$120 million. Alternatively, the Army will use existing modern facilities available at Grafenwoehr.

Locating the 1-91st Cavalry Regiment and the 4-319th Field Artillery Battalion of the 173rd Infantry BCT (Airborne) to Grafenwoehr places those units in a location where they can easily access our training areas. Redirecting these two units continues the consolidation of soldiers into remaining main operating bases. The Army was already focusing on these main operating bases before the current basing review. We determined it prudent to put units that can most benefit from proximity to our training areas in Grafenwoehr.

In Italy, soldiers will fully utilize the new facilities in Del Din this summer, and the relocation of the 173rd BCT (Airborne) battalions from Bamberg and Schweinfurt will enable the timely closure of those garrisons. With 11 individual sites between the two communities, Bamberg and Schweinfurt generated more than \$160 million in base operating costs and were identified some 10 years ago for closure. Since Bamberg and Schweinfurt were not tagged as main operating bases in the DOD Global Posture Plan, facilities there have been only minimally maintained with no military construction. The two communities have been funded only with year-of-execution dollars for the past few years. Their closures were publicly announced as part of the DOD 2012 BCT announcement and garrison staffs, including hundreds of local national employees, were notified, as well as German officials at the Federal, State, and local level.

The DOD 2012 announcement incorporated the major changes in the TAA process, bringing the Army in Europe to some 30,000 soldiers. The TAA process is not anticipated to generate any significant change that could not be accommodated by this distribution of remaining forces.

#### 173RD COMBAT AVIATION BRIGADE SUPPORT

*Question.* In the fiscal year 2014 budget, the Army has requested \$16.6 million to construct 29 family housing units in Vilseck, Germany, to support military forces stationed at Grafenwoehr. At the same time, the Army has decided to station two units of the 173rd Combat Aviation Brigade at Grafenwoehr instead of moving to Italy as originally planned.

Is this housing required for the 173rd's move? What, if any, other MILCON is required at Grafenwoehr to support the 173rd?

Answer. The Army Family Housing-Construction funds are required to meet all family housing requirements at U.S. Army Garrison Grafenwoehr, which includes the restationing of the two battalions from the 173rd Brigade Combat Team. The family housing requirements are based on the total installation population found in the Army Stationing and Installation Plan. The project will support the current and projected Grafenwoehr military population, which includes personnel transferred from closing garrisons throughout Germany. No additional MILCON is needed for the 173rd battalions at Grafenwoehr.

#### GUARD AND RESERVE FUTURE YEARS DEFENSE PROGRAM (FYDP) PROJECTIONS

*Question.* With the understanding that the budget environment has stressed fiscal year 2014 MILCON funding, will the Army Guard and Army Reserve be able to meet their critical mission roles given revised out-year FYDP projections?

Answer. The Army remains committed to providing MILCON funding to all components in support of their most urgent facility restoration and modernization requirements. The Army National Guard and Army Reserve will continue to fulfill their critical mission roles at the level of MILCON funding in the fiscal year 2014 request. The projected out-years in the fiscal years 2014-2018 Future Years Defense

Program (FYDP) contain some risk to meeting critical mission roles for all components. The Army's components facilities require a sustained MILCON investment in order to properly support unit readiness.

The Army recognizes there are differences in the level of investment over the past decade and has already identified National Guard readiness centers and Army Reserve centers as a focus area in the facility investment strategy, they are prioritized for MILCON investment. Further, the Army is working with both components to address their requirements by reviewing the percentage allocation of the total obligation authority as well as continuing to support sustainment, restoration and modernization requirements.

#### NATIONAL GUARD READINESS CENTERS

*Question.* An estimated 40 percent of National Guard readiness centers are 50 years old or older. How is the reduction in Army Guard funding affecting the Guard's ability to replace these aging and inadequate buildings?

*Answer.* The Army remains committed to providing Military Construction (MILCON) funding to all components in support of our most urgent facility restoration and modernization requirements. The Army recognizes there are differences in the level of investment over the past decade and has already identified National Guard readiness centers that continue to have a critical need for MILCON investment as a focus area in the Facility Investment Strategy. Further, the Army is working with the Army National Guard (ARNG) to address its requirements by reviewing the percentage allocation of the Total Obligation Authority as well as continuing to support sustainment, restoration and modernization requirements.

The reduction in ARNG funding impacts the ability to replace aging and inadequate buildings and properly support unit readiness in several ways. First, it slows the rate at which the aging, inadequate readiness centers can be replaced with functionally adequate facilities. Second, inadequate facilities lead to a loss and inefficient use of training time due to facility shortcomings. Third, many of these aging and outdated facilities lack the space, design, information technology requirements, and energy efficiency improvements needed to house ARNG units.

#### IMPACT OF DOWNWARD TREND OF MILCON FUNDING

*Question.* What is the impact of the downward trend of MILCON funding on Army Reserve facilities and readiness?

*Answer.* The downward trend of the MILCON funding presents no immediate degradation of either Army Reserve facilities or the readiness of the Army Reserve. However, the continuation of reduced funding will have a negative impact on facility sustainment and mission readiness. The Army Reserve will continue to prioritize its MILCON program within available funding to resource its most critical facility needs to fully support all known mission requirements and provide appropriate facilities to its citizen-soldiers. However, maintaining a reduced program over the long term will increase the average age of Army Reserve facilities resulting in more units and soldiers training in overcrowded and substandard facilities for an extended period of time.

#### FUTURE YEARS DEFENSE PROGRAM (FYDP) PROJECTIONS

*Question.* Is the steep drop in Army's MILCON FYDP over the past couple of years a reflection of future needs and supported by solid projections, or is it an indication of uncertainty regarding the direction of the future MILCON program, particularly given that TAA remains to be completed?

*Answer.* The reduction in Army MILCON is a result of fiscal constraints from the 2011 Budget Control Act. The uncertainty related to pending force structure decisions did not impact the MILCON funding levels. Furthermore, Army MILCON programs are developed to support Army priorities that provide operational capability, prevent imminent mission degradation or failure, and enhance soldier and family quality of life, health, and safety. When the force structure decision is made, the Army MILCON program will continue to support the Army's highest priorities.

#### FUTURE YEARS DEFENSE PROGRAM (FYDP)

*Question.* Looking at out-year MILCON levels, will the Army's current and future requirements be met under the program as currently envisioned, or do you expect major revisions in the FYDP next year once you have a better picture of the Army's future force structure and laydown requirements?

*Answer.* The Army does not anticipate major revisions in the FYDP based on Total Army Analysis (TAA) decisions on the Army's future force structure. The pro-

gram will be re-evaluated for out-year minor revisions and reprioritization once the Army's force structure and stationing decisions are finalized. Army MILCON programs are developed to support Army priorities that provide operational capability, prevent imminent mission degradation or failure, and enhance soldier and family quality of life, health, and safety. During the process of selecting projects for inclusion in the fiscal years 2014–2018 FYDP, the Army selected projects that replace existing facilities that are either failing, inadequate for the mission requirements or neutral to pending force structure decisions.

#### BID SAVINGS

*Question.* While use of bid savings may be an effective backup plan for funding projects in fiscal year 2013, if bid-savings diminish in fiscal year 2014, does the Army have an alternative strategy for making up funding shortfalls under the sequester?

*Answer.* The projects presented in the fiscal year 2014 MILCON program reflect sound cost estimates and favorable bid climates. If the Army does not continue to garner bid savings as in the past and if there are funding short falls under a future sequester, our only options are to defer, reduce scope, or cancel projects prior to award. All un-awarded projects would be subjected to a thorough revalidation process and reprioritized based on requirements and operational risk.

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#### QUESTIONS SUBMITTED BY SENATOR MARK KIRK

##### BASE REALIGNMENT AND CLOSURE (BRAC)

*Question.* Last week Undersecretary Hale made a plea before this subcommittee for another round of continental United States (CONUS) base closures. Yet, the Secretary of Defense does not need BRAC authority to close overseas bases, but has rarely done so. DOD is doing a European Consolidation Study which is due at the end of the year. Given that the Army has modified its 10-year plan several times (Heidelberg, Wiesbaden, and now Del Din, Italy).

Ms. Hammack, a large number of members of the Senate are wondering why we shouldn't just wait until the study is complete, see what European bases need to be closed or realigned, decide where the troops will move to, and then discuss the need for another round of CONUS base closures. Would you please comment on this?

*Answer.* An independent assessment of the Department's overseas basing of military forces, as required by section 347 of the fiscal year 2012 National Defense Authorization Act, was completed by the RAND Corporation on December 31, 2012. The Department delivered the assessment, and the Deputy Secretary's comments in response to the assessment, to the congressional defense committees on April 18. It is practical to undertake reviews of overseas and domestic infrastructure in tandem, so each can inform the other.

Since 2006, the Army has reduced its end strength and force structure in Europe by over 45 percent. Correspondingly, the Army is on a path by fiscal year 2017 to reduce its supporting infrastructure by 51 percent, civilian staffing by 58 percent, and base operations by 57 percent. The Army has already announced the elimination of two brigade combat teams in Europe, the inactivation of V Corps, and the inactivation of thousands of additional enabler forces.

The story in Korea is similar. Significant declines in soldiers—more than 10,000 removed from Korea since 2006—has supported a consolidation of garrisons and sites.

The consolidation of the Army's overseas footprint is a process that is well underway and is properly sequenced before a future round of BRAC would be executed here in the United States.

##### ROCK ISLAND ARSENAL

*Question.* The Rock Island Arsenal depot expected more than \$143 million in workload—much of which would be done by our public—private ventures—yet to date they have only seen \$45.6 million in workload.

Ms. Hammack, can I have your assurances you are not trying to close Rock Island Arsenal by the back door by making it less attractive to a potential BRAC Commission?

*Answer.* Yes, I can assure you that the Army is not trying to close Rock Island Arsenal through any "back door."

*Question.* Ms. Hammack, why is the work not flowing to Rock Island Arsenal?

Answer. Although the fiscal year 2014 budget estimate submission for Rock Island Arsenal was \$142.6 million, the revised new order forecast is \$76.8 million. While Rock Island Arsenal's Joint Manufacturing Technology Center is the Army's Center for Industrial and Technological Excellence for Mobile Maintenance Systems, Foundry Operations, and Armor Development, the customer requirements and correlating workload did not materialize as expected due to the effects of sequestration and changes in customer requirements.

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QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

LABORATORY INFRASTRUCTURE

*Question.* I am concerned that laboratories, especially in the Army and Navy, had to take a back seat to other priorities in the MILCON budget process over the past several years. What laboratory infrastructure projects are currently budgeted, programmed, or are you are considering programming in the FYDP that will help ensure our scientists' research and development efforts have the facilities to support the Nation's critical interests? What can we do to ensure that scientists and engineers in the Defense laboratories will have the facilities and equipment the Nation will need in the future?

Answer. The Army does not have any laboratory infrastructure projects programmed for fiscal years 2014–2018 in the Future Years Defense Program (FYDP). In accordance with its Facility Investment Strategy (FIS), which is designed to address facilities that are in the highest state of disrepair first, the Army prioritized projects that were provided by the Army commands or components as their highest priority MILCON requirements. Few laboratory projects were submitted for consideration during the fiscal years 2014–2018 FYDP build, and none were selected.

The fiscal years 2014–2018 MILCON program has been carefully balanced and synchronized to meet FIS requirements, major Army initiatives, statutory law, stationing decisions, and the Army Campaign Plan. The Army will continue to encourage the commands and components to submit their highest priority projects for consideration in future MILCON programs. Laboratory infrastructure projects will continue to compete for constrained MILCON funding in future years.

DEPARTMENT OF THE AIR FORCE

STATEMENT OF HON. KATHLEEN I. FERGUSON, ACTING ASSISTANT  
SECRETARY OF THE AIR FORCE, INSTALLATIONS, ENVIRON-  
MENT AND LOGISTICS

ACCOMPANIED BY:

TIMOTHY BRIDGES, DEPUTY ASSISTANT SECRETARY, INSTALLA-  
TIONS

MAJOR GENERAL TIMOTHY BYERS, AIR FORCE CIVIL ENGINEER,  
AIR FORCE

MAJOR GENERAL RICHARD HADDAD, DEPUTY CHIEF, AIR FORCE  
RESERVE

BRIGADIER GENERAL JAMES WITHAM, DEPUTY DIRECTOR, AIR  
NATIONAL GUARD

Senator JOHNSON. I'm pleased to welcome our second panel of witnesses. The panel includes Ms. Kathleen Ferguson, Acting Assistant Secretary of the Air Force for Installations, Environment, and Logistics; Mr. Timothy Bridges, Deputy Assistant Secretary for Installations; Major General Timothy Byers, Air Force Civil Engineer; Major General Richard Haddad, Deputy Chief, Air Force Reserve; and Brigadier General James Witham, Deputy Director, Air National Guard.

We welcome you, and we look forward to your testimony. As I mentioned earlier, we're limiting opening statements to spare our witnesses the inconvenience of waiting until the Senate completes the series of votes scheduled to begin shortly.

I would just like to note that I'm relieved to see that the fiscal year 2014 MILCON and family housing budget request for the Air Force has rebounded after last year's deliberate pause in funding. However, I'm concerned that the Air Force will have to play catch-up ball on MILCON over the next few years to make up for last year's pause. At a time of major reductions in the overall defense budget, this will be a tall order for the Air Force.

Ms. Ferguson, we welcome you back to the subcommittee. Before you proceed, I would like to thank General Byers for his service to the Nation and his assistance to this subcommittee in his role as the Air Force Civil Engineer.

General Byers will be retiring next month, but I hope he will continue to contribute his expertise to the many challenges facing DOD and the Air Force today.

Ms. Ferguson, please proceed.

SUMMARY STATEMENT OF HON. KATHLEEN I. FERGUSON

Ms. FERGUSON. Good morning, Chairman Johnson, Ranking Member Kirk, and distinguished members of the subcommittee. Thank you for the opportunity to speak to you today about the Total Force Air Force installation, military construction, and environmental programs.

Also, on behalf of the Secretary and the Chief of Staff, I'd like to thank the subcommittee for your unwavering support of our Air Force and our airmen.

Our fiscal year 2014 budget request contains \$1.3 billion for Military Construction, \$2.2 billion for Facilities Sustainment, \$813 million for Restoration and Modernization, and \$465 million for Military Family Housing. In fiscal year 2013, we took a deliberate pause in MILCON to ensure we were making the right capital investment decisions as force structure adjustments were being made in line with the emerging defense strategy.

Our fiscal year 2014 MILCON request is \$900 million above our fiscal year 2013 request and returns us to near-historic funding levels, supports the Department's strategic priorities, and supports our top weapons systems modernization programs.

Ensuring component equity targets were met, approximately \$120 million and \$46 million were distributed to the Guard and Reserve components, respectively. This is an increase of \$77 million for the Guard and \$35 million for the Reserve between fiscal years 2013 and 2014.

This budget request reflects our ongoing modernization effort. This includes critical infrastructure for the F-35 and KC-46A, recapitalization of U.S. Strategic Command headquarters, and construction of the new Cyber Command Joint Operations Center.

Included in this budget request is \$265 million in unspecified locations to support the KC-46A beddown. We will submit site-specific military construction data request forms in late May after preferred and reasonable alternative bases are announced. And we respectfully request the subcommittee's support of the substitution.

The Air Force strongly supports the Department's request for another round of BRAC in 2015. While we have no current capacity analysis from which to draw, our capacity analysis from 2004 suggested that 24 percent of basing infrastructure was excess to needs.

BRAC 2005 did not result in major reductions to the Air Force. And since that time, our force structure has been cut by more than 500 aircraft, and our Active Duty military end strength has been reduced by nearly 8 percent.

We continue to spend money maintaining excess infrastructure that would be better spent on recapitalization and sustainment. Divestiture of excess property on a grander scale is a must.

During this period of fiscal uncertainty, Guard, Reserve, and Active components are ready to make the tough decisions required to avoid mission-impacting reductions in installation support that contribute to a hollow force.

#### PREPARED STATEMENTS

Our fiscal year 2014 budget request addresses our most pressing needs, seeks authorization to eliminate unnecessary infrastructure, and it stays true to the fundamental priorities of our Air Force.

Thank you, and we look forward to your questions.

[The statements follow:]

## PREPARED STATEMENT OF HON. KATHLEEN I. FERGUSON

## INTRODUCTION

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

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

However, today's fiscal climate challenges our ability to maintain our current suite of capabilities and jeopardizes our ability to fulfill our role in executing the Nation's Defense Strategic Guidance. With this fiscal year 2014 budget request, we took great care to align our limited resources with our overall objectives to maintain a high quality and ready force by investing in readiness, modernization, and airmen and their families. Proud of our success but realizing the fiscal challenges that lie ahead, we will continue to work hard to identify opportunities and initiatives with high rates of return that will maximize the impact of every dollar. We are committed to charting a path through these challenging times that fulfills the promises made to the American people, our Nation's leaders, and our innovative airmen and their families. I appreciate the opportunity to provide additional details in this testimony.

## INSTALLATIONS

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

Given our strategic intent to build sustainable installations, we established a coherent link between our major installation programs during this year's budget formulation. After researching existing academic studies and analyzing private sector data, we determined we should resource maintenance and repair of our infrastructure programs at 2 percent of our plant replacement value. As a result, we are funding facilities sustainment to 80 percent of the Department of Defense's facilities sustainment model, increasing restoration and modernization investments, and increasing Military Construction (MILCON) funding to near historic levels after our fiscal year 2013 deliberate pause. In addition, we adjusted the utilities portion of our facilities operations account to meet 3-year historical obligation levels and fully resourced fire and emergency services to meet Department of Defense standards. Taken together, these investments avoid hollowing out our installations—our power projection platforms—in the near term.

In total, our fiscal year 2014 President's budget request contains \$4.31 billion for Military Construction, Facility Sustainment, Restoration and Modernization, as well as another \$465 million for Military Family Housing. For Sustainment, we request \$2.2 billion; for Restoration and Modernization, \$813 million; and for Military Construction, we request \$1.3<sup>1</sup> billion, which is approximately \$900 million more than our fiscal year 2013 President's budget request. As previously stated, this MILCON increase comes just 1 year after our deliberate pause. This is intended to bring our MILCON funding closer to historical levels, supporting the Department's strategic priorities, as well as the service's top weapons system modernization programs, and distributes MILCON funding equitably between Active, Guard, and Reserve components.

#### READINESS

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

Consistent with National Military Strategy, another key focus area for the Air Force is the Asia-Pacific theater, where we will make key investments to ensure our ability to project power in areas in which our access and freedom to operate are challenged, and continue efforts to enhance resiliency. Guam remains our most vital and diplomatically accessible location in the western Pacific. For the past 8 years, Joint Region Marianas-Andersen Air Force Base has accommodated a continual presence of our Nation's premier air assets, and will continue to serve as the strategic and operational nucleus for military operations, originating from, or transiting through, in support of a potential spectrum of crises.

To fully support Pacific Command's strategy, the Air Force is committed to hardening critical infrastructure, including select hangars, as part of Pacific Airpower Resiliency, a comprehensive initiative that also includes dispersal and rapid recovery capabilities after attack. Guam's location also provides ideal environments for training and exercises. In 2014, we plan to continue the development of the Pacific Regional Training Center (PRTC) by constructing a Silver Flag Fire Rescue and Emergency Management training facility and a Rapid Engineer Deployable Heavy Operational Repair Squadron Engineers (RED HORSE) Airfield Operations facility. These facilities will enable mandatory contingency training and enhance the operational capability to build, maintain, operate and recover a "bare base" at forward-deployed locations, and foster opportunities for partnership building in this vitally important area of the world.

#### MODERNIZATION

The fiscal year 2014 budget request includes key infrastructure investments to support beddown of the F-35A and KC-46. Our ability to remain on schedule with modernizing our aging fighter and tanker aircraft depend on meeting construction timelines for critical enabling infrastructure—facilities such as aircraft maintenance hangars, training and operations facilities, and apron and fuels infrastructure. This year's President's budget request includes a \$265 million at three locations to support the KC-46A bed down. This consists of \$193 million at an unspecified location for Main Operating Base (MOB) No. 1, \$63 million at an unspecified location for the Flight Training Unit (FTU), and \$9 million for land acquisition at Tinker Air Force Base, Oklahoma for the KC-46A depot. Potential facility types at MOB No. 1 and FTU include a flight simulator facility, 2-bay maintenance hangar, fuel cell and corrosion control hangar, parking apron and hydrant fuel system, flight training center, fuselage trainer, squadron operations and aircraft maintenance unit facilities. Specific site fiscal year 2014 military construction project data forms (DD forms 1391) will be submitted to replace the unspecified MOB No. 1 and FTU projects in May 2013 after preferred and reasonable alternative bases are announced. Our fiscal year 2014 program also supports vital combatant commander priorities, such as continuation of the multi-year effort to recapitalize the U.S. Strategic Command headquarters facility at Offutt Air Force Base, Nebraska, and construction of the new Cyber Command Joint Operations Center at Fort Meade, Maryland.

<sup>1</sup> \$1.3 billion is total force funding request including Active, Guard and Reserve.



## PEOPLE

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

## CLOSURES AND REALIGNMENTS

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

Physical infrastructure is expensive. As discussed, the Air Force spends billions of dollars each year operating, sustaining, recapitalizing, and modernizing our physical plant. When we account for the additional costs of running our installations, that number nearly doubles. Since the last BRAC round, we have strived to identify new opportunities and initiatives that enable us to maximize the impact of every dollar we spend. Our efforts to demolish excess infrastructure, recapitalize our family housing through privatization, unlock the fiscal potential value of under-utilized resources through leasing, and reduce our energy costs have paid considerable dividends.

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

Like our sister services, the Air Force is committed to providing quality housing for airmen and their families. Through housing privatization, the Air Force has invested \$500 million and, in turn, leveraged \$7.5 billion in private-sector funding to provide quality homes for airmen much more quickly than we could have done with traditional military construction processes. In a similar vein, we have continually sought to improve the stewardship of our real property by leveraging appropriated dollars for private-sector investment. With the authorities provided to execute enhanced-use leases, we are pursuing innovative ways to leverage our underutilized real estate to return value to our installations. As a result of our energy conservation efforts, we have cumulatively avoided more than \$1 billion in facility energy costs since 2003, the funds for which have been redirected to better enable warfighters to complete their missions. We will continue to invest in all of these strategies.

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

## EUROPEAN INFRASTRUCTURE CONSOLIDATION

Since 1990, the Air Force has reduced both aircraft and forces stationed in Europe by 75 percent. We operate from six main operating bases that remain critical to our NATO commitments and provide throughput and global access for three unified combatant commands. We recognize that in light of recent evolutions in the national security strategy, there may be further opportunities for consolidation. The Sec-

retary of Defense has directed a capacity analysis to explore additional opportunities for reducing long-term expenses through footprint consolidation in Europe, and the Air Force fully supports this effort. We already plan to draw down 18 Primary Aerospace Vehicle Authorized (PAA) A-10s in Europe in fiscal year 2013 and to reduce operations at Lajes Field, Azores, to better match infrastructure requirements to mission demand. Through the Office of Secretary of Defense-led study, we will look for additional opportunities for operations and support cost savings through consolidation and closure.

#### AIR FORCE ENCROACHMENT MANAGEMENT PROGRAM

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

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

To date the Air Force has worked with 32 community stakeholders in creating Installation Complex Encroachment Management Action Plans (ICEMAPs) as a means to identify current or potential encroachment issues and the actions necessary to resolve these issues to our mutual benefit. These action plans have proved so successful that the Office of Economic Adjustment has indicated they would prefer to accomplish a joint land use study after an ICEMAP has been completed because it identifies stakeholders and an installation's mission footprint (land area beyond the base boundary like military training routes, special use airspace or drop zones) that has proven key to identifying compatible development strategies. This may include adoption of land use controls in accident potential zones or clear zones, acquisition of easements or key parcels of land affecting access to our airspace and ranges—this includes leveraging the DOD-directed Readiness Environmental Protection Initiative (REPI); addressing line of sight obstructions to critical microwave wireless communication and potential mitigations; working comprehensive solutions with community stakeholders like the Gulf Regional Airspace Strategic Initiative (GRASI) with communities around Eglin Air Force Base or addressing better use of water resources in areas facing shortages now or in the future.

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

#### AIR FORCE COMMUNITY PARTNERSHIP INITIATIVE

The Air Force is enthusiastically exploring the potential of installation-community partnerships as a means to reduce operating and service costs in support of the Air Force mission while retaining or enhancing quality. This concept is embodied in the fiscal year 2013 National Defense Authorization Act language 10 U.S.C. section 2336, and this legislation has the potential to increase DOD and the service departments' latitude in pursuing creative public-public and public-private, or "P4", partnership initiatives.

Currently, the Air Force is testing a prototype process through which installation and community leaders are motivated to develop creative ways to leverage their capabilities and resources and in the process, reduce mutual operating costs. Through this innovative start-up program, we have agreed to provide support to 13 locations where installation and community leaders have fully embraced the Air Force Community Partnership concept. We are using these prototype initiatives to drive the development of policy, identification of an oversight framework/governance structure and training requirements, types of potential opportunities and requisite resource requirements and priorities.

## CONCLUSION

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

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

While we strive toward remaining ready, capable and viable for the numerous security challenges ahead, we must be clear—the Air Force's fiscal year 2014 budget request represents continued risk in our installations programs. We have made hard strategic choices during formulation of this budget request. We needed to slow the erosion in full-spectrum readiness as a result of over 20 years of combat in the Middle East. We needed to sustain our legacy fleet to remain capable of delivering the combat effects our combatant commanders require in the near term fight. And we needed to continue modernizing our aging fleet of fighters, bombers and refuelers that allow us to remain viable over the long term, particularly in the high-end anti-access/area denial environment we expect to fight in the far term. That required us to take continued risk in areas we would choose not to take risk in, such as our installations. We believe this risk is prudent and manageable in the short-term, but we must continue the dialogue on right-sizing our installations footprint for a smaller, but more capable force that sets the proper course for enabling the Defense Strategy while addressing our most pressing national security issue—our fiscal environment.

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

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 PREPARED STATEMENT OF MAJOR GENERAL RICHARD HADDAD

Chairman Johnson, Ranking Member Kirk, and distinguished members of the subcommittee, thank you for the opportunity to appear before you today. I'm honored to represent America's citizen airmen and discuss the Air Force Reserve's military construction program.

First, I wish to highlight the over 70,000 Air Force reservists who provide our Nation's defense with operational capability, strategic depth and surge capacity. Approximately 2,000 citizen airmen are currently deployed and 3,000 are on Active Duty status in support of combatant commander requirements. We are still in high demand and we deliver a diverse portfolio of capability in title 10 status as your Federal Reserve.

Air Force Reserve capabilities traverse air space and cyber space. Our ability to fly, fight, and win in these domains is dependent, in part, upon the quality of the installations in which we reside and operate. We are a tenant at over 50 installations, where we maximize taxpayer dollars by sharing facilities when possible. By minimizing our facility footprint, we further increase the cost-effectiveness of our Reserve force.

For fiscal year 2014, the Air Force Reserve MILCON budget request is \$45.6 million. This request funds our highest priority project, a joint regional deployment processing center at March Air Reserve Base, California. This facility will support the deployment needs for the Air Force Reserve and other Government agencies, such as the First Marine Expeditionary Force.

This request also provides for construction of a squadron operations facility for the 513th Air Control Group at Tinker Air Force Base in Oklahoma and an Entry Control Complex at Homestead Air Reserve Base in Florida. The Planning and Design funds request is \$2.2 million and \$1.5 million is for Minor Construction funds used for urgent and compelling projects of less than \$2 million.

As you consider our proposed budget, I wish to highlight that the Air Force Reserve appreciates the return to historical MILCON funding levels, however, the uncertainty of sequestration could negatively impact our fiscal year 2014 program. I

thank the subcommittee for your continued support of America's citizen airmen. I stand ready to answer any of your questions.

Senator JOHNSON. Ms. Ferguson, the Office of Management and Budget (OMB) scoring issues have delayed the award of the Northern Group Housing Privatization project, which is very important to Ellsworth Air Force Base. I understand that on May 3, OSD sent OMB the revised Air Force scoring report.

What is the status of this project? And when does the Air Force need to get the green light from OMB to keep the project on schedule?

Ms. FERGUSON. Senator, you're correct. The revised scoring report went back to OMB in early May. We need to get that scoring report approved and back from OMB by the first of July in order to close the project this fiscal year. And we're working with OSD and OMB to try to make that happen in order to close the project. And as you know, it has been in the works for many, many years now.

Senator JOHNSON. Do you foresee any further scoring issues or other problems that could further delay the award of this project?

Ms. FERGUSON. No, I do not, once we clear this. We are in final negotiations with the developer now. We are ready to close as soon as we get the scoring report back and make the transfer of the dollars into the family housing improvement fund.

Senator JOHNSON. Will you please keep me informed on the progress of this project?

Ms. FERGUSON. Will do.

Senator JOHNSON. General Haddad and General Witham, the Air National Guard and the Air Force Reserve offer this country tremendous value for a relatively moderate investment. After a decade of admirable wartime service, we need to continue to make MILCON investments in the Air Guard and Reserve to preserve their mission capability and operational readiness.

The Air Force prides itself on operating as a total force with the Active, Guard, and Reserve components all part of the same team. However, when it comes to MILCON funding, the playing field is not very level. The Air Guard share of the fiscal year 2014 MILCON request is just over 9 percent while the Reserve share is just 3.5 percent.

Do you think the Air Guard and Reserve are sufficiently funded to meet both current and emerging MILCON needs?

General HADDAD. Senator Johnson, thanks for that categorization of the situation.

I would submit to you that the Air Force has done a great job in fiscal year 2014 of ensuring equity across the board. For this particular year, the Air Force Reserve should have about 3.4 percent, and we were given 3.5 percent of the allotment. So we are very content with the equity that we've received by the Air Force.

And my hat's off to Ms. Ferguson and her staff for ensuring that our folks are playing an equitable role within that distribution.

However, I would submit that sequestration, the impacts of sequestration, they are unknown at the moment, and as a result, we are not sure how that would impact 2014. We know in 2013, it would be about a 10-percent cut, which we would be able to utilize

some of our bid savings to accommodate that. But in 2014, that's still unknown.

And I would ask the subcommittee to ensure that sequestration does not affect the MILCON budget. Thank you.

General WITHAM. Chairman Johnson, thank you for the question.

Based on the Air National Guard's fiscal plan size, the target percentage should have been about 8.4 percent. The National Guard was actually provided 8.9 percent in the fiscal year 2014 budget request. We think the Air National Guard is being treated fairly.

We will remain challenged in terms of bedding down new missions, specifically the KC-46, some of the NDAA 2013 new mission sets. These will remain challenging in terms of bedding those down, but we have been treated fairly in this budget request.

Senator JOHNSON. Senator Kirk.

Senator KIRK. When you mentioned the KC-46, I instantly focus on Scott Air Force Base in Illinois. Very aware of the global strike mission and how important it was, the B-2 deployment was, to our diplomacy in North Korea, and how critical that system is to the United States in our ability to reach out and touch someone.

I would just say, I hope, since we have very high level people here, to say to my colleague from Colorado that I was a very minor part of the U.S. delegation to the Kyoto climate change negotiations, where I worked with the OSD representative at that negotiation to make sure DOD emissions were not counted under the climate change treaty.

So remember you guys are completely off the hook with regard to Kyoto. In the actual treaty text, we put that in. I'm just worried we'll return to the old Carter days of the entire Army squinting and shivering in buildings that are dim and are hot in the summer. And the old Carter days, I remember that kind of being way too uncomfortable, because it was probably affecting productivity of the office staff, since the temperatures were not correct. And we were on a misguided effort to actually save energy that probably hurt mission accomplishment.

Mr. Chairman.

Senator JOHNSON. Senator Udall.

Senator UDALL. Thank you, Chairman Johnson.

And thank you, Senator Kirk, for your comments.

And thank you for your service, and thank you for being here today.

I wanted to just make an initial comment. I agree with Chairman Johnson about the Northern Group Housing Privatization. I'm concerned for Cannon Air Force Base. And so I hope that we can move that along, and I hope you'll keep us informed also, because that's very important to Cannon.

I want to start by asking about the nuclear weapons work entrusted to the Air Force. This is one of the most serious and important jobs in the Air Force. As long as our Nation has nuclear weapons, we need to do everything we can to carry out this mission safely.

There's no room for error with nuclear weapons. I'm concerned about the safety of our nuclear stockpile, especially after the recent issues at Minot Air Force Base.

At Kirtland Air Force Base, the Air Force and DOD have invested significant resources to strengthen the Nuclear Weapons Center (NWC), which is tasked with ensuring safe, secure, and reliable nuclear weapons to support the national command structure and the Air Force warfighter.

In addition, I would note that I'm supportive of the President's MILCON request for NWC.

In light of the complex issues surrounding the handling of these weapons, does the Air Force intend to continue its support for the mission at Kirtland Air Force Base into the future? And how does the latest MILCON request for the Air Force Nuclear Weapons Center sustainment center support this goal?

General BYERS. Senator Udall, thanks so much for your great support of your bases in New Mexico.

And just real quick, I just returned from New Mexico.

Senator UDALL. Great.

General BYERS. And your CE squadrons at Cannon and at Holloman Air Force Base were the Air Force's best for small and large units. So congratulations, you have the two top CE squadrons in the country.

Senator UDALL. Thank you for that.

General BYERS. We continue to support the nuclear war systems. You know of phase 1 that started in fiscal year 2012. The phase 2 is now in the fiscal year 2014 program and is fully supported to support that second phase, an important mission there, with also the nuclear systems wing integration. And so those are all on target.

That will support the consolidation of the people. It will support the important work that they do there to the oversight of the nuclear weapons programs.

Senator UDALL. Thank you.

I want to thank you for your efforts regarding the F-16 transition at Holloman Air Force Base. This is an issue that's not only important to the Alamogordo community but also for our national security.

The access to unencumbered airspace is second to none in New Mexico, and I believe that airmen and airwomen training to fly F-16s in New Mexico will benefit greatly from the move to Holloman.

My understanding is that the Air Force is committed to making this happen. I have no reason to think otherwise. But is the Air Force still committed to this transition?

Ms. FERGUSON. The Air Force is still committed to the transition to relocate two F-16 squadrons from Luke Air Force Base to Holloman Air Force Base. Those bed downs are on track right now still. The first squadron of 28 aircraft is anticipated to move in the second quarter of 2014, and the second squadron is anticipated to move in the second quarter of fiscal year 2015. The first one will arrive shortly after the F-22s depart.

General BYERS. And if I may add, there are two MILCON projects in the fiscal year 2014 program that support those moves, and those are on target. That's the aircraft covered wash rack and pad, and also a BAK aircraft arresting system that will be at Fort Bliss to support the emergency airfields.

Senator UDALL. Okay, one final, quick question here. It has to do with, as you know, we have two very capable Air Force special operations, both the 58th Special Operations Wing and the 27th Wing at Cannon in New Mexico. And I'm concerned about the force protection at the Cannon base.

The Air Force has invested a tremendous amount of MILCON to expand the capabilities and the infrastructure at the base, but there are still some issues regarding the safety of the perimeter, specifically near County Road R, which runs on the western boundary of the base.

What are the Air Force's plans to address the force protection issues, to protect runways and ongoing military construction at the base? And what more can be done to work with Curry County and the State of New Mexico to find a workable solution?

General BYERS. Senator Udall, we take force protection very seriously, as you know. And we've worked real close with AFSOC on the requirements to protect that installation, that special mission that they have. And using the concept of an outside-in, the perimeter is very important.

Currently, in the fiscal year 2014 Future Years Defense Plan slated for fiscal year 2016 is a major gate project to take care of the most serious concern. All the other vulnerabilities have been addressed.

In a small way, this would be one that would have to be a MILCON correction. And we have that planned for fiscal year 2016.

Senator UDALL. Thank you very much.

Thank you, Mr. Chairman.

Senator JOHNSON. Senator Collins. And please make it—

Senator COLLINS. Very brief.

Senator JOHNSON. We have a series of votes beginning at 10:30.

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

I am going to submit my questions for the record on the KC-46A issue, which has been of great concern to me. I've raised it at the previous hearing.

I will just make the comment that, last month, finally the Air Force delivered its report regarding the air-refueling receiver demand model to the Senate Armed Services Committee. And that report confirmed to me that the Air Force had not adequately captured the full range of missions that will be accomplished by the KC-46A.

Just one very brief question, Secretary Ferguson. I was also surprised that the National Guard is planning to request \$94 million in next year's budget, fiscal year 2015, for KC-46A-related construction. The existence of two fully enclosed hangars of sufficient size and dimensions accounted for 12 percent of the scoring criteria in the KC-46A basing process for the National Guard-led main operating phase, and the hangar requirement is for two hangars.

My question is, is any of the \$94 million planned for fiscal year 2015 for new hangar construction?

Ms. FERGUSON. At this point in time, we have not developed our fiscal year 2015 budget request yet. In fact, the process for selecting the first Air National Guard location, MOB-2, for the KC-46 is underway right now. And once that is selected, we'll have a bet-

ter idea of what would be inserted into the fiscal year 2015 budget. And we could come back to you with that.

Senator COLLINS. So is that just a tentative figure?

Ms. FERGUSON. That would just be a tentative figure. I have not heard that. We're still working through that process right now.

Senator COLLINS. It seems inconsistent with the criteria that was used, but I will submit the rest of my questions for the record in light of the votes. Thank you.

Senator JOHNSON. I would like to thank all of our witnesses for appearing before the subcommittee today. We look forward to working with you later this year.

#### ADDITIONAL COMMITTEE QUESTIONS

I apologize for the short work we've made of this hearing, but I assume that numerous questions will be submitted.

For the information of the members, questions for the record should be submitted by the close of business on May 22.

[The following questions were asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED TO HON. KATHLEEN I. FERGUSON

##### QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

##### CURRENT MISSION NEEDS

*Question.* Nearly 80 percent of the fiscal year 2014 military construction request is for new mission requirements or combatant command initiatives. How does the Air Force plan to address current mission military construction needs if it only spends a fraction of its military construction dollars on them?

*Answer.* With limited funding available and recognizing the need to modernize our inventory of aircraft, the Air Force is continuing to take risk in infrastructure. A significant portion of the Air Force construction account is also being used to support several large combatant command projects. This risk to infrastructure could be partially mitigated with restoration and modernization funding but that funding account is also being stressed. We will closely manage available funding to minimize mission degradation of our most critical facilities.

*Question.* What is the current recap plan for current mission military construction? Is 15 to 20 percent of the military construction budget the normal ratio of current to new mission funding? Do you foresee that ratio remaining about the same over the course of the Future Years Defense Plan?

*Answer.* The Air Force's fiscal year 2014 budget request is 24-percent current mission, 76-percent new mission. With limited funding available and recognizing the need to modernize our inventory of aircraft, the Air Force is continuing to take risk in infrastructure. During the decade 2003–2012 Air Force budget requests averaged 57-percent current mission. We will continue to advocate for current mission construction funding and closely manage available funding to minimize mission degradation of our most critical facilities.

*Question.* The Air Force military construction request includes funding for several projects in Europe. Why should Congress invest in military construction projects in Europe before seeing the results of the European basing study?

*Answer.* The MILCON projects requested in fiscal year 2014 are in the United Kingdom and include a \$22 million Guardian Angel Operations Facility at RAF Lakenheath and a \$12 million Main Gate Complex at RAF Croughton. EUCOM/AFRICOM require an increase of USAFE Guardian Angel personnel recovery assets to fully respond to and support simultaneous contingency plans and operational requirements. The Main Gate Complex project requirement is driven by Joint Staff Integrated Vulnerability Assessment write-up, DOD2000.16, UFC 4–022–01, and Operations Order 08–01. There are no acceptable workarounds.

The fiscal year 2014 MILCON program was developed recognizing we would have a European Infrastructure Consolidation. The Air Force determined the need for these projects outweighed the risk of closure of either RAF Lakenheath or RAF



Croughton. If either of these bases is suggested for closure under the European Infrastructure Consolidation initiative we would not execute the projects.

#### BASE REALIGNMENT AND CLOSURE (BRAC)

*Question.* Currently, Air Force is embarked on a Total Force initiative, while DOD is conducting a European Basing Study. Furthermore, DOD is requesting a new BRAC round in 2015. How are all of these efforts being coordinated to ensure that they do not conflict with each other? For example, what assurance does the Air Force have that its total force realignment decisions will mesh with BRAC recommendations if another BRAC round is approved?

*Answer.* The Air Force strategic basing process provides an enterprise-wide repeatable process for decisionmaking to ensure all basing actions involving Air Force units and missions support Air Force mission requirements and comply with all applicable environmental guidance.

The strategic basing process works in concert with Total Force Integration to ensure all levels of decisionmaking are coordinated.

The Air Force believes the Total Force Integration and on-going European Infrastructure Consolidation analysis are complimentary to BRAC and the outcomes will inform the BRAC process.

If another BRAC round is authorized, all military installations will be reviewed, and all recommendations will be based on approved, published selection criteria. BRAC authorization will also require submission of a future force structure plan that incorporates previous force realignment decisions that occurred using the strategic basing process.

#### AIR FORCE COMMUNITY PARTNERSHIP INITIATIVE

*Question.* What is the current status of the Air Force Community Partnership Initiative, and how does the Air Force see this developing?

*Answer.* The Air Force is fully committed to leveraging partnerships with communities where it is mutually beneficial. This is being accomplished through the use of in-house manpower, leveraging the utilization of reservists throughout the United States, contract support, and a headquarters Air Force Task Force of subject matter experts. We currently have table top exercise processes underway that are designed to identify potential partnership at 15 locations. These locations are Altus, Beale, Buckley, Ellsworth, Hill, JB Andrews, Maxwell, Moody, Nellis, Patrick, Peterson, Robins, Seymour-Johnson, Sheppard, and Tinker Air Force Bases.

#### MINOT AIR FORCE BASE

*Question.* The fiscal year 2014 Air Force military construction request includes a project to construct a new Aircraft Maintenance Unit (AMU) facility and alter an existing AMU facility. Both AMUs would provide space to consolidate the unit support and command sections for the second B-52 squadron at Minot Air Force Base. The fiscal year 2014 budget also calls for the construction of four munitions storage igloos to accommodate the increased weaponry stored at the base with the second B-52 squadron.

Do you anticipate these projects would be affected by sequestration?

*Answer.* The Air Force has not made any specific project decisions in response to potential sequestration. The scope of any sequestration cut is not known. If the Air Force receives a sequestration cut we will at that time determine what projects will have to be deferred or canceled.

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#### QUESTIONS SUBMITTED BY SENATOR JON TESTER

##### HAYES MILITARY OPERATIONS AREA

*Question.* The Air Force has long considered the airspace near Great Falls—the Hayes Military Operations Area—an important national asset. There are few places left in the country with that amount of room to operate over land—more than 4.5 million square acres—and a lack of civilian over-flights. Concerns have been raised that the pending conversion of the Montana Air National Guard from a fighter mission to an airlift mission will leave that airspace underutilized and ultimately place it at risk.

In this context can you provide an assurance that this airspace will not be underutilized and that the Air Force will keep it in mind as it considers future requirements?

Answer. The U.S. Air Force utilizes a variety of Special Use Airspace (SUA) areas, which are delegated for military operations by the Federal Aviation Administration (FAA), to separate non-hazardous flying activities from civil aviation activities, including the Hayes Military Operations Area (MOA). Many Air Force bases have SUA areas which are designed to meet their unique training and readiness mission requirements. In response to the second part of your question, the Hayes MOA does have positive attributes which make it suitable for certain Air Force operations.

As good stewards of SUA, the Air Force must ensure the efficient and effective use of airspace granted by the FAA. If any SUA becomes underutilized due to base realignment or mission changes, etc., it is reviewed, and if determined to be excess to Air Force need, offered to the Department of Defense for another Service to assume scheduling authority to meet their requirements. If no other Department of Defense requirement is found, the SUA must be returned to the FAA for use system-wide in the U.S. National Airspace System public domain. There has been no determination made at this time regarding potential long-term usage of the Hayes MOA.

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#### QUESTIONS SUBMITTED BY SENATOR MARK KIRK

##### U.S. STRATEGIC COMMAND HEADQUARTERS

*Question.* The Air Force is requesting two hardening projects in Guam but has as of today; PACAF is still working on a Pacific Resiliency Study.

Will the PACAF Resiliency Plan be incorporated into an overall PACOM resiliency plan? If not, why not?

Before the study is complete how do we know these two hardening projects in Guam will be the top PACAF or PACOM priorities?

By getting ahead of the resiliency study is this the best use scarce funds?

Answer. Yes, any resiliency plans developed by PACAF will support an overall joint resiliency plan endorsed by PACOM. In fact, in December 2011, the commanders of both PACAF and PACFLT developed an integrated list of resiliency requirements in anticipation of an integrated PACOM resiliency plan. The commanders recommended four distinct methods of mitigating risk to include: selective hardening, redundancy, rapid repair, and dispersal. In many cases, they recommended a hybrid solution that incorporates two or more of the mitigation measures.

While the PACOM resiliency study is still on-going (to be complete mid-2013), the study assumes that the two hardened hangars on Guam will be constructed. All major stakeholders agreed on the importance of these two structures since the fiscal year 2012 President's budget submittal. In addition, these two hangars ranked within the top 10 on PACOM's joint resiliency requirements and both were within the top 5 for the Air Force. The United States has done virtually no hardening for some 30 years. Without selective hardening of key infrastructure, our commitment to overall Defense Strategy in the Asia-Pacific theater could be called into question by our partners and allies as well as our potential adversaries. Furthermore, the study will recommend several other methods of mitigating risk to include: improved indications and warning, active defense (e.g., THAAD, PAC-3), redundancy to single points of failure, enhanced rapid repair capabilities, tactical and theater-level dispersal, etc. We do not believe we are getting ahead of the resiliency study; rather, we have developed our installation investment strategy in concert with the strategy as it has matured over the past several years.

##### MILITARY CONSTRUCTION PROJECTS AT SCOTT AIR FORCE BASE

*Question.* Ms. Ferguson, Scott Air Force Base's mid-country location makes it strategically situated to be a prime location for basing the KC-46 tanker. While Scott Air Force Base had significant scoring shortfalls for the new initial basing of the new KC-46 tanker, the base had several infrastructure-related challenges such as runway strength and condition that contributed to this. I appreciate the Air Force's past investment at Scott Air Force Base and I hope we can work together to identify infrastructure needs that could enhance Scott's candidacy for future KC-46 basing rounds.

Do you have any plans or recommendations concerning operational infrastructure that would enhance Scott's ability to compete for future basing rounds?

Answer. On April 20, 2012, the Secretary of the Air Force approved KC-46A basing criteria that evaluated 54 Air Force installations' ability to support the KC-46A training requirements, available infrastructure, environmental concerns and area

construction and locality costs. Any additional infrastructure upgrades for a possible KC-46A mission would have to be part of the Air Force Strategic Basing process.

However, the Air Force is making every attempt to place our most urgent MILCON requirements in the Future Years Defense Program (FYDP). While there is obviously a need for major construction projects at Scott Air Force Base to support Scott Air Force Base's current mission, there simply is not enough funding to accommodate all of the Air Force's most urgent requirements within the current Air Force budget.

We will make every effort to consider these projects in a future President's budget request if funds are available. We look forward to your continued support for military construction projects and other critical Air Force priorities through the fiscal year 2014 budget cycle.

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QUESTIONS SUBMITTED BY SENATOR JOHN HOEVEN

MINOT AIR FORCE BASE

*Question.* The fiscal year 2014 Air Force military construction request includes a project to construct a new Aircraft Maintenance Unit (AMU) facility and alter an existing AMU facility. Both AMUs would provide space to consolidate the unit support and command sections for the second B-52 squadron at Minot Air Force Base. The fiscal year 2014 budget also calls for the construction of four munitions storage igloos to accommodate the increased weaponry stored at the base with the second B-52 squadron.

*Answer.* The second B-52 squadron was activated at Minot Air Force Base in 2009.

*Question.* How many additional personnel were required to activate that squadron?

*Answer.* A total of 798 positions were added at Minot Air Force Base to activate the additional bomb squadron in order to support operations, maintenance and support.

*Question.* Where are they working without the upgraded AMU facilities in this budget request?

*Answer.* They are working in seven geographically separated flight line facilities. In one instance, a modular office space was added inside to provide working space.

*Question.* The fiscal year 2014 Air Force military construction request includes a project to construct a new Aircraft Maintenance Unit (AMU) facility and alter an existing AMU facility. Both AMUs would provide space to consolidate the unit support and command sections for the second B-52 squadron at Minot Air Force Base. The fiscal year 2014 budget also calls for the construction of four munitions storage igloos to accommodate the increased weaponry stored at the base with the second B-52 squadron.

How have we been storing weapons for the second B-52 squadron without the additional storage igloos?

*Answer.* Minot Air Force Base can currently store its War Reserve Material (WRM) allocations for both squadrons but is short space to store approximately 40 percent of required Aircrew Training Munitions levels. The four new igloos will alleviate storage shortfall to permit required training and war readiness reserve munitions required to meet OPLAN and DOC statements.

The current work around is staggering munitions deliveries throughout year based on the storage space available to sustain weapons training.

*Question.* There is also a project to replace some old fuel lines at Minot Air Force Base between now and 2016. Do you anticipate that would have any impact on B-52 operations at Minot over those years?

*Answer.* There will be no operational impact. This project replaces the line from the bulk fuel tanks to the operating storage tanks of the hydrant fuels system. The concept for replacement uses a different route for the lines, thus permitting the existing lines to be used while the new ones are being installed. There may be a short down time while the new lines are tied in, but the operating storage is sufficient to accommodate the down time. In the event the tie in takes longer than expected, truck refueling from the fuel stand at bulk fuel will be used; however, this is highly unlikely.

ENHANCED USE LEASE

*Question.* There are no military construction projects planned for Grand Forks Air Force Base in the fiscal year 2014 request, but there are a number of critical initiatives that concern the installation. Enhanced Use Lease—The proposed Enhanced

Use Lease (EUL) will bring significant investment to Grand Forks Air Force Base and provide benefits both to the local community and to the Air Force.

Can you provide an update on the Air Force's efforts to develop an EUL for Grand Forks Air Force Base?

Answer. The Air Force has received a proposal from Grand Forks County (GFC) for the possible lease and development of an Aviation Business Park on approximately 217 acres at Grand Forks Air Force Base (GRAFB). Negotiations are currently ongoing with the two sides working towards agreement on a term sheet which outlines the basic business terms of the lease. Concurrently, all necessary environmental work is being completed and GFC is working towards securing an initial tenant and the necessary financing for the first phase of development. The Air Force anticipates notifying Congress in August 2013 with a target date of October 2013 for lease signing.

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#### QUESTIONS SUBMITTED BY SENATOR MIKE JOHANNIS

##### U.S. STRATEGIC COMMAND HEADQUARTERS

*Question.* The fiscal year 2014 budget request includes \$136 million for Increment 3 of the U.S. Strategic Command headquarters replacement facility. I fully support this request and ask my colleagues to do the same. Additionally, it has come to my attention that the fiscal year 2014 request does not adequately address the fit-out or procurement funding requirements for the building. These funds were to be used to install an Uninterruptible Power Source (UPS) for the facility. I am told that if these funds are not executed in fiscal year 2014, the cost to the Government could increase by 79 percent and could delay the occupancy of the facility, at a minimum, by 7 months.

Could you detail this funding issue and the impacts that it could have on the construction of the new STRATCOM headquarters building?

Answer. This project has a 4-year construction duration, with specific portions of the project completed and turned over to the Federal Government prior to final contract completion. The first contractual Early Beneficial Occupancy Date (EBOD 1) in January 2016 requires installation of a centralized UPS system to protect equipment and circuits from damage by power surges or loss. The UPS provides back-up and conditioned power for both military construction and information technology contractors to install command and control systems, technical control facility, telecommunications rooms and data centers.

The \$136 million in the fiscal year 2014 budget provides needed funding for the military construction portion of the facility and is needed in full to meet contractual placement schedules.

Equipment fit-out is a separate fiscal year 2014 requirement to be funded from other equipment (3080) in the defense appropriations bill. In May 2012, Congress marked USSTRATCOM's fiscal year 2013 \$25 million fit-out procurement request as "early-to-need" and zeroed it out. This was done prior to contract award in August 2012. To address this, the Air Force is maintaining an fiscal year 2014 unfunded requirement for \$21.3 million to procure the UPS, which will continue to be evaluated by the Air Force Corporate Structure for funding. The least preferred alternative is to pursue funding in the Air Force Fiscal Year 2015 Program Objective Memorandum, for the reasons outlined below. Additionally, there is \$502 million in remaining requirements for equipment and furnishings currently programmed in the fiscal years 2014–2018 Future Years Defense Program.

Procurement, installation and testing of UPS equipment will take a minimum of 15 months once a contract is awarded. To meet the EBOD 1 date, award is required by June 2014. Further delay of funding to fiscal year 2015 would slip the award to May 2015, with installation occurring after much of the interior construction is complete, requiring the dismantlement/rebuilding of equipment racks, risking damaging completed interiors, and incurring significantly higher costs. This is estimated to cause an overall schedule slip of 10 months for EBOD 1, from January 2016 to November 2016, and result in up to 79 percent increased costs to the Federal Government.

QUESTIONS SUBMITTED TO BRIGADIER GENERAL JAMES WITHAM

QUESTIONS SUBMITTED BY SENATOR JOHN HOEVEN

HECTOR INTERNATIONAL AIRPORT

*Question.* There is a \$4.8 million military construction request for intelligence targeting facilities located at Hector International Airport in Fargo, North Dakota. It appears these funds are projected for the fiscal year 2016 budget in support of the new Cyber Targeting Group mission coming there.

Can you provide detail on what facilities are planned for that new mission?

*Answer.* The Site Activation Task Force is scheduled for the week of July 9, 2013, at which time specific details on what facilities and how they are utilized will be determined. In general, it is anticipated that existing under-utilized facilities will need to be converted and may require the use of military construction funds.

CONCLUSION OF HEARINGS

Senator JOHNSON. This hearing is recessed.

[Whereupon, at 10:38 a.m., Wednesday, May 15, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

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