

GAO

Report to the Honorable Vic Snyder,
House of Representatives

April 2002

MILITARY BASE CLOSURES

Progress in Completing Actions from Prior Realignments and Closures



G A O

Accountability * Integrity * Reliability

Contents

Letter		1
	Results in Brief	2
	Background	4
	BRAC Net Savings Are Substantial but Imprecise	8
	Transfer of Unneeded BRAC Property Is Only Partially Completed	16
	Most Communities Are Continuing to Recover from the Economic Impact of BRAC	28
	Conclusions	36
	Recommendations for Executive Action	37
	Agency Comments	37

Appendix I	Scope and Methodology	39
-------------------	------------------------------	-----------

Appendix II	Revisions to BRAC Cost and Savings Estimates	42
--------------------	---	-----------

Appendix III	DOD’s Use of Economic Development Conveyances	45
---------------------	--	-----------

Appendix IV	Civilian Jobs Lost and Created at Major BRAC Locations during the Prior Four BRAC Rounds	47
--------------------	---	-----------

Appendix V	Average Unemployment Rates of BRAC-Affected Areas Compared with the U.S. Average Rate	50
-------------------	--	-----------

Appendix VI	Average Annual Real per Capita Income Growth Rates of BRAC-Affected Areas Compared with the U.S. Average Rate	53
--------------------	--	-----------

Appendix VII	Case Examples of Community Impacts and Recovery from BRAC	56
---------------------	--	-----------

Appendix VIII	Key Reports Related to Base Closure Implementation Issues	62
----------------------	--	----

Appendix IX	Comments from the Department of Defense	64
--------------------	--	----

Appendix X	GAO Contacts and Staff Acknowledgments	67
-------------------	---	----

Tables

Table 1: DOD's Cost and Savings Estimates through Fiscal Year 2001 for the Four BRAC Rounds	10
Table 2: Actual Transfers of Unneeded BRAC Property, as of September 30, 2001	20
Table 3: Leased BRAC Acreage, as of September 30, 2001	24
Table 4: Use and Status of Early Transfer Authority at BRAC Bases through Fiscal Year 2001	27
Table 5: Cumulative Cost and Savings Estimates through Fiscal Year 2001 for the Prior Four BRAC Rounds as Reflected in DOD's Budget Requests and Documentation for Fiscal Years 1999 and 2002	42
Table 6: DOD's Use of Economic Development Conveyances	45
Table 7: Civilian Jobs Lost and Created at Major Base Realignment and Closures during the Prior Four BRAC Rounds, as of October 31, 2001	47
Table 8: Community Impacts Resulting from the Closure of Chase Naval Air Station, Texas, as Reported in 1998 and 2001	57
Table 9: Community Impacts Resulting from the Closure of Castle Air Force Base, California, as Reported in 1998 and 2001	58
Table 10: Reported Community Impacts Resulting from Base Closures for Communities Not Visited in 1998	60

Figures

Figure 1: DOD's Usual Procedures for Transferring Property	7
Figure 2: Cumulative BRAC Cost and Savings Estimates through Fiscal Year 2001	9
Figure 3: Planned Disposition of Unneeded Property	17

Figure 4: Planned Transfers to Federal Agencies	18
Figure 5: Planned Transfers to Nonfederal Entities	19
Figure 6: DOD's Estimated Environmental Cleanup Cost at Base Closure Sites After Fiscal Year 2001, as of September 30, 2001	22
Figure 7: Factors Affecting Economic Recovery from Base Closures	29
Figure 8: Average Unemployment Rates of 62 BRAC-Affected Communities Compared with Average U.S. Rate for January-September 2001	34
Figure 9: Calendar Years 1996-99 Average Annual per Capita Income Growth Rates of BRAC-Affected Areas Compared with U.S. Average	35
Figure 10: Comparison of Unemployment Rates of 24 BRAC- Affected Locations West of the Mississippi River	51
Figure 11: Comparison of Unemployment Rates of 38 BRAC- Affected Locations East of the Mississippi River	52
Figure 12: Comparison of Average Annual Real per Capita Income Growth Rates of 24 BRAC-Affected Locations West of the Mississippi River	54
Figure 13: Comparison of Average Annual Real per Capita Income Growth Rates of 38 BRAC-Affected Locations East of the Mississippi River	55

Abbreviations

BRAC base realignment and closure
CBO Congressional Budget Office
DOD Department of Defense



United States General Accounting Office
Washington, DC 20548

April 5, 2002

The Honorable Vic Snyder
House of Representatives

Dear Mr. Snyder:

Through base realignment and closure rounds in 1988, 1991, 1993, and 1995, the Department of Defense expected to significantly reduce its domestic infrastructure and provide needed dollars for high-priority programs such as modernization. With the conclusion of the 6-year implementation period of the last round in fiscal year 2001, the department has closed or realigned hundreds of bases, has generated savings from these actions, and is in the process of transferring unneeded base property to other users. At the same time, the communities surrounding the former defense bases continue the lengthy process of recovery from the economic impact of the closure process. Our last comprehensive report on the implementation of base closure decisions was issued in December 1998.¹ In that report, we concluded that the closure process was generating substantial savings (although the savings estimates were imprecise), most former base property had not yet been transferred to other users, and most communities surrounding closed bases were faring well economically in relation to key national economic indicators. In a July 2001 report and August 2001 testimony, we updated our closure implementation data and reaffirmed the primary results of our prior work.²

While the Congress recently authorized another round of defense base realignments and closures beginning in 2005, many in the Congress continue to have questions about the implementation of the prior rounds. Some in Congress have raised concerns about the adequacy of the department's accounting for the costs and savings associated with closure decisions and the economic impact on communities affected by the closures and their ability to recover. Others have expressed the view that

¹ See U.S. General Accounting Office, *Military Bases: Status of Prior Base Realignment and Closure Rounds*, [GAO/NSIAD-99-36](#) (Washington, D.C.: Dec. 11, 1998).

² See U.S. General Accounting Office, *Military Base Closures: DOD's Updated Net Savings Estimate Remains Substantial*, [GAO-01-971](#) (Washington D.C.: July 31, 2001) and *Military Base Closures: Overview of Economic Recovery, Property Transfer, and Environmental Cleanup*, [GAO-01-1054T](#) (Washington D.C.: Aug. 28, 2001).

all prior round actions should be completed before the introduction of any new rounds.

As requested, this report further updates the status of the four prior rounds of defense base realignments and closures at the conclusion of the 6-year implementation period associated with the 1995 round. It addresses (1) the magnitude of the net savings accruing from the prior four closure rounds and the impact of remaining closure-related costs on future savings, (2) the department's progress in transferring unneeded base property to other users, and (3) the economic recovery of communities affected by base closures.

In performing our work, we used our December 1998 status report on prior realignments and closures as a baseline for assessing the department's progress in completing prior round actions. First, we examined the department's recently reported net savings estimates and the rationale for estimate revisions over time. Second, we compared data on actual unneeded property transfers with earlier data and sought out the reasons for transfer delays. Finally, we reviewed key economic indicators (e.g., unemployment rates and real per capita income growth) for communities affected by the closure process and visited select communities to assess the overall recovery process. Further details on the scope and methodology for our work are described in appendix I.

Results in Brief

The Department of Defense has generated substantial net savings from the prior four closure rounds and expects those savings to grow on an annual basis. Our analyses have consistently affirmed that the net savings for the four closure rounds are substantial and can best be depicted as cost avoidances in specific operational areas. On the basis of our analysis of defense budget documentation for fiscal year 2002, the Department has accrued an estimated \$16.7 billion in savings through fiscal year 2001, an increase over prior estimates. The department also expects to gain an estimated \$6.6 billion in annual recurring savings thereafter—up \$1 billion over estimates made in fiscal year 1999. The increase is attributed to adjustments in the inflation rate, changes in the planned implementation of base realignment and closure actions at specific locations, and the department's underreporting of estimated savings. At the same time, our reviews have found that the department's savings estimates are imprecise and should be viewed as rough approximations of the likely savings. Our analysis indicates that the imprecision stems primarily from the military services' failure to periodically update overall savings estimates, despite departmental guidance to do so. Because closure or realignment

implementation actions may vary from the original plans, it is important for the services to review and update these estimates periodically to increase their accuracy. Also, the estimates do not include a cumulative \$1.5 billion cost incurred by the federal government to assist communities affected by the closure process or \$3.5 billion in environmental costs expected beyond fiscal year 2001. The inclusion of these costs would have only a limited impact on cumulative long-term savings. Furthermore, although estimated environmental costs have fluctuated over time and remain subject to change, the total expected costs of about \$10.5 billion are still within the range of the projected costs estimated in 1996.³

Although the department has plans in place to transfer nearly all of the 518,500 acres of unneeded base property to federal and nonfederal users, it has only partially completed the property transfers. As of September 30, 2001, it had transferred about 42 percent of the total 518,500 acres—an increase from the 14-percent transfer rate reported in 1998. The primary impediment to transferring the remaining property involves environmental cleanup, which could take many more years to complete as a condition for conveying property titles. The military services are using several mechanisms, such as the early transfer authority⁴ and leasing, to make property available sooner to communities and others for reuse. While the early transfer authority can be beneficial to all parties, it has not yet been widely used. It appears that its use is an evolving process. Service officials told us that they expect greater use of this authority as users become more familiar with its potential advantages.

While some communities surrounding closed bases are faring better than others, most are continuing to recover from the initial economic impact of base closures. The economic impact on and recovery of specific communities within the region of a closed base can vary because of such

³ See U.S. General Accounting Office, *Military Base Closures: Reducing High Costs of Environmental Cleanup Requires Difficult Choices*, [GAO/NSIAD-96-172](#) (Washington D.C.: Sept. 5, 1996).

⁴ The Congress enacted a so-called “early transfer authority” provision in September 1996 legislation to allow property to be transferred before all necessary cleanup actions have been taken. However, certain conditions must exist for the department to exercise this authority. For example, the property must be suitable for transfer for the intended use, transfer of the property must not delay any cleanup actions, and the governor of the state where the property is located must approve the transfer. The advantage of an early transfer is that the property is made available under an economic development or other disposal authority to the future user as soon as possible to allow for concurrent environmental cleanup and redevelopment activities.

factors as their proximity to the base and the business diversity within the community. While the short-term impact can be very traumatic, several factors, such as the strength of the national and regional economies, play a role in determining the long-term impact of the closure process. While the successful redevelopment of base property can also play a role in the process, broader regional economic growth may also be key to economic recovery. Two economic indicators—the unemployment rate and average annual real per capita income growth rate—show that the majority of communities are doing well compared with average U.S. rates, despite delays in the transfer or reuse of former base property. As of September 30, 2001, of the 62 communities surrounding major base closures, 44 (71 percent) had average unemployment rates lower than the U.S. rate, as reported by the Department of Labor’s Bureau of Labor Statistics. In addition, the average unemployment rate decreased for 41 of the 62 communities (66 percent) since 1998. In terms of average annual real (adjusted for inflation) per capita income growth rates, 33 (53 percent) of the affected communities had rates equal to or higher than U.S. rates for 1996 through 1999, and another 7 (11 percent) were close to the average. Of the rest, the rates of only three (5 percent) were significantly lower than the U.S. rate and none had negative rates. In addition, the per capita income growth rates increased for 42 of the 49 communities (86 percent) since we last reported them in 1998. Our visits to communities surrounding six major base closures showed that they were recovering, although not without difficulty and challenges. Overall, while our analysis showed that the general economic trend for most communities was favorable, questions remain about some communities’ ability to sustain their economic recovery over time, particularly in light of the recent downturn in the national economy.

This report contains recommendations for executive action designed to (1) improve the Defense Department’s accuracy in reporting estimated savings generated from the next congressionally authorized round of base closure and realignment rounds beginning in 2005 and (2) accelerate property transfers and/or save the department money through the expanded use of the early transfer authority. In commenting on a draft of this report, the department concurred with our recommendations.

Background

To enable the Department of Defense (DOD) to close unneeded bases and realign others, the Congress enacted base realignment and closure (BRAC) legislation that instituted base closure rounds in 1988, 1991, 1993, and

1995.⁵ A special commission established for the 1988 round made recommendations to the Committees on Armed Services of the Senate and House of Representatives. For the 1991, 1993, and 1995 rounds, special BRAC Commissions were set up to recommend specific base realignments and closures to the president, who in turn sent the commissions' recommendations and his approval to the Congress. The four commissions generated 499 recommendations—97 major closures and hundreds of smaller base realignments, closures, and other actions.⁶ Of the 499 recommendations, 451 required action; the other 48 were modified in some way by a later commission. DOD was required to complete its realignment and closure actions for the 1988 round by September 30, 1995, and for the 1991, 1993, and 1995 rounds within 6 years from the date the president forwarded the recommended actions to the Congress. Property disposal and environmental cleanup actions, however, were allowed to continue beyond the 6-year period.

DOD reported that, as of September 30, 2001, it had taken all necessary actions to implement the recommendations of the BRAC Commissions for the four rounds.⁷ As a result of these actions, DOD estimates that it has reduced its domestic infrastructure by about 20 percent and saved billions of dollars in the process. DOD calculates its net savings by deducting the costs necessary to implement BRAC actions from the savings accrued by realigning or closing bases. These accrued savings include savings that occur during the budget year that a BRAC decision is implemented as well as the estimated cost avoidances during future years—costs that DOD would have incurred if BRAC actions had not taken place. Some of the

⁵ The 1988 round was completed under the Defense Authorization Amendments and Base Closure and Realignment Act (P.L. 100-526, as amended). The last three rounds were completed under the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510, as amended).

⁶ The number of recommendations may vary depending on how they are categorized. In this report, the recommendations include closures, realignments, disestablishments, relocations, and redirections. In a closure, all missions carried out at a base either cease or relocate, while in a realignment, a base remains open but loses and sometimes gains missions. "Disestablishments" and "relocations" refer to missions; those disestablished cease operations, while those relocated are moved to another base. "Redirections" refer to cases in which a BRAC Commission changes the recommendation of a previous commission.

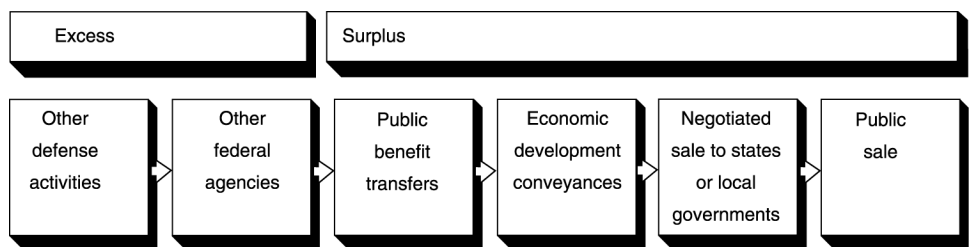
⁷ The 1995 BRAC round recommendation to close family housing units on Fort Buchanan, Puerto Rico, was not implemented because the DOD Appropriations Act for Fiscal Year 1999 (P.L. 105-262) authorized the secretary of defense to retain all or a portion of the units in support of the U.S. Army South's relocation from Panama to Fort Buchanan.

savings are one-time (e.g., canceled military construction projects), but most represent an avoidance of recurring spending (e.g., personnel reductions). Eliminating or reducing recurring base support costs at closing and realigned bases is a major component of BRAC savings. Savings are realized through a number of actions, such as terminating physical security, fire protection, utilities, property maintenance, accounting, payroll, and a variety of other services that have associated costs linked specifically to base operations. Over time, the value of the recurring savings has become the largest and most important portion of BRAC's overall savings. DOD reports these savings estimates to the Congress as part of its annual budget requests. The avoidance of other one-time, but not-yet-programmed, costs also may be significant over time, but they are not easily captured or reported.

Once DOD no longer needs BRAC property, it is considered excess and is offered to other federal agencies. As shown in figure 1, any property that remains is then considered surplus and is disposed of through a variety of means—initially by transfers to states and local governments for public benefit purposes and, thereafter, for economic development purposes (commonly referred to as “economic development conveyances”) and negotiated or public sales. Under public benefit transfers, local redevelopment agencies can acquire property for such purposes as schools, parks, and airports for little or no cost. In 1993, BRAC legislation was amended to provide local redevelopment authorities with BRAC property at or below fair market value or without cost to promote economic recovery in areas affected by closures. DOD was required to transfer property for economic development to communities in rural areas at no cost. Later, these provisions were replaced with others that allowed no-cost property transfers to local redevelopment authorities for job generation or lease back to the federal government.⁸ Consequently, local redevelopment authorities have usually sought to obtain property at no cost and, failing that, pursue it through negotiated sales.

⁸ With the enactment of the National Defense Authorization Act for Fiscal Year 2002 (P.L. 107-107, sec. 3006 (a)), DOD “shall seek to obtain” fair market value for property transfers at installations recommended for closure or realignment after January 1, 2005. The section also provides for property transfers without consideration, if circumstances warrant. DOD has not yet developed policy guidance for implementing this section.

Figure 1: DOD's Usual Procedures for Transferring Property



The economic impact on communities near base realignments and closures has been a long-standing source of public anxiety. Because of this concern, DOD included “economic impact” as one of eight criteria that it used for making BRAC recommendations in the last three rounds. Although it did not play as large a role in initial BRAC deliberations as did other criteria and was not a key decision factor, “economic impact” was of such sufficient importance that DOD components were required to estimate the impact of their recommendations.

We have reported on base closure implementation issues on several occasions. Although many of our reports have been limited in scope, focusing on concerns raised by individual members of Congress on closure-related actions at a specific location, our first comprehensive report addressing DOD-wide closure issues (e.g., the magnitude and precision of cost and savings estimates, the progress of environmental cleanup and property transfer, and the latter’s impact on communities and their recovery) was issued in December 1998.⁹ In that report, we concluded that the closure process was generating substantial savings, although the savings estimates were imprecise; most former base property was still awaiting transfer to other users; and most communities surrounding closed bases were faring well economically in relation to national economic indicators. Subsequent reports issued in July and August 2001 updated closure-related implementation data and reaffirmed the primary results of our prior work.¹⁰ In our July 2001 report, for example, we noted that DOD’s net BRAC savings estimates, while imprecise, had not only remained substantial but also were higher than projected earlier. In August 2001, we reported that most BRAC-affected communities were continuing to recover from the impact of base closures

⁹ See [GAO/NSIAD-99-36](#).

¹⁰ See [GAO-01-971](#) and [GAO-01-1054T](#).

and were doing well economically in terms of key U.S. economic indicators. Furthermore, we noted that while progress was being made, over one-half of unneeded former base property had not yet been transferred.

BRAC Net Savings Are Substantial but Imprecise

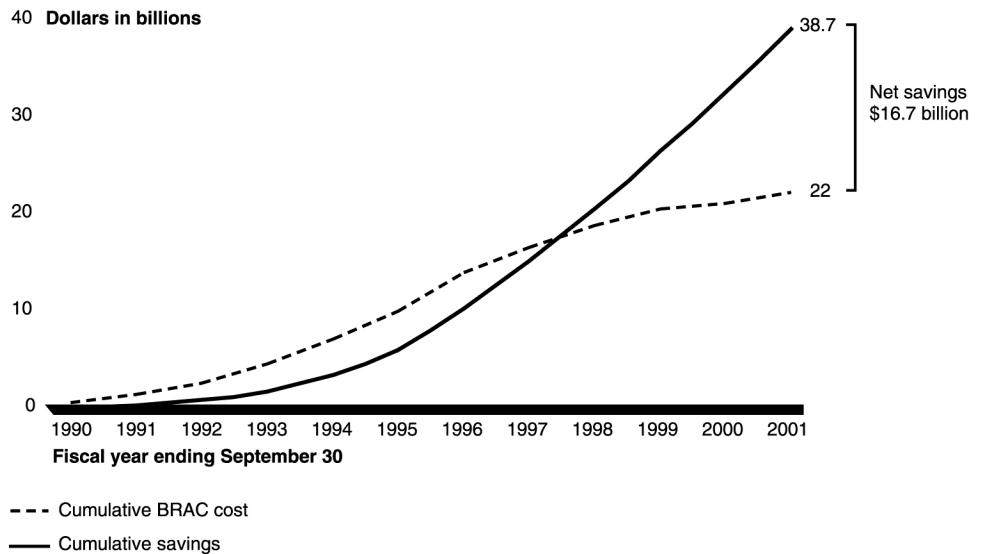
Through fiscal year 2001, financial data show that DOD generated an estimated \$16.7 billion in net BRAC savings from the four rounds, an increase of \$2.5 billion from its fiscal year 1999 estimate, and expects additional annual recurring savings of \$6.6 billion beginning in fiscal year 2002, an increase of \$1 billion.¹¹ Although they have fluctuated over time, as projected costs and savings arising from the BRAC actions have changed, the net savings estimates have remained substantial. In addition to our analyses, studies by other federal agencies, such as the Congressional Budget Office (CBO), the DOD Inspector General, and the Army Audit Agency, have shown that BRAC savings are real and substantial. However, because they are based on cost and savings projections that are not precise, net savings should be viewed as a rough approximation of the likely savings. The estimates are imprecise because the military services have not regularly updated their savings projections. Furthermore, DOD has not incorporated into its estimates all costs, including reported cumulative federal government expenditures of about \$1.5 billion incurred by agencies to assist communities affected by the BRAC process. On the other hand, estimated net savings could be viewed as greater than reported by DOD if one considers, for example, that many environmental-related costs attributed to the closures would have likely occurred, but probably at a slower pace, even if the bases had remained open. Also, closures avoid future, but not yet programmed, recapitalization costs on unneeded facilities.

BRAC Net Savings Estimates through Fiscal Year 2001 Have Increased \$2.5 Billion

DOD's fiscal year 2002 budget request and supporting data show that BRAC net savings estimates have increased in recent years. DOD data show savings estimates of about \$16.7 billion through fiscal year 2001—an increase of about \$2.5 billion from that reported in the fiscal year 1999 budget request. As figure 2 shows, DOD's data indicate that, in 1998, the cumulative net savings estimates surpassed the costs incurred to implement BRAC actions, and the net savings have grown from that point.

¹¹In terms of constant fiscal year 2001 dollars, the \$16.7 billion net savings estimate and the \$6.6 billion annual recurring savings estimate are \$16.7 billion and \$6.4 billion, respectively.

Figure 2: Cumulative BRAC Cost and Savings Estimates through Fiscal Year 2001



Source: Our analysis of DOD's data.

In preparing net savings estimates, DOD deducts the costs of implementing BRAC actions for the four closure rounds (e.g., personnel and equipment relocation and environmental cleanup) from the estimated savings (e.g., cost avoidances such as base operational costs that would have occurred without BRAC action) to project net savings.¹² Table 1 summarizes the cost and savings estimates through fiscal year 2001 for the four BRAC rounds as presented in the budget-related documentation for fiscal years 1999 and 2002.

¹² While cost estimates are routinely updated and tracked in financial accounting systems, they are based on obligations and not actual outlays, thereby adding a degree of imprecision to the actual costs and the basis for savings projections.

Table 1: DOD's Cost and Savings Estimates through Fiscal Year 2001 for the Four BRAC Rounds

Dollars in millions			
	Fiscal year 1999 budget request and supporting documentation	Fiscal year 2002 budget request and supporting documentation	Total change
Costs through fiscal year 2001	\$22,881	\$21,972	\$(909)
Savings through fiscal year 2001	37,066	38,679	1,613
Net savings through fiscal year 2001	14,185	16,707	2,522

Note: Figures are adjusted for inflation.

Source: Our analysis of DOD's budget requests for fiscal years 1999 and 2002 and supporting documentation.

As table 1 illustrates, our comparative analysis of BRAC budget submissions and supporting data for fiscal years 1999 and 2002 shows that the estimated net savings increase of \$2.5 billion through 2001 was due to a combination of decreased costs (\$909 million) and increased savings (\$1,613 million) estimates.

A significant portion of the estimated cost reduction resulted from delays in planned environmental cleanup through 2001, leading to a decrease of \$379 million in reported environmental costs during that time period. However, expected environmental costs beyond 2001 are now \$3.5 billion rather than the \$2.4 billion estimate reported in fiscal year 1999. At the same time, our analysis shows that overall environmental costs remain within the range of prior program estimates that we reported on in 1996.¹³ A significant portion of the increased savings estimate is attributable to (1) an underreporting of \$925 million in savings accrued from the 1991 closure round and (2) the inclusion of a \$381 million savings estimate for two Air Force bases—McClellan Air Force Base, California, and Kelly Air Force Base, Texas—which was not included in the fiscal year 1999 submission. Additional details regarding the increase in projected net savings through fiscal year 2001 and the rationale for revisions are included in appendix II.

¹³ See [GAO/NSIAD-96-172](#).

Estimated Annual Recurring Savings Have Increased \$1 Billion

In addition to the revisions made to cost and savings estimates through fiscal year 2001, DOD revised its annual recurring savings estimate for fiscal years 2002 and beyond. DOD's data now show that DOD will accrue an expected \$6.6 billion in annual recurring savings for the four BRAC rounds—an increase of approximately \$1 billion from its fiscal year 1999 estimate. This increase is attributed to adjustments in the inflation rate, changes in the implementation of BRAC actions at specific locations, and underreported savings by the Navy, as explained below:

- About \$470 million of the \$1 billion increase in expected annual recurring savings is primarily a result of changes in the reporting base year (from fiscal year 1999 to fiscal year 2002), which resulted in 3 additional years of inflation.
- About \$366 million of the increase is due to overall estimated savings updates for specific BRAC actions made by the military services since fiscal year 1999. The Army updated its savings estimates for 24 BRAC actions on the basis of revisions submitted by Army major commands and in response to a 1997 Army Audit Agency report that recommended specific adjustments for audited BRAC actions.¹⁴ The Navy revised its savings estimate for the Navy Medical Research Institute, Bethesda, Maryland, because of changes to planned implementation actions at the facility. Finally, the Air Force's reported savings estimates rose as a result of updates for BRAC actions at McClellan Air Force Base, California, and Kelly Air Force Base, Texas, in its fiscal year 2000 and 2001 requests.
- Another \$208 million of the increase is the result of underreported estimated savings in the Navy's 1991 BRAC round. Because the Navy received an appropriation for the 1991 BRAC round in fiscal year 1998, 1 year after the last year of implementation, it reported some, but not all, of the recurring savings in that additional year. Consequently, about \$208 million (\$183 million plus an adjustment for inflation) was not included in DOD's reported annual recurring savings.

¹⁴ These 24 BRAC actions include the Army Aviation Troop Command, Baltimore Publication Center, Bayonne Military Ocean Terminal, Detroit Arsenal, Fitzsimons Army Medical Center, Fort Buchanan, Fort Chaffee, Fort Dix, Fort Greely, Fort Holabird, Fort Hunter-Liggett, Fort Lee, Fort Pickett, Fort Ritchie, Fort Totten, Minor Fort Dix, Minor Army Forces Command, Minor Fort Lewis, Oakland Army Base, Red River Army Depot, Savanna Army Depot, Seneca Army Depot, Sierra Army Depot, Stratford Army Engine Plant, and Tri Service Project Reliance.

Other Government Studies Also Show Substantial BRAC Savings

In addition to our analyses, studies by other federal agencies, such as CBO, the DOD Inspector General, and the Army Audit Agency, have shown that BRAC savings are real and substantial and are related to cost reductions in key operational areas as a result of BRAC actions. The following are examples:

- In a July 1998 report, CBO reported substantial BRAC savings, even though it found some imprecision in DOD's costs and savings estimates.¹⁵ CBO stated its belief that DOD's estimate of \$5.6 billion in annual recurring savings at that time was reasonable, given that the Budget Office's estimate was about \$5 billion annually.
- In a May 1998 report on more than 70 closed or realigned bases during the 1993 BRAC round, the DOD Inspector General found that BRAC savings could potentially reach \$9.2 billion.¹⁶
- In a July 1997 report on BRAC costs and savings, the Army Audit Agency concluded that savings after full implementation would be substantial for ten 1995 BRAC round sites that it had examined.¹⁷

Precision of Cost and Savings Estimates Is Limited

While the net savings from BRAC activities are clearly substantial, savings and cost estimates used by DOD to calculate the net savings at its BRAC-affected bases are imprecise. Despite DOD guidance directing the military services to periodically update their savings estimates, the services have not done this. Furthermore, DOD has not included all costs associated with BRAC closures in its estimates. For example, the estimated costs exclude some federal government costs related to BRAC implementation and expected environmental costs beyond 2001. The omission of these costs has the effect of overstating net savings estimates. On the other hand, net savings could be viewed as understated if one considers the broader implications of BRAC on the DOD budget. For example, while the costs incurred for the environmental cleanup of BRAC bases is recorded as a BRAC cost, DOD asserts that many of these costs would have been

¹⁵See Congressional Budget Office, *Review of the Report of the Department of Defense on Base Realignment and Closure* (Washington D.C.: July 1, 1998).

¹⁶See Department of Defense, Office of the Inspector General, *Audit Report: Cost and Savings for 1993 Defense Realignments and Closures*, Report No. 98-130 (Washington D.C.: May 6, 1998).

¹⁷See U.S. Army Audit Agency, *Base Realignment and Closure: 1995 Savings Estimates*, Audit Report AA97-225 (Washington D.C.: July 31, 1997).

BRAC Savings Estimates Are Not Updated Periodically

incurred anyway had the closing bases remained open. In this regard, it could be argued that the net costs incurred by DOD are overstated and that net savings would thus be increased.

The results of our prior and current work show that the military services have not updated their savings estimates periodically, thereby contributing to imprecision in overall BRAC estimated net savings figures. Because closure or realignment actions may vary from the original plans, it is important for the services to review and update these estimates periodically to increase their accuracy. Moreover, DOD guidance to the services emphasizes the importance of frequent updates and directs them to update estimates in their annual budget submissions.

Since our last review in 1998 of the services' efforts to update their estimates, the Army has increased the frequency and scope of its updates. As discussed previously, it updated savings estimates for 24 BRAC actions in its fiscal year 2000 budget request and an additional 6 in its fiscal year 2001 budget request. The Navy, on the other hand, has revised the savings estimate for only one of its BRAC actions since 1998. Consistent with our previous reporting in 1998, Army and Navy officials told us they revise estimates only when there are substantive changes to BRAC decisions that warrant such revisions. While the Air Force does not routinely revise its savings estimates from the initial estimates established by the various BRAC commissions in rendering their decisions, it did, however, update its estimates for McClellan Air Force Base, California, and Kelly Air Force Base, Texas, in its fiscal year 2000 and 2001 budget requests.¹⁸

Service officials have cited a number of reasons for not routinely updating savings estimates from BRAC closures and realignment. They acknowledged that updating savings has not been a high priority and that, instead, the emphasis in preparing the annual budget lies in estimating costs—not savings. They told us that updating savings estimates is a labor-intensive process and could be costly because no systematic approach exists for the process. A fundamental limitation in DOD's ability to identify and track savings from BRAC closures and realignments is DOD's accounting systems, which like other accounting systems, are not oriented toward identifying and tracking savings.¹⁹ The services develop savings

¹⁸The Air Force reported no savings for McClellan Air Force Base and Kelly Air Force Base prior to fiscal year 2000 because of uncertainties regarding the performance of the bases' depot workloads.

¹⁹See [GAO/NSIAD-97-11](#).

BRAC Costs Are Not Comprehensive

estimates when they create their initial BRAC implementation budgets and report them in DOD's BRAC budget justifications. Because the accounting systems do not track savings, however, updating these estimates would require a separate tracking method or system.

In those instances in which the services did update savings estimates, the process for updating estimates varied among them, and they were unable to provide us with adequate documentation to permit us to independently validate the basis for the revised estimates. Army officials told us that their major commands provided estimate revisions during their funding request briefings with the Army Budget Office. Similarly, Navy commands submitted revised estimates to the Naval Engineering Facilities Command when a significant change was warranted. The Air Force, on the other hand, did not require its commands to submit updated estimates—instead, it formed a special team to arrive at savings estimates for the McClellan Air Force Base and Kelly Air Force Base submissions.

BRAC costs are not comprehensive because they do not include certain costs related to BRAC activities that are incurred either by DOD or by other governmental agencies. However, while their inclusion would reduce BRAC overall net savings, their impact would be marginal.

First, DOD's calculation of one-time estimated net savings do not include BRAC-related economic assistance costs, most of which are incurred by federal agencies other than DOD. As of September 30, 2001, federal agencies had reported expenditures of about \$1.5 billion (an increase from the \$1.1 billion in our 1998 report) to assist BRAC-affected communities and individuals for such purposes as base reuse planning, airport planning, job training, infrastructure improvements, and community economic development.

- About \$568 million was provided by the Department of Commerce's Economic Development Administration to assist communities with infrastructure improvements, building demolition, and revolving fund loans.
- About \$405 million was provided by the Federal Aviation Administration to assist with converting former military airfields to civilian use.
- About \$218 million was provided by the Department of Labor to help communities retrain workers who have lost their jobs because of closures.

-
- About \$270 million was provided by DOD's Office of Economic Adjustment to help communities plan and implement the reuse of BRAC bases.

Second, DOD's calculation of estimated annual net recurring savings beyond 2001 does not include expected environmental costs of about \$3.5 billion. Because these costs would be spread over many years, however, they would provide only a marginal reduction in the annual recurring savings estimates.

Savings May Be Greater Than Estimated

DOD's difficulty in providing precise estimates is further complicated by the fact that certain actions it undertakes in the BRAC process could produce other savings that are not captured in its net savings estimates. For example, the inclusion of BRAC environmental cleanup costs in calculating net savings has the effect of overstating costs (and understating net savings for DOD) if one considers that DOD has reported previously that it would have incurred many of these costs even if the BRAC bases had remained active facilities.²⁰ DOD acknowledges, however, that environmental costs under the BRAC process may have been accelerated in the short term, and may have been more costly because of more stringent regulatory requirements. However, the marginal difference is not easily quantified. A similar case can be made for military construction activities. DOD has expended significant funds (an estimated \$6.6 billion through fiscal year 2001) on military construction at receiving bases under the BRAC process. Although they are difficult to quantify, over time DOD would have likely incurred these and other costs under its facilities capital improvement initiatives if the closing bases would have remained open.

²⁰ See Department of Defense, *The Report of the Department of Defense on Base Realignment and Closure* (Washington, D.C.: Apr. 1998).

Transfer of Unneeded BRAC Property Is Only Partially Completed

As a result of the BRAC process, DOD designated about 518,500 acres of property at BRAC-affected installations as unneeded.²¹ Forty-six percent of the acreage has been scheduled to go to federal entities, and most of the remainder will go to nonfederal entities; the disposition of less than 1 percent of the property has not yet been decided. However, as of September 30, 2001, less than half of the unneeded property—42 percent—had been transferred to these entities, and according to plans, it will take many years for DOD to transfer all of its unneeded property.²² Nearly half of the 236,400 acres designated for federal use has been transferred while about one-third of the 279,900 acres intended for nonfederal use, such as local authorities or private entities, has been conveyed; and the disposition of less than 1 percent (2,200 acres) has not yet been decided. While delays in property transfer are due to many factors, the primary one in most instances has been related to environmental cleanup. In the interim, DOD is using several techniques, such as leasing, to get property into the hands of users more quickly for further reuse while awaiting the transfer of property titles.

Designation of Unneeded BRAC Property Is Nearly Finished

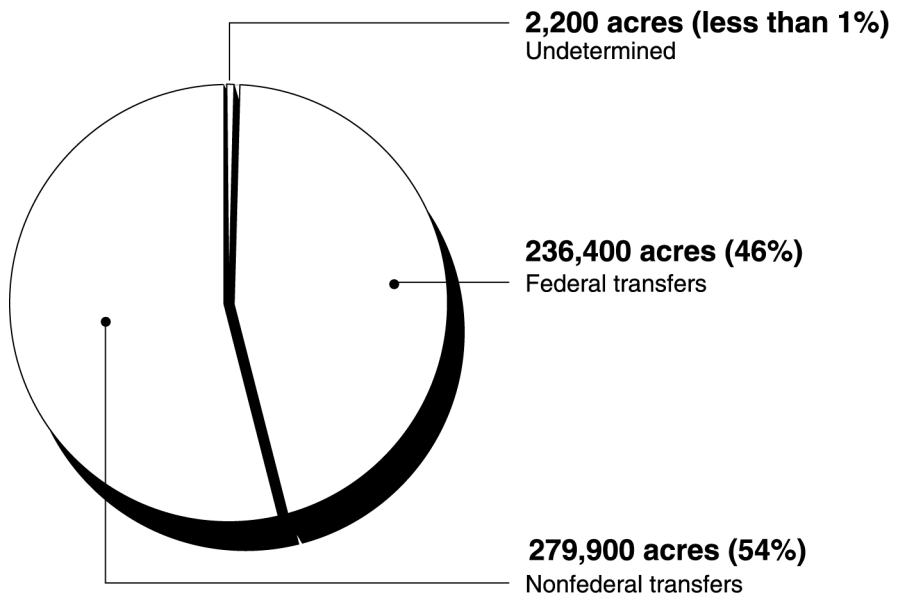
DOD has made considerable progress in completing the designation of unneeded BRAC property for federal or nonfederal use. As of September 30, 2001, DOD had about 2,200 acres, or less than 1 percent of the total unneeded BRAC property, left to designate. This was a reduction from the 98,000 acres (21 percent of the total unneeded property) that we reported in 1998.

According to DOD documentation, about 46 percent, or 236,400 acres, of the total unneeded BRAC property is slated to go to federal entities, including other services within DOD. (See fig. 3.) About 54 percent, or 279,900 acres, is designated to go to nonfederal entities.

²¹The unneeded acreage does not include property at the Pueblo Chemical Depot, Colorado, and the Umatilla Chemical Depot, Oregon, because it will not be available for further disposition until the chemical demilitarization mission at these bases is completed.

²²In this report, “transferred property” refers to property that has been deeded to another user; it does not include leased property.

Figure 3: Planned Disposition of Unneeded Property

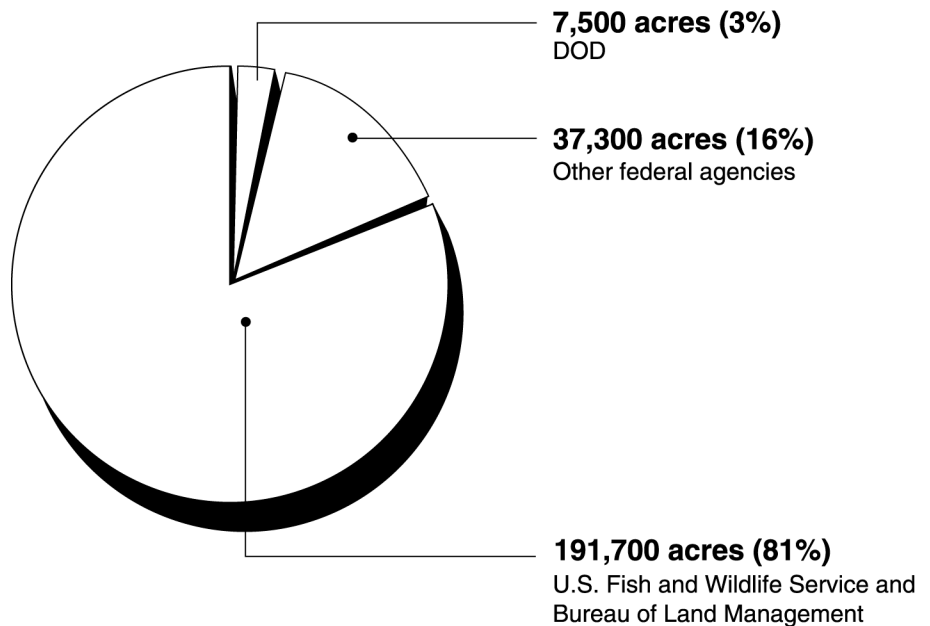


Source: Our analysis of DOD's data.

As shown in figure 4, most of the property (81 percent, or 191,700 acres) remaining within the federal government is to be transferred to the Department of the Interior's U.S. Fish and Wildlife Service and Interior's Bureau of Land Management. About 16 percent (37,300 acres) will go to other federal recipients, including the Bureau of Indian Affairs, and the Bureau of Prisons. DOD is also retaining some of the property (7,500 acres) for use by other services and DOD agencies.²³

²³In addition, DOD is retaining an additional 343,000 acres at closing and realigning bases for reserve component use. Most of this acreage is property at several Army bases, including Fort Hunter Liggett, California; Fort Chaffee, Arkansas; Fort Pickett, Virginia; Fort Dix, New Jersey; and Fort McClellan, Alabama.

Figure 4: Planned Transfers to Federal Agencies



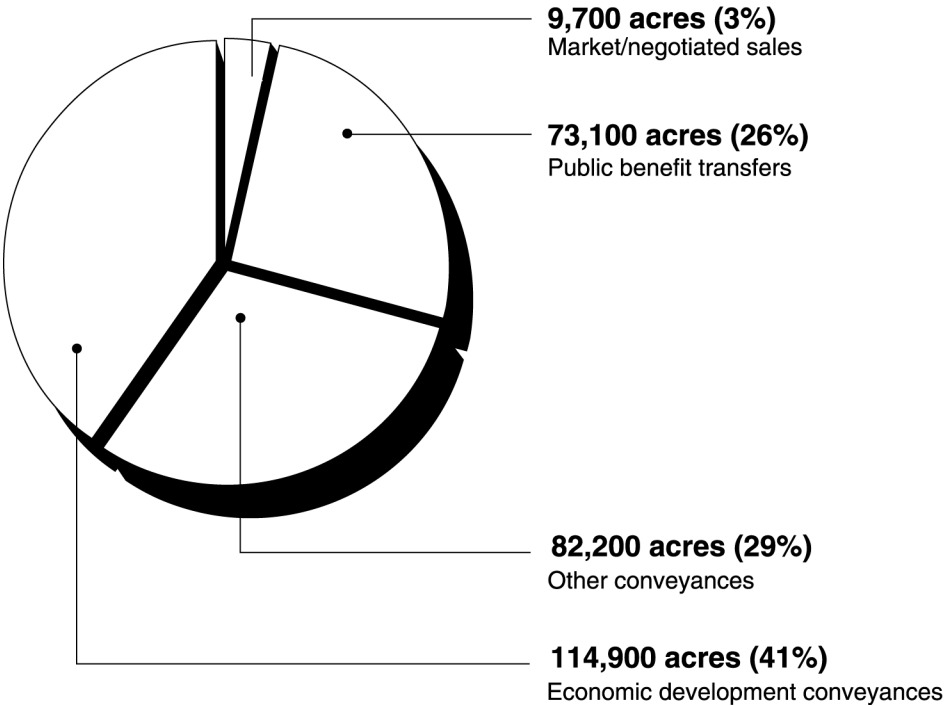
Source: Our analysis of DOD's data.

DOD can dispose of BRAC property to nonfederal entities through public benefit transfers (for such purposes as airports, education, parks and recreation, and homeless assistance), economic development conveyances, and market (advertized) or negotiated sales. Depending on the transfer method used, DOD may or may not receive consideration for the property. For example, property transferred for a public benefit can typically be at no cost or a discounted cost. With the enactment of the National Defense Authorization Act for Fiscal Year 2000, all BRAC-affected communities became eligible to receive property at no cost for economic development. However, with the enactment of the National Defense Authorization Act for Fiscal Year 2002, DOD is to seek fair market value for property transferred from bases recommended for closure or realignment in the BRAC 2005 round. The act also authorizes property transfers without consideration if circumstances warrant.

As of September 30, 2001, economic development conveyances were the most common method used to transfer property to nonfederal entities. (See fig. 5.) They accounted for about 114,900 acres (41 percent) of the acres slated for nonfederal use. Public benefit transfers accounted for

73,100 acres (26 percent), and market/negotiated sales accounted for 9,700 acres (3 percent).

Figure 5: Planned Transfers to Nonfederal Entities



Note: Numbers may not add because of rounding. Other conveyances include reversions to state or local government entities and legislation mandating specific unneeded property disposition.

Source: Our analysis of DOD's data.

**Transfer of Unneeded
BRAC Property Is Less
Than Half Completed**

Although DOD has plans to transfer nearly all of its unneeded BRAC property, as of September 30, 2001, it had actually transferred less than half of the 518,500 acres designated for federal or nonfederal reuse. As shown in table 2, about 42 percent, or 219,600 acres, of the planned property transfers have been completed.²⁴

²⁴As discussed later, an additional 49,291 acres are in use by others through interim or long-term leases pending other actions that would permit title transfer.

Table 2: Actual Transfers of Unneeded BRAC Property, as of September 30, 2001

	Acres to federal entities	Acres to nonfederal entities	Undetermined	Total
Planned	236,400	279,900	2,200	518,500
Transferred	114,300	105,300		219,600
Percent of planned	48	38		42
Not transferred	122,100	174,600	2,200	298,900

Source: Our analysis of DOD's data.

While the amount transferred is a significant improvement over the 14-percent transfer figure that we reported in our December 1998 report, DOD still has 298,900 acres of unneeded property left to transfer. Of this amount, nearly 60 percent, or 174,600 acres, is slated to go to nonfederal entities. Most of the untransferred property comes from the last closure round in 1995, although about 33 percent, or 98,700 acres, stems from the earlier BRAC rounds.

The military services expect to complete the transfer of most of the remaining unneeded acreage by 2007. The Air Force's property transfer schedule showed that transfers to federal entities and most nonfederal entities would be completed by 2005 and 2006, respectively. However, one parcel at McClellan Air Force Base, California, is not slated for transfer until 2016 because of significant unanticipated environmental cleanup issues. The Navy's property transfer schedule indicated that transfers to federal entities and nonfederal entities would be finished by 2007. The Army's property transfer schedule showed that many property transfers would be completed by 2006; however, transfers beyond 2007 were anticipated at Fort McClellan, Alabama; Fort Meade, Maryland; Fort Wingate, New Mexico; and the Sierra Army Depot, California. Furthermore, the Army has not established expected transfer dates for property on a few bases where unexploded ordnance is a cleanup issue. These properties include Camp Bonneville, Washington; Fort McClellan, Alabama; Fort Ord, California; and the Savanna Army Depot, Illinois.

Most Property Transfer Delays Are Due to Environmental Cleanup Issues

Our analysis of former bases with untransferred acreage and our discussions with military service officials show that, while there are several reasons for delays in transferring property to other users, including other federal entities, environmental cleanup-related issues are predominant. Environmental cleanup has been a long-standing concern in the BRAC program—one that has been not only costly and challenging for

Environmental Cleanup Is Impeding Property Transfer

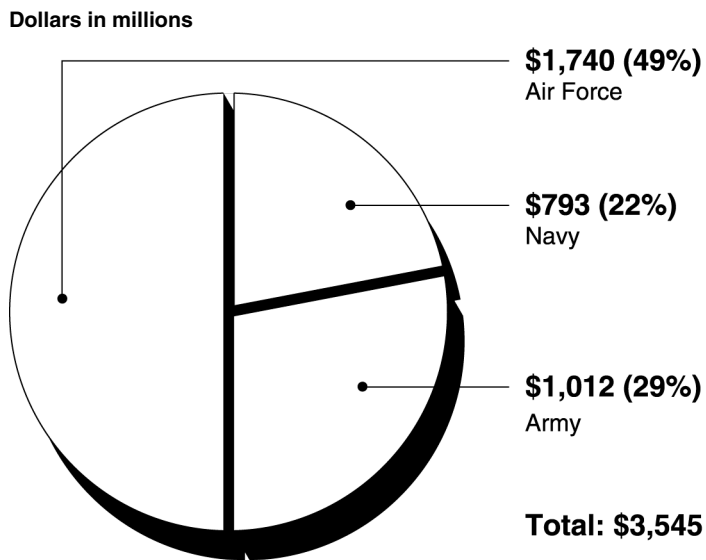
DOD but also frustrating for intended users of the property. While DOD has already spent an estimated \$7 billion through fiscal year 2001 on BRAC environmental-related actions, DOD expects to spend an additional \$3.5 billion beyond 2001 to complete its cleanup work.

In analyzing impediments to property transfers, we looked at all 51 BRAC bases with 500 or more acres of property that as of September 30, 2001, had yet to be transferred to another military service, a federal agency, or a nonfederal entity. These bases had a total of 291,447 untransferred acres, representing almost 98 percent of the untransferred BRAC acreage. Service officials cited environmental cleanup concerns—an issue at 40 of the 51 bases—as the primary reason for property transfer delays. Because base property is normally subdivided into various parcels for transfer and reuse purposes, a base may have several reasons for property delays. At 27 of the 51 bases, environmental cleanup was ongoing on some parcels while 9 bases were awaiting regulatory approval for transfer on other parcels. Officials at 10 bases cited difficulties in either establishing the extent of cleanup required for transfer or deciding on the ultimate reuse of the property. On a more limited scale, at six Army bases, delays stemmed from the difficult challenge, in terms of both time and money, of cleaning up unexploded ordnance. Service officials also cited that reaching agreement with other federal agencies in the transfer of property has been a difficult and tedious process.

Environmental Cleanup Costs Continue beyond 2001

As of September 30, 2001, DOD had spent an estimated \$7 billion on actions related to BRAC environmental cleanup, and it estimates it will spend about \$3.5 billion beyond 2001 to complete the cleanups. As shown in figure 6, the Air Force is expected to bear the largest burden of future costs.

Figure 6: DOD's Estimated Environmental Cleanup Cost at Base Closure Sites After Fiscal Year 2001, as of September 30, 2001



Source: Our analysis of DOD's data.

DOD's current cost estimate of \$3.5 billion to complete the cleanup after 2001 is \$1.1 billion higher than reported in fiscal year 1999. Service officials attribute the growth to several factors, including delays in planned environmental cleanup schedules, increased costs as requirements have become more refined, and more stringent cleanup standards at bases where reuse plans have changed. While post-2001 costs are expected to rise, the total estimated BRAC environmental cleanup cost, which is now set at about \$10.5 billion, has remained relatively stable over time. In 1996, for example, the total environmental costs were projected at about \$11.3 billion and about \$9.6 billion in 1998.

The out-year estimates, however, are still subject to change because the extent of the remaining cleanup required at some bases is uncertain. In particular, the cost of cleaning up unexploded ordnance at several former bases has been and continues to be difficult to estimate.²⁵ For example, at former Fort Ord, California, the estimated \$306 million needed to complete

²⁵ Two former Army bases—Fort Ord, California, and Camp Bonneville, Washington—are expected to require most of the funding needed to complete unexploded ordnance cleanup.

unexploded ordnance cleanup is likely to change because the location and concentration of all unexploded ordnance is still being investigated. A similar situation exists at Camp Bonneville, Washington, where, according to Army officials, the current \$73 million cost estimate is likely too high, depending on the extent of cleanup agreed upon by environmental regulators and the Army. Aside from unexploded ordnance, the discovery of other hazardous materials can dramatically change cleanup cost estimates. For example, at McClellan Air Force Base, California, the more than \$600 million estimate is likely to rise because recent cleanup actions have uncovered about 100 buried and forgotten drums of materials, some of which contained plutonium waste. According to Air Force officials, it is too early to tell how many more drums will be unearthed and what cleanup actions will be required in those areas where they are found. However, one estimate states that another 1,000 barrels may be buried. Under the Air Force's worst-case scenario, the remaining environmental cleanup cost estimate at the base would increase to about \$1.5 billion.

Considering the magnitude of the expected out-year environmental costs, the Congress has recently expressed concern over the cost accuracy and amount of funding devoted to DOD's BRAC environmental cleanup efforts. The Military Construction Appropriations Act of 2002, contained a general provision that directed DOD to accurately reflect the cost of environmental cleanup activities in its future BRAC budget submissions. According to the conference report, this was based on the fact that Navy and Air Force budget requests for fiscal year 2002 were far below the level needed to meet urgent obligations. As a result of what it termed inadequate programming and budgeting decisions by these two services, the Congress found it necessary to provide both services with additional funding (about \$80.5 million for the Navy and \$20 million for the Air Force) in fiscal year 2002 to complete mandated cleanups. Furthermore, the conferees directed the Navy and Air Force to allocate all unobligated balances from previous BRAC appropriations to address additional cleanup funding shortfalls.

DOD Is Using Several Methods to Expedite Property Reuse or Transfer

Recognizing delays in the transfer process, DOD has resorted to several methods to make unneeded property more readily available to future users for reuse purposes. They include leasing; the so-called "early transfer authority" which facilitates the deeding of property under a transfer authority; and no-cost economic development conveyances. These methods have created benefits for both DOD as well as affected users. By getting property into the hands of users sooner, DOD is able to reduce its expenses (e.g., caretaker costs). At the same time, users have the

Long-Term and Interim Leasing
Can Expedite Property Reuse

opportunity to put the property to quicker productive reuse (e.g., creating jobs and stimulating economic growth).

The military services are using long-term and interim leasing to get property into the hands of communities while awaiting final transfer. Long-term leases are issued when deeds cannot be obtained immediately—usually because of environmental cleanup issues. These leases, commonly referred to as “leases in furtherance of conveyance,” are usually provided to the expected ultimate transferee after the service has issued a final disposal decision for the BRAC property, and they can extend for many years. The Air Force, for example, has entered into 55-year leases at several of its former bases. Interim leases are short-term leases that make no commitment to the lessee for future use or transfer, and they are usually used in cases where the service has not yet made a final disposal decision.

Leasing can provide advantages for both the services and lessees. It may allow the military services to reduce their operation and maintenance costs for BRAC property before final transfer by allowing the lessee to assume more of these responsibilities. It also allows the services to keep base utilities and infrastructure operational, thereby saving them and the lessee the expense of having to restart these services. Community officials stated that lease terms of 25 years or greater are advantageous because financial institutions are more willing to lend funds to lessees to finance their reuse and redevelopment efforts. Leasing also allows lessees to redevelop closed bases without assuming the risks of property ownership. As shown in table 3, the Air Force has leased more property (in terms of acreage) than the Army or the Navy.

Table 3: Leased BRAC Acreage, as of September 30, 2001			
Service	Interim leases	Long-term leases	Total
Army	923	5,982	6,905
Navy	7,727	2,883	10,610
Air Force	1,899	29,877	31,776
Total	10,549	38,742	49,291

Source: Our analysis of DOD’s data.

Two of the BRAC-affected sites we visited had leases in place while awaiting property transfer. At the former Loring Air Force Base, Maine, the Air Force in April 1997 negotiated a 55-year lease with the local reuse authority for 3,600 acres on the base. Reuse authority officials told us that

Early Transfer Authority Can Accelerate Property Transfer and Reuse

the lease has allowed them to take on several expected long-term tenants and generate revenue for further redevelopment and reuse. At the same time, the lease also helped the Air Force reduce its base operation and maintenance costs. In April 2001, 2,800 of the 3,600 acres were transferred to the reuse authority, and the Air Force is retaining the remaining acreage as environmental cleanup proceeds. At the former Charleston Naval Shipyard, South Carolina, the Navy leased several properties to the local reuse authority while cleaning up the land to meet environmental standards. The reuse authority initially offered tenants short-term, 5-year interim leases, but these were modified to 30-year terms when it was assured that these tenants would become the eventual property owners.

Recognizing that environmental cleanup has often delayed the transfer of BRAC property, the Congress in 1996 enacted the so-called “early transfer authority” provision,²⁶ which allowed property to be transferred before all necessary cleanup actions had been completed. For DOD to exercise this authority, however, certain conditions must exist, including the following:

- The property must be suitable for transfer for the intended use.
- The agency must submit the terms of the transfer for a 30-day public written comment period.
- The transfer of the property must not substantially delay any cleanup actions.
- The deed must contain necessary restrictions on the use of the property to protect human health and the environment, ensure no disruption of remedial actions, and provide that all cleanup actions will be taken as approved by the appropriate regulatory agency.
- The agreements must have the concurrence of the governor of the state where the property is located.

In terms of cost, DOD retains the responsibility for funding the environmental cleanup, regardless of whether it is performed by DOD or the user.

²⁶National Defense Authorization Act for Fiscal Year 1997 (P.L. 104-201, sec. 334).

A primary advantage of using the early transfer authority is that it makes property available to the future user as soon as possible, thus allowing environmental cleanup and redevelopment activities to proceed concurrently. This can save time and cost and provide users with greater control over both activities. Furthermore, it provides communities with the means to quickly put property into productive use, create jobs, and generate tax revenue. The Navy estimates that use of the early transfer authority has shortened the time required to transfer property by at least 4 months and, in one case, up to 54 months. According to an Air Force official, early transfers helped to transfer property sooner than conventional methods, and in one case saved the property recipient over \$100,000 in loan interest costs.

While early transfer authority can benefit all parties, it has not yet been exercised widely within the BRAC process. According to service officials, several factors have worked against its application, such as community adversity to taking risks, the absence of ready-to-implement reuse plans, the lack of support from state and local regulators, changes in intended property reuse, and distrust of DOD. Furthermore, exercising the authority may require DOD to commit more funds, in the short term, than what is available to meet environmental cleanup requirements. It appears that early transfer authority's use is an evolving process; service officials told us that they expect greater application as users and other parties become more familiar with its potential advantages. Table 4 provides a list of locations where early transfer authority has been exercised through fiscal year 2001, including those locations where a deeded transfer has been completed.

Economic Development Conveyances Can Accelerate Property Transfer and Reuse

Table 4: Use and Status of Early Transfer Authority at BRAC Bases through Fiscal Year 2001

Installation	Acres	Status of transfer ^a
Naval Shipyard, Mare Island, Calif.	3,568	Pending
Naval Air Station, Memphis, Tenn.	1,862	Complete
Naval Air Station, Agana, Guam	1,799	Complete
Tooele Army Depot, Utah	1,621	Complete
Guam Naval Activities/Public Works Center, Guam	1,507	Complete
Naval Air Station, South Weymouth, Mass.	1,452	Pending
Fleet Industrial Supply Center, Oakland, Calif.	529	Complete
Grissom Air Force Base, Ind.	201	Complete
Griffiss Air Force Base, N.Y.	179	Complete
Mather Air Force Base, Calif.	163	Complete
Wurtsmith Air Force Base, Mich.	149	Complete
Fleet Industrial Supply Center Annex, Alameda, Calif.	147	Complete
Naval Air Station, Louisville, Ky.	142	Pending
Griffiss Air Force Base, N.Y.	132	Pending
Naval Training Center, San Diego, Calif.	51	Complete
Lowry Air Force Base, Colo.	27	Future
Fitzsimons Army Medical Center, Colo.	17	Pending
Lowry Air Force Base, Colo.	17	Complete

^a“Complete” refers to property that has been transferred to the new user; “Pending” refers to property that is in the process of being transferred; and “Future” refers to property that is planned for early transfer authority.

Source: Our analysis of DOD’s data.

DOD also uses economic development conveyances, which are designed to create jobs and promote economic activity, to transfer unneeded BRAC property to users. In 1993, BRAC legislation was amended to provide local redevelopment authorities with BRAC property at or below fair market value or without cost to promote the economic recovery of areas affected by closures. DOD was required to transfer property for economic development to communities in rural areas at no cost. Subsequently, the National Defense Authorization Act for Fiscal Year 2000 included a provision that required all economic development conveyances to be no-cost. It also permitted existing economic development conveyances to be modified to no-cost agreements if certain conditions were met. According to the conference report accompanying the act, the purpose of the provision was to support permanent job creation. Service and community officials told us that the effect of the provision has been to eliminate delays resulting from prolonged negotiation over the fair market value of BRAC property and to accelerate economic development and job creation. More recently, the National Defense Authorization Act for Fiscal Year 2002

stipulates that DOD “shall seek to obtain” fair market value for property transferred from bases recommended for closure or realignment in the BRAC 2005 round. It also authorizes property transfers without consideration if circumstances warrant. DOD has not yet developed policy guidance for implementing these provisions.

As of September 30, 2001, DOD had 61 economic development conveyances in place. Of these, 28 were implemented as no-cost agreements following enactment of the National Defense Authorization Act for Fiscal Year 2000, and 9 previously negotiated conveyances were modified to no-cost conveyances as allowed in the act. Appendix III provides a listing by location of the 61 economic development conveyances in effect.

Although DOD has not quantified the overall impact of no-cost economic development conveyances in terms of facilitating faster transfers and improving economic activity, the reuse authorities and DOD officials we interviewed agreed that their use generally has benefited both parties. Negotiations between DOD and reuse authorities over fair market property values, which were often highly contentious, have essentially been eliminated, thereby accelerating the transfer process in many cases. According to officials from several communities we visited, funds raised to pay DOD for BRAC properties could now be used to invest in reuse and redevelopment efforts. And, as DOD officials pointed out, DOD has been able, in some cases, to reduce its maintenance costs at BRAC bases because of faster transfers.

Most Communities Are Continuing to Recover from the Economic Impact of BRAC

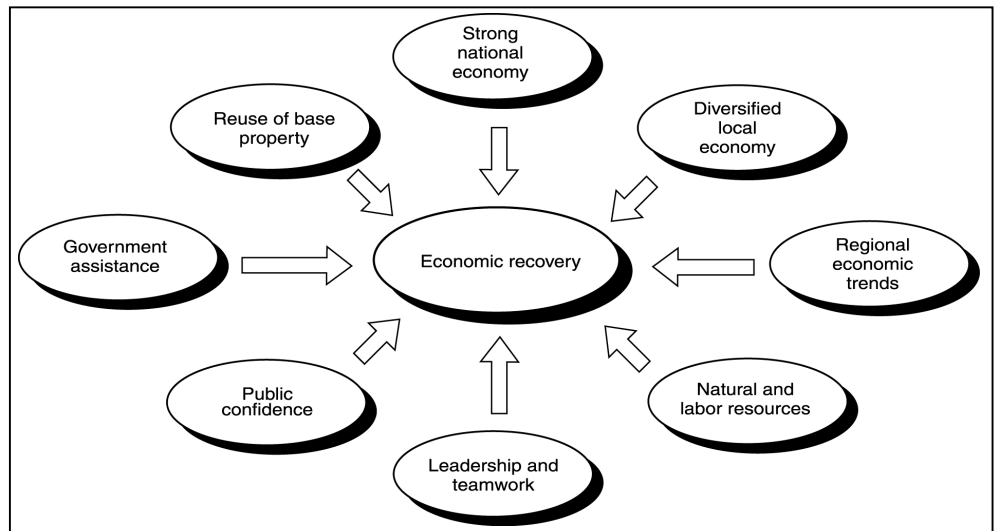
While some communities surrounding closed bases are faring better than others, our analyses of key economic indicators and visits to select communities show that most are continuing to recover over time from the initial economic impact of base closures. Overcoming the negative economic impact of base closures or realignments on local communities, including the loss of perhaps thousands of jobs, has long been a concern for their citizens, as well as members of Congress. Despite the difficulties of transition, local community officials attributed their recovery to a number of factors, including a strong national economy, diversified local economies, and the redevelopment of former base property, all of which play key roles in unemployment rates and income levels. According to recent economic data, a majority had unemployment rates for the 9-month period ending September 30, 2001, that were lower than the national average and had annual per capita income growth rates that exceeded the national average during 1996 through 1999. Furthermore, a majority of the

communities had lower unemployment and higher per capita growth rates than when we last reported these figures in December 1998. Our work at six selected base closure sites showed that the surrounding communities were recovering from BRAC, although the transition had not necessarily been easy.²⁷ Many community officials credited the strong economy at the time and diversified economic activity in their region as key to their economic recovery.

Several Factors Play Key Roles in Community Recovery from BRAC

Various officials in surrounding communities affected by BRAC cited the strong national and local economies as key reasons why their communities were able to avoid economic devastation and find new areas of economic growth after a closure or realignment of a nearby military base. Officials also pointed to government assistance and base development, among other factors. (See fig. 7.) Although optimistic about the continued economic recovery of their communities, some local officials were concerned that the recent downturn in the national economy could hinder continued economic recovery.

Figure 7: Factors Affecting Economic Recovery from Base Closures



²⁷ During our review, we visited communities near the former military bases of Chase Naval Air Station, Texas; Castle Air Force Base, California; Fort Ord, California; Loring Air Force Base, Maine; Charleston Naval Shipyard, South Carolina; and Fort McClellan Army Base, Alabama. We had previously visited two of these areas—Chase Naval Air Station and Castle Air Force Base—in completing our 1998 report.

Officials from BRAC communities have stressed the importance of having a strong national economy and local industries that could soften the impact of job losses from base closures. Since the 1991 recession, and until the recent slowdown, the economic performance of the United States has been robust. Officials from rural communities surrounding Fort McClellan, Alabama, for example, told us that the strong national economy during the 1990s helped to mask the worst effects of the base closing, but as the economy has slowed in recent months, the area is beginning to feel the full effects of the Fort McClellan closure.

Officials also point to diversification of the local and regional economy as key factors in easing economic recovery. For example, officials from urban communities surrounding the former Charleston Naval Shipyard Complex, South Carolina, believe they are better able to absorb the job losses from the base closure because their diversified economies provide a wider range of job and business opportunities. In a January 1998 report, we examined defense-related spending trends in New Mexico and the relationship between those trends and New Mexico's economy.²⁸ We reported that, although defense-related spending had declined in the state, the state's gross product and total per capita income had increased and that this economic growth might be due to efforts to diversify the economy to counter the loss of defense jobs.

Officials also pointed to other economic forces at work in their region during the closure period that affected recovery efforts. For example, according to officials from communities surrounding Loring Air Force Base, Maine, a potato blight in the early 1990s adversely affected the potato-related industry—a significant revenue producer for the county and the state—and, in turn, slowed down the regional economy. Another event that adversely affected the regional economy was the enactment in the early 1990s of a Canadian law that allowed the Province of New Brunswick to apply a provincial sales tax on goods entering Canada from Maine. These fees forced many Canadian shoppers to remain at home rather than cross the border into Maine to shop, thereby ending most Canadian commerce in Aroostook County, where the former Loring Air Force Base was located.

²⁸See U.S. General Accounting Office, *Defense Spending and Employment: Information Limitations Impede thorough Assessments*, [GAO/NSIAD-98-57](#) (Washington D.C.: Jan. 14, 1998).

An area's natural and labor resources also can help economic recovery. The rural areas we visited, where agriculture has historically dominated the economy, have benefited from their efforts to diversify. For example, Beeville, Texas (Chase Naval Air Station), and Merced County, California (Castle Air Force Base), where farming or ranching have long prevailed, have been recently aided by an expanding prison industry. In Blytheville, Arkansas, where Eaker Air Force Base closed, the growing steel industry, which was attracted to the area in late 1980s, in part because of its access to the Mississippi River, has benefited the community. While the extent of economic recovery varies in each of these communities, economic diversity has provided a broader basis for long-term growth.

Leadership and teamwork among participants at the federal, state, and local levels are essential to reaching agreement on key issues, such as property transfer, base reuse, and environmental cleanup, all of which can promote economic recovery. The lack of agreement can prolong the cleanup and transfer of property. In Charleston, South Carolina, reuse authority officials told us that state officials have been very supportive of their redevelopment efforts, both in terms of financial assistance and other efforts.

Publicizing base redevelopment efforts and goals within the community and outside the community is a key strategy for attracting industry and helping communities gain confidence in recovering from the closure. For example, Charleston Naval Complex Redevelopment Authority's recent marketing efforts helped it to enter into an agreement with a British firm specializing in the packaging and shipping of machine and engineering products to move its world headquarters to the former base. Charleston officials also said that the positive efforts of the surrounding community governments to work together to recover from the shipyard closure helped the community to regain confidence quickly.

To help communities successfully transform closed bases into opportunities, federal agencies have provided areas affected by closed or realigned bases with about \$1.5 billion since 1988 in direct financial assistance. This assistance has come in several forms, including planning grants to help develop the property, training grants to provide new skills for the workforce, and grants for base infrastructure improvements. A 1997 study requested by the Department of Commerce's Economic Development Administration and prepared by a Rutgers University

research team concluded that federal financial assistance succeeded in aiding job creation and economic recovery from base closures and defense downsizing.²⁹

The redevelopment of base property is widely viewed as an important component of economic recovery for BRAC-affected communities. While not the only determinant of economic recovery for surrounding communities, it can, nevertheless, be an important catalyst for recovery efforts. Base closures make buildings and land available for new uses, which can generate new economic activity and new jobs. DOD data show that, as of October 2001, over 79,000 jobs, or about 62 percent of the nearly 130,000 jobs lost at major base closures from the prior rounds, had been replaced—an increase from the 36 percent recovery rate reported in 1998. (See app. IV for further details on jobs lost and created at major BRAC bases.) Closed bases can have various impacts on the recovery process. For example, DOD data show that when the Charleston Naval Shipyard Complex closed in 1996, more than 6,000 civilian positions were lost. Charleston redevelopment officials told us that since 1996 they have attracted some 80 tenants and more than 4,200 new jobs to the former base. Further, for the 1996-2000 period, overall employment in the Charleston metro area has risen by about 20 percent, or over 45,000 jobs. However, a closed base can also hinder economic recovery. At Fort Ord, California, for example, officials stated that the poor condition of the base's infrastructure has slowed the economic redevelopment of the base. They estimate that area communities will have to spend \$500 million to demolish unusable buildings and replace the base infrastructure to support tenants.

²⁹See Rutgers University et al., *Defense Adjustment Program Performance Evaluation* (New Brunswick, N.J.: Nov. 1997).

Most BRAC-Affected Communities' Economic Indicators Compare Favorably with National Averages

Selected economic indicators for BRAC-affected communities in the United States compared favorably with national averages. We used unemployment rates and real per capita income growth rates as broad indicators of the economic health of those communities where base closures occurred.³⁰ We identified 62 communities involving 88 base closures in which government and contractor civilian job loss was estimated to be 300 or more.³¹

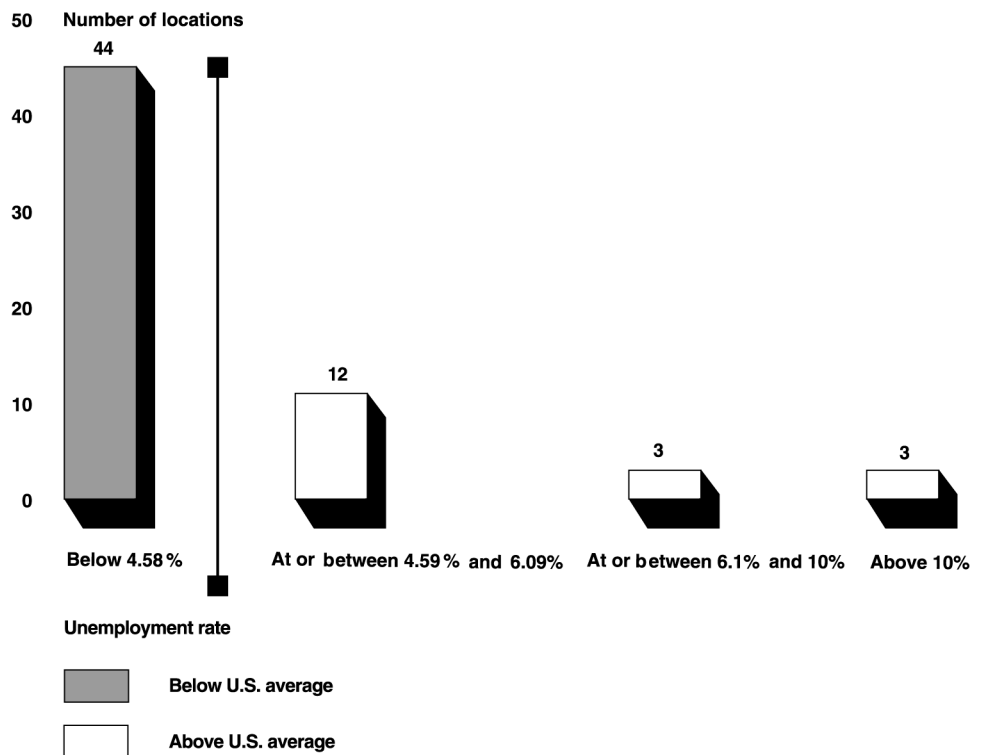
Unemployment Rates Compare Favorably with National Average

Our analysis of annual unemployment rates for the 9-month period ending September 30, 2001, indicates that the rates for most of the 62 BRAC-affected communities compare favorably with the national average. (See fig. 8.) During this period, 44 (71 percent) of the 62 communities affected by base closures had unemployment rates below the average 9-month national rate of 4.58 percent. For all BRAC-affected communities with a higher-than-average calendar year 2001 unemployment rates through September 2001, only three—Merced County, California (Castle Air Force Base); Mississippi County, Arkansas (Eaker Air Force Base); and Iosco County, Michigan (Wurtsmith Air Force Base)—had double-digit rates of 13.7 percent, 13 percent, and 10.2 percent, respectively. Appendix V provides additional detail on the average unemployment rates for the 62 communities.

³⁰Ideally, to assess how the local communities fared after each BRAC round, we would need economic information on how those communities would have fared without each BRAC round compared with how they have fared since the BRAC program began. Because we did not have these baseline data, we compared the national averages for unemployment and real per capita income as a benchmark to assess how well the communities have fared. This comparison does not isolate the economic effects of a base closure from the factors of other economic events occurring in a particular region.

³¹One of the limitations of our approach to selecting communities is that some areas may have been the receiving location for DOD realignments and may have gained jobs. For example, we included St. Mary's County, Maryland, because of the closure of Navy facilities at St. Inigo, Maryland, in the 1993 BRAC round. However, in the 1995 round, the area gained jobs at the Patuxent River Navy facilities because of the relocation of Navy activities from the Washington, D.C., metropolitan area. Despite these gains, the communities we selected for our analysis lost a significant number of DOD jobs.

Figure 8: Average Unemployment Rates of 62 BRAC-Affected Communities Compared with Average U.S. Rate for January-September 2001



Note: Each of these 62 communities, from all four BRAC rounds, lost an estimated 300 or more government and contractor civilian jobs.

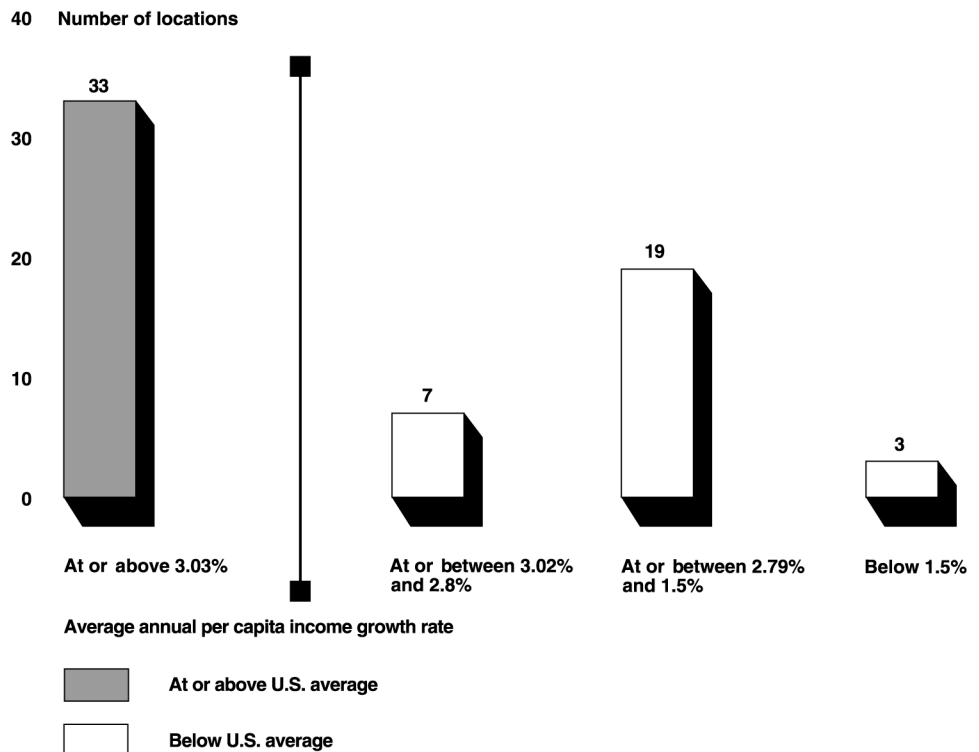
Source: Our analysis of the Department of Labor's data.

The unemployment situation for most of the 62 communities affected by BRAC closures has improved since we last reported on them in 1998. We found that 41 of the 62 communities (66 percent) had lower unemployment rates for the first 9 months of 2001 than they had for the same 9-month period in calendar year 1997. About 26 percent (16 communities) had higher unemployment rates, and for the remaining communities (5 communities, or about 8 percent), the rates were the same.

Growth Rates of Average Annual Real per Capita Income Compare Favorably with National Average

As with unemployment rates, annual real per capita income growth rates for BRAC-affected communities compared favorably with national averages. From 1996 through 1999, 53 percent, or 33, of the 62 areas had an estimated average real per capita income growth rate that was at or above the average of 3.03 percent for the nation.³² Seven communities (11 percent) had average annual per capita growth rates that were in close proximity to the national average, while the remaining 22 communities (35 percent) were below the national average growth rate. (See fig. 9.) Appendix VI provides additional detail on the average annual real per capita income growth rates for the 62 communities.

Figure 9: Calendar Years 1996-99 Average Annual per Capita Income Growth Rates of BRAC-Affected Areas Compared with U.S. Average



Note: Each of these 62 communities, from all four BRAC rounds, lost an estimated 300 or more government and contractor civilian jobs.

Source: Our analysis of the Department of Labor's data.

³² Average annual real per capita income rates for 2000 were not available for analysis during our review.

Most of the communities affected by BRAC closures had higher per capita income growth rates than they were when we last reported on them in 1998. In 1998, we reported on the growth rates from 1991 through 1995 of average annual real per capita income for 49 communities affected by the 1988, 1991, and 1993 BRAC rounds.³³ Our 2001 analysis of the growth rates for these same communities shows that for 42 of the 49 communities (86 percent), the rate increased; for 6 communities (12 percent), it decreased; and for 1 community (2 percent), it remained the same.

In general, the six communities we visited had experienced an initial economic disruption, followed by recovery after base closure. During revisits to communities surrounding two closed bases that we had studied in 1998, we found that these communities were recovering but were still having some problems. Less tangible, but harder to correct, were the social losses—such as the cultural diversity of military personnel and their families—that resulted from the departure of base personnel. Through our visits to all six communities, we learned about each community’s unique process of drawing on local and regional strengths to adjust to job losses associated with base closures. Additional details about the sites we visited during this review are found in appendix VII.

Conclusions

With the closure and realignment actions from the prior closure rounds now complete, questions remain about the extent of savings generated by the BRAC process. Although we believe that net savings from the four closure rounds are substantial, we recognize that they are based on cost and savings estimates that are imprecise and that the military services have not updated these projections on a regular basis. The periodic updating of cost and savings estimates is not only a good financial management practice but also one that strengthens DOD’s budgeting process by helping to ensure that correct assumptions are made about expected reductions in base operating costs. We recognize that accounting systems are more oriented to tracking expenditures than savings and that practical limitations may exist in fully accounting for all changes in savings estimates over time. At the same time, it is important for the services to have some means for periodically, systematically, and consistently updating their savings estimates where closure and

³³The per capita income estimates used at the time were available only through 1995. Therefore, we did not analyze per capita income for 13 communities that were affected only by the 1995 BRAC round.

realignment actions vary over time from original plans. Without a sound process in place to improve the accuracy of the estimates, the process becomes subject to criticism and the subsequent erosion of credibility.

While DOD continues the lengthy process of transferring unneeded property from former military bases to other users and as communities continue recovering, DOD still has more than half of its unneeded property left to transfer. As property remains in its inventory, DOD continues to incur property-maintenance-related costs, and future users are not afforded the full opportunity to redevelop and reuse former base properties. By using early transfer authority, the department has the potential not only to accelerate the transfer process and benefit future users, but also to save money in many cases. Yet, the authority has not been widely used since it became available in 1996.

Recommendations for Executive Action

As part of the new base realignment and closure round scheduled for 2005, we recommend that the under secretary of defense for acquisition, technology, and logistics, in consultation with the under secretary of defense (comptroller and chief financial officer), develop (1) a Defense-wide systematic approach for the periodic updating of initial closure savings estimates and (2) an oversight mechanism to ensure that the military services and components update such estimates in accordance with the prescribed approach.

We also recommend that the secretary of defense encourage the secretaries of the military services to work with communities impacted by the base closure process to expand the use of the early transfer authority in those cases where the department can accelerate the transfer of unneeded former base property and/or save money.

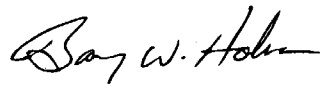
Agency Comments

In commenting on a draft of this report, the deputy under secretary of defense (installations & environment) concurred with the recommendations. His comments are included in this report as appendix IX.

We are sending copies of this report to the appropriate congressional committees; the secretaries of defense, the army, the navy, and the air force; the directors of the Defense Logistics Agency and the Defense Information Systems Agency; and the director, Office of Management and Budget. We will also make it available at www.gao.gov and to others upon request.

Please contact me on (202) 512-8412 if you or your staff have any questions concerning this report. Key reports related to base closure implementation issues are listed in appendix VIII. Additional contacts and staff acknowledgments are provided in appendix X.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Barry W. Holman". The signature is fluid and cursive, with the first name "Barry" being more prominent.

Barry W. Holman, Director
Defense Capabilities and Management

Appendix I: Scope and Methodology

To determine the magnitude of the savings from the four base realignment and closure (BRAC) rounds, we reviewed the Department of Defense's (DOD) annual BRAC budget submissions for the four closure rounds and interviewed BRAC and financial officials from the military services and the Office of the Secretary of Defense. To ascertain the extent to which cost and savings estimates have changed over time, we compared the data contained in DOD's fiscal year 2002 BRAC budget submission and related documentation with similar data in DOD's fiscal year 1999 submission, which was the latest budget document available when we produced our last comprehensive report on BRAC issues in December 1998. Through this comparison, we identified where major changes had occurred in the various costs and savings categories within the BRAC account and sought a rationale for the changes.

To gain a sense of the accuracy of the cost and savings estimates, we relied primarily on our prior BRAC reports and reviewed Congressional Budget Office, DOD, DOD's Office of Inspector General, and the service agencies' audit reports. We also reviewed the annual military service budget submissions for fiscal years 2000 through 2002 to determine how frequently changes were made to the cost and savings estimates. Where revisions were made, we sought out the rationale the services used in making the revisions. We examined available documentation in an effort to independently verify the adequacy of the basis for the revisions. Where documentation was unavailable, we interviewed service officials to obtain their justifications for the changes. In assessing the completeness of the cost and savings data, we reviewed the component elements considered by DOD in formulating overall BRAC costs and savings estimates. Because DOD did not include in its estimates federal expenditures to provide economic assistance for communities and individuals affected by BRAC, we collected these data from the Department of Labor; Federal Aviation Administration; Economic Development Administration, Department of Commerce; and DOD's Office of Economic Adjustment. We further reviewed the cost estimates for environmental cleanup activities beyond fiscal year 2001 because they have the effect of reducing the expected annual recurring savings for the four rounds.

To determine the progress made by DOD in transferring unneeded base property to other users, we reviewed BRAC property disposition plans and actual property transfers as of September 30, 2001, and compared them with similar data presented in our December 1998 report. To assure that we were using the most reliable data available, we validated, on a limited basis, the data contained in various databases and reconciled discrepancies when they arose. We also categorized the property

disposition data into the various transfer methods (e.g., economic development conveyances) used for property transfers to gain a sense of the predominant method being used. With regard to the untransferred acreage, we sought to determine the primary impediments to property transfer by examining 51 former bases with a combined untransferred acreage of about 291,447 acres as of September 30, 2001, or about 98 percent of the total untransferred BRAC property. We also collected data and obtained the military services' views on the use of the so-called "early transfer authority" in which property can be transferred under certain conditions before an environmental cleanup remedy is in place. Furthermore, we collected data on the use of no-cost economic development conveyances to transfer property and stimulate its reuse. Finally, because leasing is used as an interim measure to make property available to users while awaiting property transfer, we also collected data related to leased property.

To assess the economic recovery of communities affected by the BRAC process, we first performed a broad-based economic assessment of communities where more than 300 civilian jobs were eliminated during the prior closure rounds.¹ In performing our assessment, we used unemployment and real per capita income growth rates as measures to analyze changes in the economic condition of communities over time and in relation to national averages. We chose to use unemployment and real per capita income as key performance indicators because (1) DOD used these measures in its community economic impact analysis during the BRAC location selection process and (2) these measures are commonly used by economists in assessing the economic health of an area over time. While our assessment does provide an overall picture of how these communities compare with the national averages, it does not necessarily isolate the condition, or the changes in that condition, that may be attributed to a BRAC action. In this regard, we also visited the surrounding communities affected by six major closures to (1) enhance our understanding of the relationship between base closures and local communities and (2) provide a close-up picture of how base closure affected these communities. Those visits included the former military bases at Castle Air Force Base, California; Fort Ord, California; Charleston Naval Shipyard, South Carolina; Chase Naval Air Station, Texas; Fort

¹ The impact areas for the communities were defined by using accepted standard definitions for metropolitan and nonmetropolitan statistical areas and reflected the impact areas used in the 1995 BRAC round.

McClellan Army Base, Alabama; and Loring Air Force Base, Maine. These visits gave us a mix of Army, Navy, and Air Force sites across various BRAC rounds; two of the areas we visited—Castle Air Force Base and Chase Naval Air Station—were areas that we visited during our 1998 review. These repeat visits were designed to gain a sense of the progress being made, since our last visits, by the communities surrounding these former bases.

We performed our review from March 2001 through February 2002 in accordance with generally accepted government auditing standards.

Appendix II: Revisions to BRAC Cost and Savings Estimates

As shown in table 5, DOD has increased its net savings estimate through 2001 for the prior four BRAC rounds from about \$14.2 billion in fiscal year 1999 to about \$16.7 billion in fiscal year 2002—a \$2.5 billion increase. The increase in net savings is due to a combination of lower-than-expected BRAC implementation costs through the 2001 time frame and an increase in the estimated savings accruing during that same time period. Net savings estimates are calculated by deducting expected costs from expected savings generated from the BRAC process.

Table 5: Cumulative Cost and Savings Estimates through Fiscal Year 2001 for the Prior Four BRAC Rounds as Reflected in DOD's Budget Requests and Documentation for Fiscal Years 1999 and 2002

Dollars in millions			
	Fiscal year 1999 budget request and supporting documentation	Fiscal year 2002 budget request and supporting documentation	Total change
Costs through fiscal year 2001			
Military construction	\$6,566	\$6,638	\$72
Family housing	93	92	(1)
Environmental	7,337	6,958	(379)
Operations and maintenance	7,984	7,603	(381)
Military personnel-permanent change of station	175	139	(35)
Estimated land revenues	(121)	(336)	(215)
Other	847	877	30
Subtotal costs (through fiscal year 2001)	\$22,881	\$21,972	(909)
Savings through implementation period			
Military construction	\$965	\$965	\$0
Family housing—construction	177	177	0
Family housing—operations	658	652	(6)
Operations and maintenance	10,583	11,142	559
Military personnel	5,229	5,229	0
Other	4,601	4,591	(10)
Subtotal savings (through implementation period)	\$22,213	\$22,756	\$543
Post-implementation savings (through fiscal year 2001)^a	\$14,853	\$15,924	\$1,071
Subtotal savings (through fiscal year 2001)	\$37,066	\$38,679	\$1,613
Net cumulative savings (through fiscal year 2001)^b	\$14,185	\$16,707	\$2,522

Note: Totals may not add because of rounding.

^aThese savings begin the year after the implementation period for each BRAC round, are cumulative estimates through fiscal year 2001, and are usually based on estimated recurring savings during the last implementation year for each round.

^bNet cumulative savings consist of total savings less total costs through fiscal year 2001.

Source: Our analysis of DOD's budget-related documentation for fiscal years 1999 and 2002.

Estimated Costs through Fiscal Year 2001 Have Decreased

DOD cost estimates through fiscal year 2001 for implementing the four BRAC rounds have decreased by about \$909 million—from about \$22.9 billion to \$22 billion—from fiscal year 1999 to fiscal year 2002. Our analysis of the data shows that most of the reported decrease is attributed to lower reported operation and maintenance costs (about \$381 million) and environmental costs—about \$379 million—through fiscal year 2001. About 50 percent, or \$189 million, of the reported reduction in costs within the operation and maintenance account is attributable to the Air Force, and most of that reduction resulted from reported decreased expenses at McClellan Air Force Base, California, and Kelly Air Force Base, Texas. Most, or \$297 million, of the environmental cost reduction is attributable to the Navy. According to Navy officials, some of this amount is due to delaying some planned environmental cleanup actions to after 2001. It does not imply that overall environmental costs have decreased, since DOD has increased its post-2001 environmental cost estimate to about \$3.5 billion—an increase of about \$1.1 billion over the \$2.4 billion reported in fiscal year 1999.

In addition, estimated revenues generated from land sales, property leases, and other reimbursements have increased significantly from \$121 million to \$336 million from fiscal year 1999 to fiscal year 2002, thereby raising the offset to BRAC program cost estimates. According to the Air Force, its increased revenues resulted from the reporting of nearly \$95 million in reimbursements received for fiscal year 1997 from the city of Chicago, Illinois, for the cost of moving an Air National Guard unit from O'Hare International Airport to Scott Air Force Base, Illinois, and from increased proceeds from BRAC land sales and property leases. The Army and the Navy reported about \$50 million and \$25 million, respectively, in additional BRAC-related revenue from reimbursements, land sales, and leases since the fiscal year 1999 budget request.

Estimated Savings through Fiscal Year 2001 Have Increased

DOD's estimate for savings that accrued through fiscal year 2001 for the four BRAC rounds have increased by about \$1.6 billion to \$38.7 billion from 1999 to 2002. Our analysis shows that \$925 million (nearly 60 percent) of the increase resulted from DOD's miscalculations in recording its savings estimate for the 1991 BRAC round. The \$925 million underreporting of savings was a result of two errors. First, the Navy inadvertently omitted some estimated savings (about \$183 million) for fiscal year 1998 from one of its 1991 BRAC round subaccounts. Because these savings were recurring, in nature, and were also omitted in subsequent years through fiscal year 2001, the error was compounded, resulting in an underreporting of \$760 million. Second, estimated recurring

savings for all military services were improperly adjusted for inflation for fiscal years 1998 through 2001, resulting in an additional \$165 million reporting error. When combined, these errors constitute the \$925 million underreported savings error through fiscal year 2001.

In addition, another \$381 million (about 24 percent) of the increase was attributable to increased savings estimates in the Air Force BRAC operation and maintenance subaccount at two of its bases—McClellan Air Force Base and Kelly Air Force Base. Prior to fiscal year 2000, Air Force officials told us they had not submitted savings estimates for these two bases in its budget documentation because of uncertainties in the workload status of the depots at these locations. Air Force officials told us that they had subsequently prepared this estimate after the fiscal year 1999 budget submission. We were unable to independently validate the basis for these estimates because the Air Force could not provide us with adequate supporting documentation.

Appendix III: DOD's Use of Economic Development Conveyances

As of September 30, 2001, DOD had 61 economic development conveyances in place. (See table 6.) Prior to April 21, 1999, DOD obtained consideration from most communities surrounding a BRAC base for property transfers for economic development purposes. As a result, only 9 of the 33 such transfers issued prior to April 21, 1999, were initially no-cost and they were obtained by communities in rural areas. The remainder was provided under negotiated terms. Subsequently, the National Defense Authorization Act of Fiscal Year 2000 contained a provision that allowed for no-cost conveyances for all BRAC communities after April 21, 1999, and for the modification of previous conveyances to no-cost under certain circumstances. As a result, 28 additional conveyances have been provided at no cost and an additional 9, previously approved prior to April 21, 1999, were later modified to no-cost in accordance with the terms of the act.

Table 6: DOD's Use of Economic Development Conveyances

Period	Location	Terms of payment	Acres
Before April 21, 1999	Seneca Army Depot, N.Y.	Negotiated price	9,081
	George Air Force Base, Calif.	Negotiated price	1,860
	Orlando Naval Training Center, Fla.	Negotiated price	1,576
	Mare Island Naval Shipyard, Calif.	Negotiated price	1,412
	Glenview Naval Air Station, Ill.	Negotiated price	1,029
	Vint Hill Farms, Va.	Negotiated price	678
	Fort Benjamin Harrison, Ind.	Negotiated price	604
	Lexington-Bluegrass Army Depot, Ky.	Negotiated price	570
	Sacramento Army Depot, Calif.	Negotiated price	380
	Gentile Air Force Station, Ohio	Negotiated price	164
	Detroit Arsenal, Mich.	Negotiated price	153
	Newark Air Force Base, Ohio	Negotiated price	57
	Long Beach Naval Hospital, Calif.	Negotiated price	31
	Army Material Technology Laboratory, Mass.	Negotiated price	30
	Long Beach Naval Shipyard, Calif.	Negotiated price	30
	Fort Devens, Mass.	Negotiated price ^a	3,623
	McClellan Air Force Base, Calif.	Negotiated price ^a	3,072
	Kelly Air Force Base, Tex.	Negotiated price ^a	2,085
	Philadelphia Naval Shipyard/Station, Pa.	Negotiated price ^a	1,181
	Lowry Air Force Base, Colo.	Negotiated price ^a	821
	Mather Air Force Base, Calif.	Negotiated price ^a	774
	Norton Air Force Base, Colo.	Negotiated price ^a	575
	Myrtle Beach Air Force Base, S.C.	Negotiated price ^a	429
	Carswell Air Force Base, Tex.	Negotiated price ^a	382

**Appendix III: DOD's Use of Economic
Development Conveyances**

Period	Location	Terms of payment	Acres
	Loring Air Force Base, Maine	Rural no-cost	3,861
	Tooele Army Depot, Utah	Rural no-cost	1,662
	Eaker Air Force Base, Ark.	Rural no-cost	1,447
	Letterkenny Army Depot, Pa.	Rural no-cost	1,400
	KI Sawyer Air Force Base II, Mich.	Rural no-cost	1,065
	Grissom Air Force Base, Ind.	Rural no-cost	828
	Wurtsmith Air Force Base, Mich.	Rural no-cost	508
	KI Sawyer Air Force Base I, Mich.	Rural no-cost	146
	Presque Isle (Part of Loring), Maine	Rural no-cost	36
After April 21, 1999			
	Fort McClellan, Ala.	No-cost	9,378
	Cecil Field Naval Air Station, Fla.	No-cost	8,295
	Fort Ord, Calif.	No-cost	7,589
	Fort Chaffee, Ark.	No-cost	5,261
	Reese Air Force Base, Tex.	No-cost	2,946
	March Air Force Base, Calif.	No-cost	2,849
	Guam Naval Activities/Public Works Center, Guam	No-cost	2,725
	Fort Pickett, Va.	No-cost	1,675
	Griffiss Air Force Base, N.Y.	No-cost	1,649
	Chase Field Naval Air Station, Tex.	No-cost	1,570
	Alameda Naval Air Station, Calif.	No-cost	1,406
	Charleston Naval Base, S.C.	No-cost	1,368
	Memphis Naval Air Station, Tenn.	No-cost	1,312
	Ogden Defense Distribution Depot, Utah	No-cost	1,003
	Plattsburgh Air Force Base, N.Y.	No-cost	929
	Red River Army Depot, Tex.	No-cost	765
	Bayonne Military Ocean Terminal, N.J.	No-cost	652
	Fitzsimons Army Medical Center, Colo.	No-cost	344
	Warminster Naval Air Warfare Center, Pa.	No-cost	297
	San Diego Naval Training Center, Calif.	No-cost	281
	Agana Naval Air Station, Guam	No-cost	248
	Indianapolis Naval Air Warfare Center, Ind.	No-cost	163
	Louisville, Naval Ordnance Station, Ky.	No-cost	142
	Philadelphia Defense Personnel Support Center, Pa.	No-cost	86
	Annapolis Naval Surface Warfare Center, Md.	No-cost	44
	New York (Brooklyn) Naval Air Station, N.Y.	No-cost	28
	New London Naval Underwater Systems Center, Conn.	No-cost	15
	Fort Holabird, Md.	No-cost	14

^aThese nine economic development conveyances were modified to a no-cost basis as authorized in the provisions of the National Defense Authorization Act for Fiscal Year 2000.

Source: Our analysis of DOD's data.

Appendix IV: Civilian Jobs Lost and Created at Major BRAC Locations during the Prior Four BRAC Rounds

The closure or realignment of military bases creates job losses at these facilities, but subsequent redevelopment of the former bases' property provides opportunities for creating new jobs. In 1998, we reported that only 36 percent (49,000) of the more than 135,000 jobs lost because of BRAC actions had been replaced. The number of jobs lost was derived from estimates made during the BRAC decision-making process for each round. As of October 31, 2001, DOD reported that 129,649 jobs were lost at major BRAC locations, of which about 62 percent (79,740 jobs), had been replaced at these sites.¹ The figures do not include jobs lost or created in the areas surrounding the realigning or closing bases. Over time, the number of jobs created will increase as additional redevelopment occurs. As a result, the recovery rate, which provides a rough indicator of how base reuse is contributing to the economic recovery of BRAC-affected communities, will also rise. The data presented in table 7 do not include the job losses that may have occurred elsewhere in a community, nor do they capture jobs created from other economic activity in the area.

Table 7: Civilian Jobs Lost and Created at Major Base Realignments and Closures during the Prior Four BRAC Rounds, as of October 31, 2001

Major base	Estimated jobs lost	Estimated jobs created	Recovery (percent)
Alameda Naval Air Station and Naval Aviation Depot, Calif.	3,228	2,076	64.31
Army Materials Technology Lab (Watertown), Mass.	540	1,061	196.48
Barbers Point Naval Air Station, Hawaii	618	28	4.53
Bayonne Military Ocean Terminal, N.J.	2,015	252	12.51
Bergstrom Air Force Base, Tex.	927	1,984	214.02
Carswell Air Force Base, Tex.	869	541	62.26
Castle Air Force Base, Calif.	1,149	2,447	212.97
Cecil Field Naval Air Station, Fla.	995	596	59.90
Chanute Air Force Base, Ill.	1,035	1,723	166.47
Charleston Naval Complex, S.C.	6,272	3,339	53.24
Chase Field Naval Air Station, Tex.	956	1,153	120.61
Eaker Air Force Base, Ark.	777	991	127.54
El Toro Marine Corps Air Station, Calif.	979	252	25.74
England Air Force Base, La.	682	1,834	268.91
Fitzsimons Army Medical Center, Colo.	1,612	2,169	134.55
Ft. Benjamin Harrison, Ind.	1,050	815	77.62
Ft. Devens, Mass.	2,178	2,288	105.05
Ft. McClellan, Ala.	2,156	559	25.93

¹ The number of reported civilian positions lost decreased by 5,610 (from 135,259 to 129,649) from 1998 to 2001 because of adjustments in the Griffiss Air Force figures and the omission of Fort Dix, the Aviation Troop Command, and Fort Greely from the 2001 report.

**Appendix IV: Civilian Jobs Lost and Created
at Major BRAC Locations during the Prior
Four BRAC Rounds**

Major base	Estimated jobs lost	Estimated jobs created	Recovery (percent)
Ft. Ord, Calif.	2,835	1,135	40.04
Ft. Pickett, Va.	245	182	74.29
Ft. Ritchie, Md.	1,373	108	7.87
Ft. Sheridan, Ill.	1,681	0	0.00
Gentile Air Force Station, Ohio	2,804	1,828	65.19
George Air Force Base, Calif.	506	1,085	214.43
Glennview Naval Air Station, Ill.	389	3	0.77
Griffiss Air Force Base, N.Y.	1,341	1,874	139.75
Grissom Air Force Base, Ind.	792	735	92.80
Guam Naval Complex, Guam	2,193	549	25.03
Homestead Air Force Base, Fla.	136	622	457.35
Hunters Point Annex Naval Shipyard, Calif.	93	425	456.99
Indianapolis Naval Air Warfare Center, Ind.	2,196	1,574	71.68
Jefferson Proving Ground, Ind.	387	122	31.52
Kelly Air Force Base, Tex.	10,912	4,444	40.73
K.I. Sawyer Air Force Base, Mich.	788	1,045	132.61
Letterkenny Army Depot, Pa.	2,512	578	23.01
Lexington Army Depot, Ky.	1,131	838	74.09
Long Beach Naval Complex, Calif.	4,487	200	4.46
Loring Air Force Base, Maine	1,311	1,010	77.04
Louisville Naval Surface Warfare Station, Ky.	1,435	1,018	70.94
Lowry Air Force Base, Colo.	2,275	1,357	59.95
March Air Force Base, Calif.	997	572	57.37
Mare Island Naval Shipyard, Calif.	7,567	1,548	20.46
Mather Air Force Base, Calif.	1,012	3,514	347.23
McClellan Air Force Base, Calif.	8,828	6,124	69.37
Memphis Defense Distribution Depot, Tenn.	1,289	573	44.45
Memphis Naval Air Station, Tenn.	250	112	44.80
Myrtle Beach Air Force Base, S.C.	784	917	116.96
Newark Air Force Base, Ohio	1,760	1,050	59.66
Norton Air Force Base, Calif.	2,133	1,853	86.87
Oakland Naval Complex, Calif.	2,834	838	29.57
Ogden Defense Distribution Depot, Utah	1,105	611	55.29
Orlando Naval Training Center, Fla.	1,105	1,131	102.35
Pease Air Force Base, N.H.	400	4,367	1,091.75
Philadelphia Defense Personnel Supply Center, Pa.	1,485	300	20.20
Philadelphia Naval Complex, Pa.	8,119	2,268	27.93
Plattsburgh Air Force Base, N.Y.	352	881	250.28
Presidio of San Francisco, Calif.	3,150	1,980	62.86
Reese Air Force Base, Tex.	1,238	138	11.15
Red River Army Depot, Tex.	386	186	48.19
Sacramento Army Depot, Calif.	3,164	101	3.19
San Diego Naval Training Center, Calif.	402	48	11.94
Savanna Army Depot, Ill.	436	62	14.22

**Appendix IV: Civilian Jobs Lost and Created
at Major BRAC Locations during the Prior
Four BRAC Rounds**

Major base	Estimated jobs lost	Estimated jobs created	Recovery (percent)
Seneca Army Depot, N.Y.	273	944	345.79
Sierra Army Depot, Calif.	374	262	70.05
Staten Island Naval Station, N.Y.	1,001	0	0.00
Stratford Army Engineering Plant, Conn.	1,400	111	7.93
Tooele Army Depot, Utah	1,942	819	42.17
Treasure Island Naval Station, Calif.	454	59	13.00
Tustin Marine Corps Air Station, Calif.	348	2	0.57
Vint Hill Farms Station, Va.	1,472	344	23.37
Warminster Naval Air Warfare Center, Pa.	2,311	398	17.22
Williams Air Force Base, Ariz.	728	2,200	302.20
Wurtsmith Air Force Base, Mich.	690	587	85.07
Total	129,649	79,740	61.50

Source: Our analysis of DOD's Office of Economic Adjustment data as of October 31, 2001.

Appendix V: Average Unemployment Rates of BRAC-Affected Areas Compared with the U.S. Average Rate

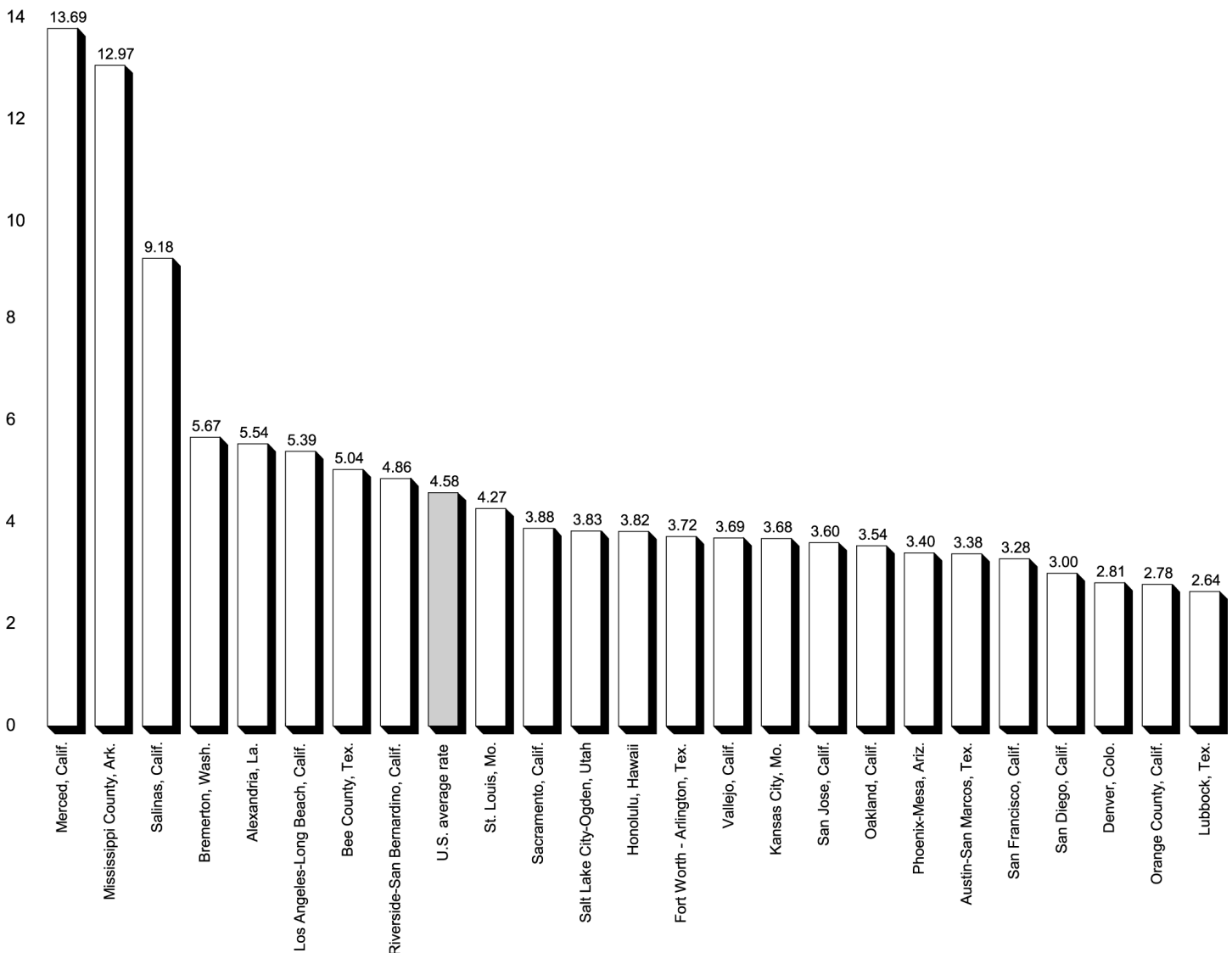
As figure 10 shows, 16 (67 percent) of the 24 BRAC-affected localities situated west of the Mississippi River had unemployment rates less than the U.S. average rate of 4.58 percent during January through September 2001. The other eight locations had unemployment rates greater than the U.S. rate.

Appendix V: Average Unemployment Rates of
BRAC-Affected Areas Compared with the U.S.
Average Rate

Figure 10: Comparison of Unemployment Rates of 24 BRAC-Affected Locations West of the Mississippi River

Percent

16

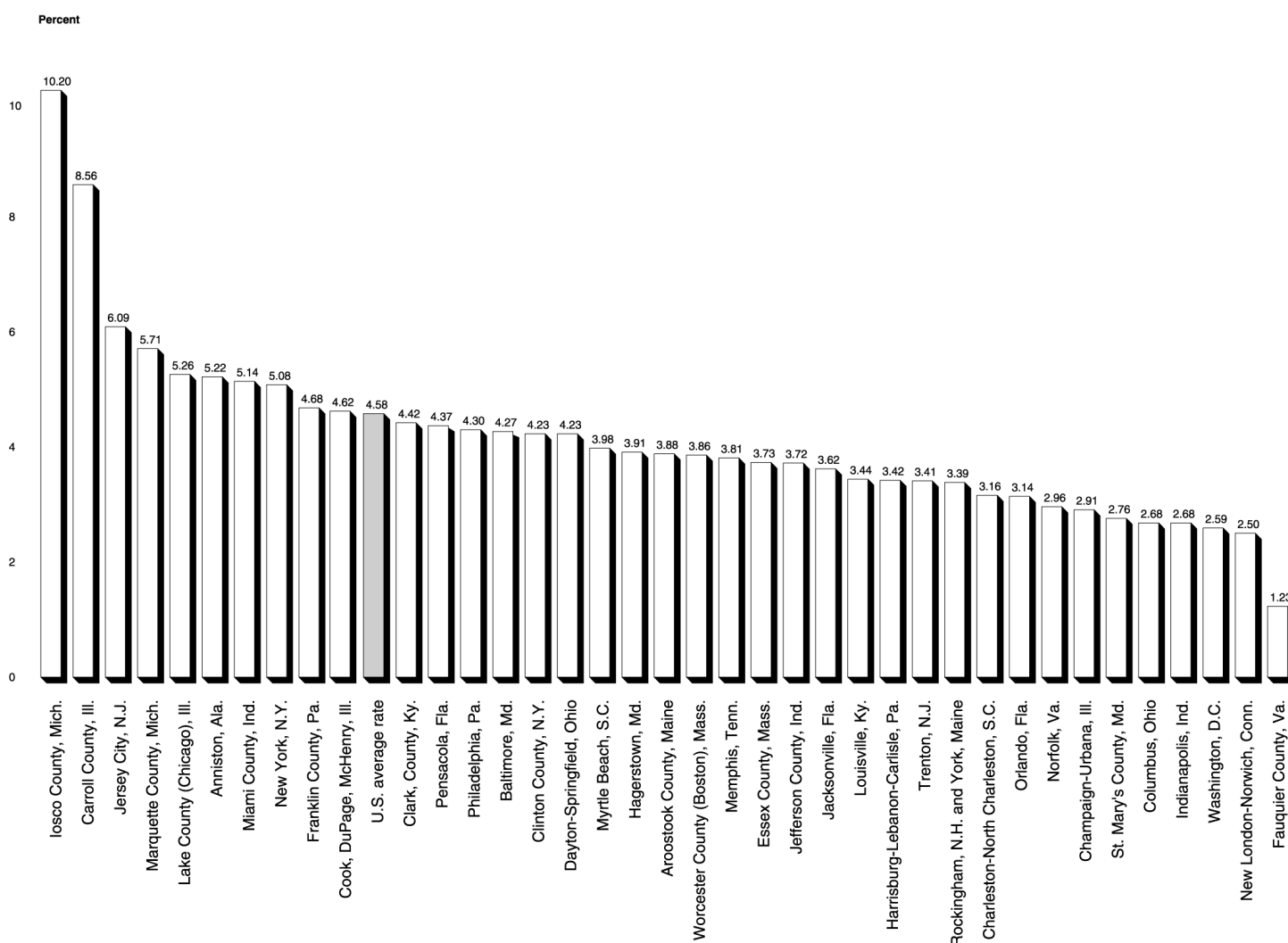


Source: Our analysis of the Department of Labor 's data.

**Appendix V: Average Unemployment Rates of
BRAC-Affected Areas Compared with the U.S.
Average Rate**

As figure 11 shows, 28 (76 percent) of the 38 BRAC-affected localities situated east of the Mississippi River had unemployment rates that were less than the U.S. rate of 4.58 percent during January through September 2001. The other 10 locations had unemployment rates that were greater than the U.S. rate.

Figure 11: Comparison of Unemployment Rates of 38 BRAC-Affected Locations East of the Mississippi River



Source: Our analysis of the Department of Labor's data.

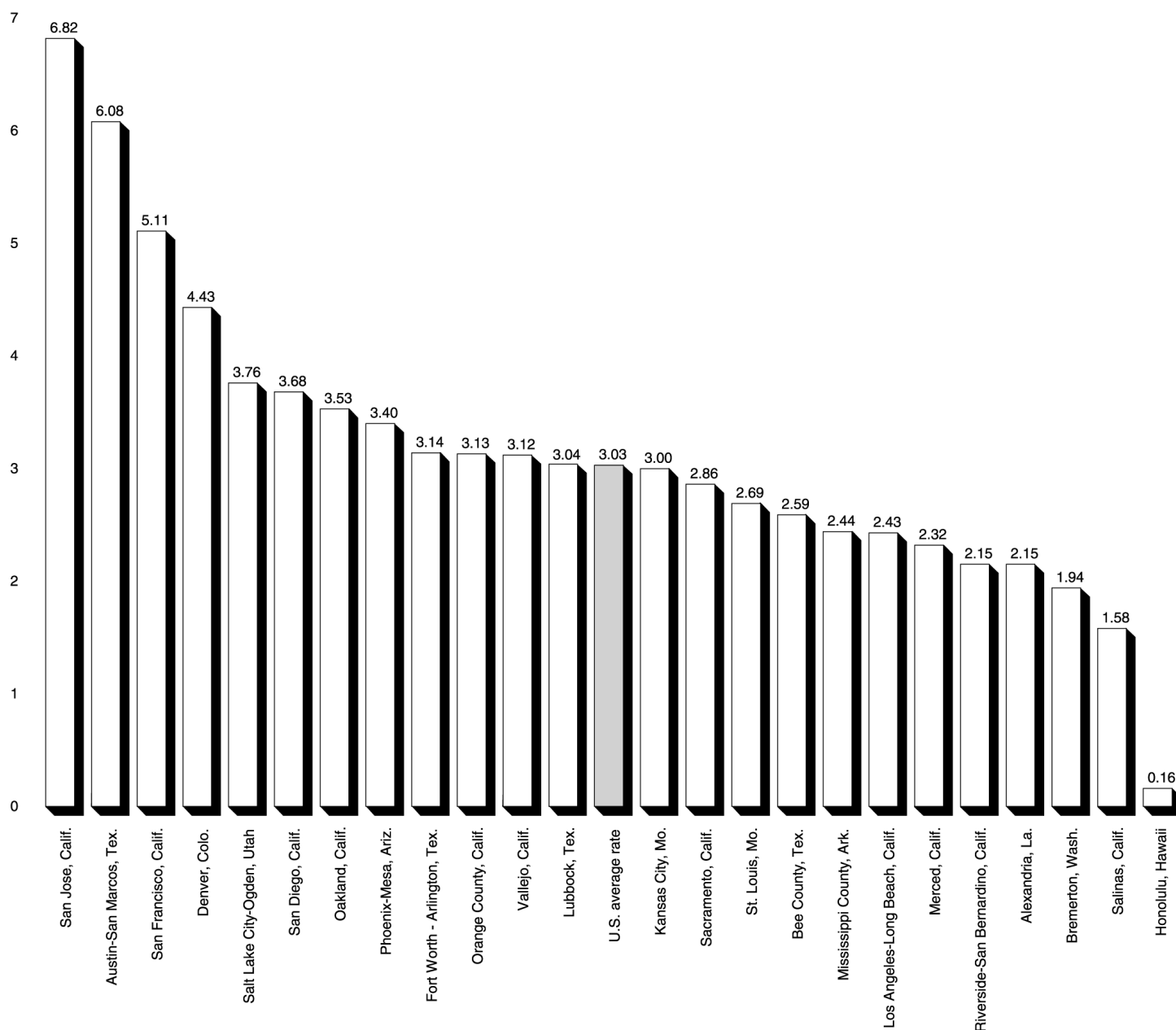
Appendix VI: Average Annual Real per Capita Income Growth Rates of BRAC-Affected Areas Compared with the U.S. Average Rate

As figure 12 shows, 12 (50 percent) of the 24 BRAC-affected localities situated west of the Mississippi River had average annual real per capita income growth rates that were greater than the U.S. average growth rate of 3.03 percent during 1996 through 1999. The other 12 locations had rates that were below the U.S. average rate.

Appendix VI: Average Annual Real per Capita
Income Growth Rates of BRAC-Affected Areas
Compared with the U.S. Average Rate

Figure 12: Comparison of Average Annual Real per Capita Income Growth Rates of 24 BRAC-Affected Locations West of the Mississippi River

Percent

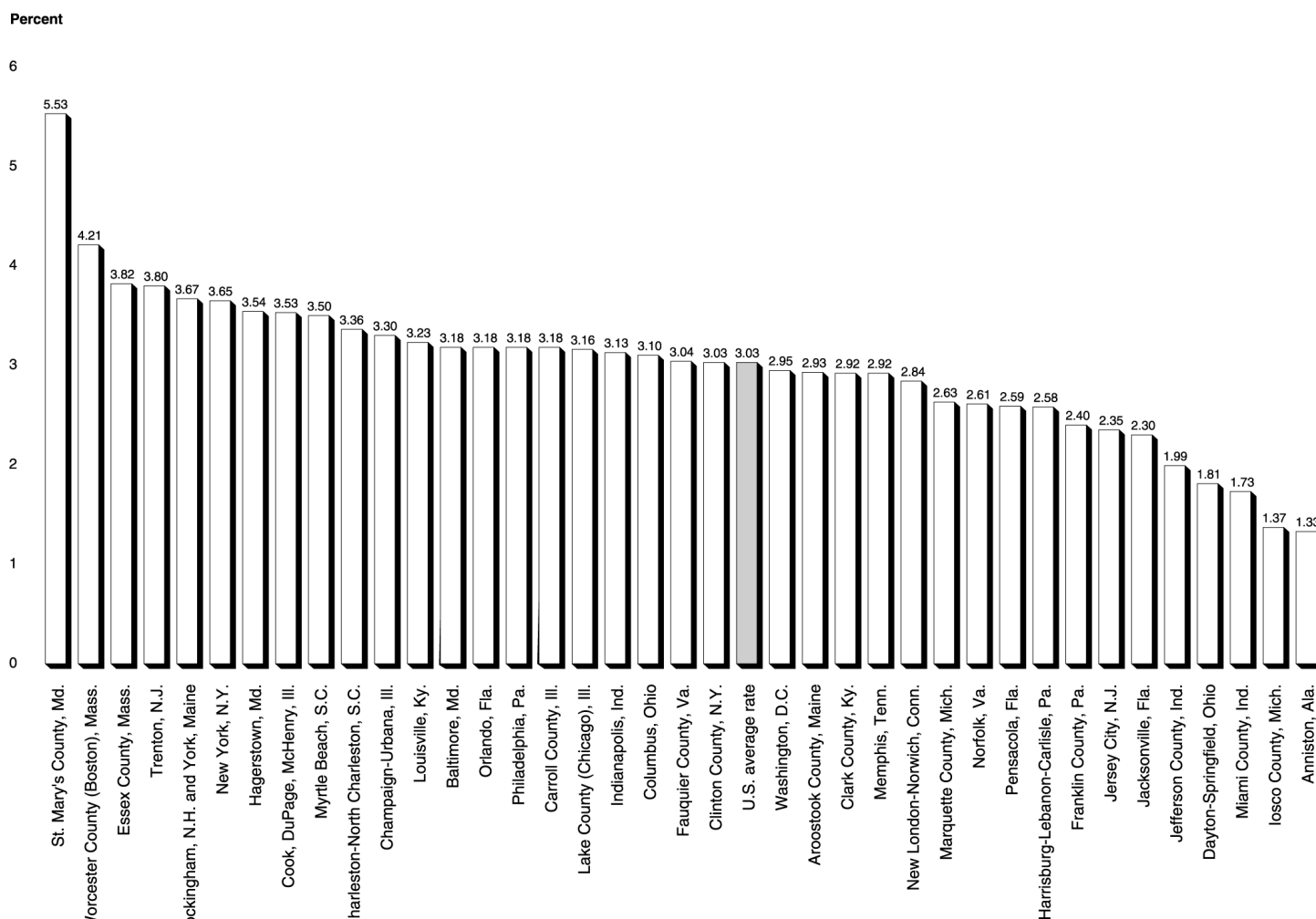


Source: Our analysis of the Department of Commerce's data.

**Appendix VI: Average Annual Real per Capita
Income Growth Rates of BRAC-Affected Areas
Compared with the U.S. Average Rate**

As figure 13 shows, 21 (55 percent) of the 38 BRAC-affected localities situated east of the Mississippi River had average annual real per capita income growth rates that were equal to or greater than the U.S. average growth rate during 1996 through 1999. The other 17 locations had rates that were below the U.S. average rate.

Figure 13: Comparison of Average Annual Real per Capita Income Growth Rates of 38 BRAC-Affected Locations East of the Mississippi River



Source: Our analysis of the Department of Commerce's data.

Appendix VII: Case Examples of Community Impacts and Recovery from BRAC

During our review, we visited communities near the former military bases at Chase Naval Air Station, Texas; Castle Air Force Base, California; Fort Ord, California; Loring Air Force Base, Maine; Charleston Naval Shipyard, South Carolina; and Fort McClellan Army Base, Alabama. Our visits to communities surrounding the Chase Naval Air Station and Castle Air Force Base were designed to see what progress they had made since our last visits to them in 1998; the remaining visits during this review were with our initial contacts. In general, local officials told us that their communities were recovering from the impacts of base closure and they were optimistic about the future. At the same time, they pointed to the considerable difficulties, frustrations, and losses that their communities experienced as they adjusted to the loss of military jobs, the redevelopment of base property, and the recent declining national economy. The economic impact on and recovery of specific communities within a region encompassing a closed base can vary—widely in some cases—because of such factors as proximity to the base and the business diversity within the community. For example, officials in Seaside, California (which abuts the former Ft. Ord) told us that the base closure caused significant economic problems for the community (e.g., closing of local businesses) and that these problems continue to hinder recovery. In the neighboring city of Monterey, however, officials told us that the impact was less severe because the city had a more diverse local economy and was less dependent on the base.

Community Impacts Resulting from the Closure of Chase Naval Air Station, Texas

In 1998, we visited the communities surrounding the former Chase Field Naval Air Station, Bee County, Texas, and found that they were recovering economically from the base closure. We revisited Bee County and found that these communities continued their recovery but were still having some problems. Table 8 shows how the closure of Chase Field Naval Air Station in February 1993 affected the surrounding communities and activities, as indicated by local officials during our visits in 1998 and 2001.

Table 8: Community Impacts Resulting from the Closure of Chase Naval Air Station, Texas, as Reported in 1998 and 2001

Overview

Bee County, Texas, and the surrounding counties are generally rural; agriculture and ranching are local industries. The largest sectors in Bee County are now state and local government, trade, and services.

As we reported in 1998	What we found in 2001
January-September 1997 unemployment rate of 6.1 percent.	January-September 2001 unemployment rate of 5 percent.
Average real per capita income growth (1991-95) of 0.5 percent.	Average real per capita income growth (1996-99) of 2.59 percent.
Sales of expensive items, such as automobiles, dropped.	Sales of expensive items, such as new automobiles, remained low while used automobile sales increased.
Automobile dealerships had to reduce staff and some businesses closed, including high-end clothing stores, a discount department store, an automobile dealership, a local janitorial service, a tortilla factory, and about four convenience stores.	New motel, theatre, and water treatment plant built, while one of two large grocery stores closed. New hospital wing added to accommodate a significant increase in hospital patients treated. County sales tax revenues increased slightly.
Real estate values in the residential market declined, and housing in the \$75,000+ range was stagnant.	Real estate values in the residential market increased; new home building growth for homes was in the \$100,000+ range.
Many military families that had brought a range of life experiences to the community moved.	Evening enrollment at community college was 75 percent lower without the military presence.
Skilled workers commuted long distances to other bases or were retired, unemployed, or underemployed or no longer resided in the area.	Skilled workers continued to commute long distances to other bases.

Source: Discussions with DOD, state, local, and business officials and our analysis of the Department of Commerce's data.

According to local officials, the most important factor contributing to economic recovery from the base closing was the decision of the Texas Department of Criminal Justice to locate a prison complex on the former air base. The medium-security prison, completed in 1994, occupies less than one-third of the former base and employs about 1,200 people. Without this prison and another prison complex built earlier and adjacent to the former base, local officials believe Beeville would not have survived as a community. According to a DOD Office of Economic Adjustment October 2001 report, 1,153 new jobs, or 120 fewer than reported in 1998, were created at the former naval air station. At the time of our visit in June 2001, the former air station had only one tenant, who maintains the facility instead of paying rent under a negotiated 10-year lease agreement with the reuse authority.

Community Impacts
Resulting from the
Closure of Castle Air
Force Base, California

We visited the communities surrounding the former Castle Air Force Base, Merced County, California, in 1998 and found that they were recovering economically from the base closure. We revisited Merced County in 2001 and again found that these communities continued their recovery, although they still were experiencing some problems. Table 9 shows how the closure of Castle Air Force Base in September 1995 affected the surrounding communities and activities, as local officials reported during our visits in 1998 and 2001.

Table 9: Community Impacts Resulting from the Closure of Castle Air Force Base, California, as Reported in 1998 and 2001

Overview	
Merced County, California, is a rural area largely dedicated to agriculture and related industries. Much of its labor force's seasonally employed in farming and canning. Even during seasons of "full employment," the unemployment rate remains high, around 14 percent; during the off-season, the rate can rise from 19 to 22 percent. The area is home to a large immigrant population. ^a	
As we reported in 1998	What we found in 2001
January-September 1997 unemployment rate of 15 percent.	January-September 2001 unemployment rate of 13.7 percent.
Average real per capita income growth (1991-95) of negative 0.8 percent.	Average real per capita income growth (1996-99) of 2.32 percent.
Real estate values in Atwater dropped 25 to 30 percent, partly because the federal government purchased houses of departing military personnel and placed them on the market. New housing construction stopped.	Housing starts have increased significantly over the last 2 years partly due to the Bay Area families' taking advantage of affordable residential housing, and to real estate speculation from an announced new university campus expected to open in 2004. Average home prices increased from \$114,000 to \$140,000.
Atwater schools lost enrollment, as well as tax base. The Atwater elementary school district had to reduce budget and staff, canceling some programs.	Atwater population increased 9.6 percent from 1996 to 2000. Merced county population increased by 4.5 percent over the same period.
Local businesses had to reduce staff; some closed, and some changed ownership. Several small businesses shut down, including restaurants, insurance vendors, and dry cleaners.	Many closed businesses, such as restaurants and other services, have not been replaced. There are vacant buildings throughout Atwater.
The community lost the military families, who contributed to local organizations, such as churches and hospitals.	Former skilled Castle workers continue to commute more than 4 hours a day, round trip, to the Bay Area, while others no longer reside in the area.

^aMany Hmong immigrants from Laos, recruited and trained by the United States to conduct rescue missions and guerilla activity during the Vietnam war, migrated to the United States after the war to escape persecution. India's Punjabi began immigrating to California after World War II and settled largely in rural areas.

Source: Discussions with DOD, state, local, and business officials and our analysis of the Department of Commerce's data.

According to local officials, the closure of Castle Air Force Base had an immediate adverse effect on the unemployment rate, housing costs, and

per capita income. However, within several years these negative aspects were overcome. Although the strong national economy helped in this recovery, Merced County's continuing growth is primarily a result of three factors. First, a new federal prison now occupies a portion of the former air base and employs 200 individuals. Second, real estate sales have begun to increase because a new University of California campus is expected to open in the fall of 2004 and eventually serve 25,000 students. Finally, many Bay Area residents are purchasing more affordable homes in Merced County and commuting a longer distance to their jobs.

On October 31, 2001, DOD's Office of Economic Adjustment reported an increase of 566 new jobs (from 1,881 to 2,447) as a result of the redevelopment of Castle Air Force Base from 1998 to 2001. At the time of our visit in July 2001, Cingular Wireless was the largest tenant on the former air base and employed 1,200 people at its call center. In addition, the 42 other tenants employed about 310 individuals. However, later that month, Cingular announced that it was cutting 400 jobs at its Castle site because the number of calls and the size of the workforce had outgrown the center's space.

Other Communities Recovering from Varied Impacts

Our visits to communities surrounding four other major base closures showed that recovery was occurring, although not without difficulty. The impacts of the closures that officials conveyed to us are shown in table 10 and included initial economic disruption caused by the news of impending closure; loss of population; decreasing business revenue leading some businesses to shutdown; a drop in real estate markets and a rise in rental property vacancies; declining school enrollments; and social losses felt in the communities from the departure of active, educated military personnel and families. For example, two school districts (Limestone and Presque Isle) surrounding the former Loring Air Force Base, Maine, lost 300 to 400 students and 150 to 200 students, respectively, after the base closed. In the city of Weaver, a bedroom community hit hard by the closing of Fort McClellan, Alabama, the population dropped by 200 people to about 2,700 after the base closed in 1999. But there were some positive effects as well at the communities we visited. (See table 10.) For example, local grocers in communities surrounding the former Loring Air Force base benefited from new business from military retirees, who now shop in their stores because the base commissary closed. Furthermore, the early prediction of a 20 to 25-percent loss in economic activity in this same area never materialized, helped partially by the establishment of a Defense Finance and Accounting Service facility, which now employs over 300 people on the former base.

Table 10: Reported Community Impacts Resulting from Base Closures for Communities Not Visited in 1998

Limestone, Caribou, Presque Isle, Caswell, Fort Fairfield, and Van Buren, Maine

Overview

The former Loring Air Force Base, which closed in 1994, is located in the town of Limestone in Aroostook County, Maine. Aroostook County is a rural county located in the northeast corner of Maine bordering Canada and covers 6,672 square miles. The area is largely dedicated to lumber and paper production and the cultivation of such crops as potatoes, broccoli, and peas. Unemployment rates for Aroostook County dropped from 8.5 percent for January-September 1997 to 3.9 percent in the same 9-month period in 2001. Average real per capita income growth rose from 1 percent in 1991-95 to 2.9 percent in 1996-99.

Impact of closure on community

- Limestone school district lost 300 to 400 students, resulting in a loss of federal and state funding. Presque Isle schools lost 150 to 200 students.
- Many military retirees left the area because the base hospital closed.
- Retail businesses such as car dealerships closed. Other businesses, such as construction and general supply companies, were hard hit.
- Ethnic and social diversity contributed by military personnel and their families disappeared.
- Real estate markets dropped 20 to 30 percent during the first 3 years after the closing announcement.
- Loss of economic activity was not as severe as initially expected.
- Establishment of Defense Finance and Accounting Service facility on former base provided additional jobs.

Charleston and North Charleston, South Carolina

Overview

The Charleston Naval Shipyard, which closed in 1996, is located in the city of North Charleston, South Carolina. Comprising 3 counties, Berkeley, Charleston, and Dorchester, the Charleston metropolitan region covers 3,163 square miles and has a population of 549,000. Major employers include the Medical University of South Carolina, the Charleston Air Force Base, and the U.S. Navy. The largest business sectors are services, retail and wholesale trade, and government. Unemployment rates for the metropolitan area dropped from 4.5 percent for January-September 1997 to 3.2 percent for the same 9-month period in 2001. Average real per capita income growth rose from 1.9 percent for 1991-95 to 3.4 percent for 1996-99.

Impact of closure on community

- Economic impact on the area was not nearly as severe as expected. While an economic recovery plan expected recovery in 5 years, it took only 2.
- Car sales dropped initially.
- Rental property vacancies rose.
- Revenues from military personnel were lost. For example, the city of Charleston saw a drop in sales taxes after the base closed, but it has since recovered.
- The closure was an impetus for the formation of a regional alliance of affected communities—the alliance raised over \$8 million from the public and private sector for business recruiting purposes.
- Establishment of Navy space warfare facility on the former base brought in highly paid and highly skilled jobs.
- New high tech businesses are moving to the region.

Anniston, Weaver, and Jacksonville, Alabama

Overview

Fort McClellan, which closed in 1999, was located in the city of Anniston in Calhoun County, Alabama. Calhoun County covers 609 square miles and has a population of 112,000. The top employers include the Anniston Army Depot and a regional medical center. The largest business sectors include retail trade and service industries. Unemployment rates for Anniston remained the same—5.2 percent—for January-September 1997 and for the same 9-month period in 2001. Average real per capita income growth declined from 2.1 percent for 1991-95 to 1.3 percent for 1996-99.

Impact of closure on community

- Population declined. For example, Weaver's population dropped by 200 people to about 2,700 after the base closed in 1999.
- Sales tax revenues were lost.
- Students left, resulting in a reduction of \$8,000 to \$10,000 in state school funding.
- Calhoun County lost population from 1999 to 2000, the only county in the state to do so.
- Rental property vacancies increased significantly after closure.
- An off-base shopping area lost many small businesses and has not been replaced.
- Barbershops and clothing stores closed in Anniston.
- Military personnel and dependents, who brought diversity and were involved in the community, left.
- Some military retirees moved out of the area because of loss of services; but many retirees remained in the area, thereby increasing local community business activity that was formerly done on the base when it was active.

Monterey, Del Rey Oaks, Seaside, and Marina, California

Overview

Fort Ord, which closed in 1994, covers approximately 44 square miles, and lies within Monterey County, California, in the cities of Del Rey Oaks, Seaside, and Marina. Major employers include Dole Fresh Vegetable Company, the County of Monterey/Salinas, the Department of Defense, and Tanimura & Ante, Inc., a company that prepares crops for market. Monterey County's economy consists of four primary sectors: tourism, agriculture, environmental technologies, and education. Unemployment rates for Salinas, a community near the former base, dropped from 10.3 percent for January-September 1997 to 9.2 percent for the same 9-month period in 2001. Average real per capita income growth dropped from 3.4 percent for 1991-95 to 1.6 percent for 1996-99.

Impact of Closure on Community

- 35,000 military personnel and civilians left the area when the base closed.
- Secondary business in nearby communities, such as dry cleaners and grocery markets, reported declines in sales.
- The loss of military families living off base created housing and apartment surpluses, which took time to recover.
- Employment growth slowed for 1990-95, but recovery followed thereafter.
- From 1990 to 1999, retail sales in the city of Marina grew by 23 percent. In contrast, the county retail sales grew by 50 percent and state retail sales by 41 percent.
- Acquisition of the former base's golf course by the city of Seaside has brought in much needed revenue.
- Acquisition of the former base's airport for the city of Marina has been a success.
- Two former base housing areas for the city of Monterey have been redeveloped and are fully utilized.
- Seven educational institutions have or will soon have facilities on the former base; California State University (Monterey Bay) has completed \$60 million in renovations and has a student population of 2,400; enrollment is expected to rise to 12,500 over the next 15 years.
- Defense Finance and Accounting Service facility was established by renovating the former base hospital.

Source: Discussions with DOD, state, local, and business officials and our analysis of the Department of Commerce's data.

Appendix VIII: Key Reports Related to Base Closure Implementation Issues

U.S. General Accounting Office. *Military Base Closures: Overview of Economic Recovery, Property Transfer, and Environmental Cleanup*. [GAO-01-1054T](#). Washington, D.C.: August 28, 2001.

U.S. General Accounting Office. *Military Base Closures: DOD's Updated Net Savings Estimate Remains Substantial*. [GAO-01-971](#). Washington, D.C.: July 31, 2001.

U.S. General Accounting Office. *Environmental Liabilities: DOD Training Range Cleanup Cost Estimates Are Likely Understated*. [GAO-01-479](#). Washington, D.C.: April 11, 2001.

U.S. General Accounting Office. *Military Base Closures: Unexpended Funds Raise Questions About Fiscal Year 2001 Funding Needs*. [GAO/NSIAD-00-170](#). Washington, D.C.: July 7, 2000.

U.S. General Accounting Office. *Military Base Closures: Potential to Offset Fiscal Year 2000 Budget Request*. [GAO/NSIAD-99-149](#). Washington, D.C.: July 23, 1999.

U.S. General Accounting Office. *Military Bases: Status of Prior Base Realignment and Closure Rounds*. [GAO/NSIAD-99-36](#). Washington, D.C.: December 11, 1998.

U.S. General Accounting Office. *Military Bases: Review of DOD's 1998 Report on Base Realignment and Closure*. [GAO/NSIAD-99-17](#). Washington, D.C.: November 13, 1998.

Congressional Budget Office. *Review of the Report of the Department of Defense on Base Realignment and Closure*. Washington, D.C.: July 1, 1998.

Department of Defense, Office of the Inspector General. *Audit Report: Cost and Savings for 1993 Defense Base Realignments and Closures*. Report No. 98-130. Washington, D.C.: May 6, 1998.

Department of Defense. *The Report of the Department of Defense on Base Realignment and Closure*. Washington, D.C.: April 1998.

U.S. General Accounting Office. *Defense Infrastructure: Challenges Facing DOD in Implementing Reform Initiatives*. [GAO/T-NSIAD-98-115](#). Washington, D.C.: March 18, 1998.

U.S. Army Audit Agency. *Base Realignment and Closure 1995 Savings Estimates*. Audit Report AA97-225. Washington, D.C.: July 31, 1997.

U.S. General Accounting Office. *Military Bases: Lessons Learned from Prior Base Closure Rounds*. [GAO/NSIAD-97-151](#). Washington, D.C.: July 25, 1997.

Congressional Budget Office. *Closing Military Bases: An Interim Assessment*. Washington, D.C.: December 1996.

U.S. General Accounting Office. *Military Base Closures: Reducing High Costs of Environmental Cleanup Requires Difficult Choices*. [GAO/NSIAD-96-172](#). Washington, D.C.: September 5, 1996.

U.S. General Accounting Office. *Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified*. [GAO/NSIAD-96-67](#). Washington, D.C.: April 8, 1996.

Appendix IX: Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MAR 26 2002

Mr. Barry Holman, Director
Defense Capabilities and Management
U.S. General Accounting Office
Washington, D.C. 20548

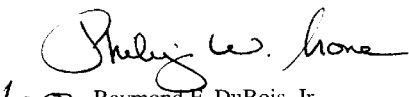
Dear Mr. Holman:

Attached is the Department of Defense response to the GAO draft report, **MILITARY BASE CLOSURES: Progress in Completing Actions from Prior Realignments and Closures**, dated February 26, 2002 (GAO Code 350059).

The Department concurs with GAO's recommendations. The report found most communities continue to recover from the Department's base closure and realignment actions. Most communities have been able to absorb the economic loss and show positive economic growth at or above national averages in recognition of the initiative and persistence of the Military Departments and local redevelopment officials. We will continue to work with local and state officials as their redevelopment efforts seek a more diversified economy.

The Department appreciates the opportunity to review and comment on the draft report.

Sincerely,


Raymond F. DuBois, Jr.
Deputy Under Secretary of Defense
(Installations and Environment)

Attachment:
As stated



GAO DRAFT REPORT DATED FEBRUARY 26, 2002
(GAO CODE 350059)

"MILITARY BASE CLOSURES: PROGRESS IN
COMPLETING ACTIONS FROM PRIOR
REALIGNMENTS AND CLOSURES "

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION

RECOMMENDATION 1: The GAO recommended that, as part of the new base realignment and closure round scheduled for 2005, the Under Secretary of Defense (Acquisition, Technology and Logistics), in consultation with the Under Secretary of Defense (Comptroller), develop a Defense-wide systematic approach for the periodic updating of initial closure savings estimates.

DOD RESPONSE: We concur with the GAO recommendation that the Under Secretary of Defense (Acquisition, Technology and Logistics), in consultation with the Under Secretary of Defense (Comptroller), develop a Defense-wide systematic approach for the periodic updating of initial closure savings estimates for the new base realignment and closure round scheduled for 2005.

RECOMMENDATION 2: The GAO also recommended that the Under Secretary of Defense (Acquisition, Technology and Logistics), in consultation with the Under Secretary of Defense (Comptroller), develop an oversight mechanism to ensure that the military services and components update such estimates in accordance with the prescribed approach.

DOD RESPONSE: We concur with the GAO recommendation that the Under Secretary of Defense (Acquisition, Technology and Logistics), in consultation with the Under Secretary of Defense (Comptroller), develop an oversight mechanism to ensure that the military services and components update such estimates in accordance with the prescribed approach for the new base realignment and closure round scheduled for 2005.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense encourage the Secretaries of the Military Services to work with communities impacted by the base closure process to expand the use of the early transfer authority in those cases where the Department can accelerate the transfer of unneeded former base property and/or save money.

DOD RESPONSE: We concur with the GAO recommendation that the Secretary of Defense encourage the Secretaries of the Military Services to work with communities

Attachment 1 to Memo,
GAO Draft Report,
Page 1 of 2

impacted by the base closure process to expand the use of the early transfer authority in those cases where the Department can accelerate the transfer of unneeded former base property and/or save money.

Attachment 1 to Memo,
GAO Draft Report,
Page 2 of 2

Appendix X: GAO Contacts and Staff Acknowledgments

GAO Contacts

Barry W. Holman (202) 512-8412

Mark A. Little (202) 512-4673

Acknowledgements

In addition, Nancy Benco, Jane Hunt, David Keefer, Don Kennedy, Michael Kennedy, Tom Mahalek, Charles Perdue, Bob Poetta, James Reifsnyder, Thaddeus Rytel, and Arnett Sanders contributed to this report.

GAO's Mission

The General Accounting Office, the investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to daily e-mail alert for newly released products" under the GAO Reports heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
P.O. Box 37050
Washington, D.C. 20013

To order by phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

Visit GAO's Document Distribution Center

GAO Building
Room 1100, 700 4th Street, NW (corner of 4th and G Streets, NW)
Washington, D.C. 20013

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm,
E-mail: fraudnet@gao.gov, or
1-(800) 424-5454 or (202) 512-7470 (automated answering system).

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G. Street NW, Room 7149,
Washington, D.C. 20548