United States General Accounting Office

GAO

Report to Congressional Committees

May 2003

DEFENSE INFRASTRUCTURE

Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce Costs of Guard and Reserve Facilities

GAO-03-516

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Highlights

Highlights of GAO-03-516, a report to Congressional Committees

Why GAO Did This Study

GAO prepared this report under its basic legislative responsibilities. Its objectives are threefold: (1) to examine the reserve forces' trends for facility maintenance and construction funding and the condition of their facilities, (2) to assess the likelihood that they will meet the Department of Defense's (DOD) objectives for improving facilities, and (3) to discuss the challenges in implementing two potential cost saving initiatives—joint construction projects and real property exchanges.

What GAO Recommends

GAO is recommending that the Secretary of Defense direct the services to review and reevaluate the priorities to sustain and improve the condition of reserve facilities. GAO also recommends that the Secretary direct the Deputy Under Secretary of Defense for Installations and Environment to facilitate the coordination funding for joint construction projects among active and reserve components, and to establish a method to ensure that real property to be exchanged is not needed by other DOD components. GAO is also suggesting that Congress consider using DOD's newly established budget structure to better coordinate and fund high priority joint construction projects.

In commenting on a draft of this report, DOD agreed with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-516.

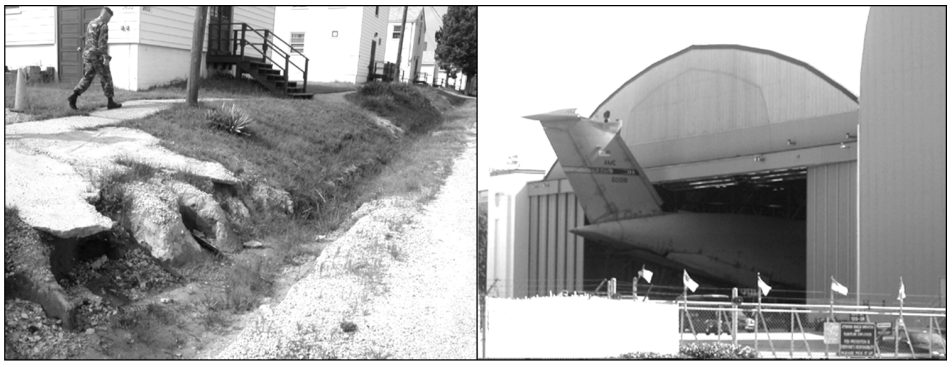
To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-8412 or holmanb@gao.gov.

What GAO Found

Funding for maintaining and constructing reserve component facilities has increased. Obligations for facility maintenance rose by about 70 percent from fiscal year 1998 to fiscal year 2002 and annual appropriations for military construction rose 49 percent from fiscal year 1998 to fiscal year 2003. Despite the increases, reserve components rated the condition of 64 percent of their facilities as inadequate, and GAO's visits to installations document the deteriorated condition of facilities. While GAO did not see any facilities that were not in use, the upcoming base realignment and closure round is expected to include an evaluation of reserve component facilities.

The reserve components are unlikely to meet all of DOD's three objectives for improving facilities: achieve 100 percent sustainment funding starting in fiscal year 2004; reach a 67-year average recapitalization rate by fiscal year 2007; and improve the condition of facilities so that deficiencies have only a limited effect on mission performance by fiscal year 2010. Furthermore, some officials acknowledged that even when their components have expressed intent to meet DOD's objectives, their funding plans might include unrealistically high rates of increases during the out-years when compared to previous funding trends and against other defense priorities.

The reserve components face challenges in implementing two potential cost saving initiatives—joint construction projects and real property exchanges. Reserve component officials said that funding joint construction projects—where two or more components share space requirements and build one facility—is difficult to coordinate. In addition, while Congress has provided the components with authority to exchange real property with other public or private entities in return for the construction of new facilities of equal or greater value—the Office of the Secretary of Defense has not provided overall direction for the program, thus risking the exchange of property that may be needed by other DOD components.



Source: GAO.

On the left, a washed-out, deteriorated driveway at the Army National Guard Maneuver Training Center, Fort Pickett, Virginia. On the right, an aircraft hanger too small to completely cover a C-5 aircraft for maintenance purposes at Robins Air Force Base, Georgia.

Contents

Letter

1

Results in Brief 3
Background 5
While Funding Has Increased, Most Facilities Are Considered Inadequate 13
Reserve Components Are Unlikely to Meet All of DOD's Objectives for Improving Facilities 29
Challenges Exist in Implementing Joint Construction Projects and Real Property Exchanges 36
Conclusions 44
Recommendations for Executive Action 45
Matter for Congressional Consideration 46
Agency Comments and Our Evaluation 46

Appendixes

Appendix I: Scope and Methodology 50
Appendix II: Comments from the Department of Defense 56
Appendix III: GAO Contact and Staff Acknowledgments 59

Tables

Table 1: Number of Locations and Facilities by Reserve Component as of September 30, 2002 6
Table 2: Military Construction Backlog by Reserve Component, Fiscal Years 1998 through 2001 17
Table 3: Listing of Various Reserve Component Locations GAO Visited 51

Figures

Figure 1: Requested, Congressionally Designated Initially, and Reported Obligated Facility Maintenance Funding Levels for the Reserve Components, Fiscal Years 1998 through 2002 14
Figure 2: Requested and Appropriated Military Construction Funding Levels for the Reserve Components, Fiscal Years 1998 through 2003 16
Figure 3: Percent of Reserve Component Facilities Considered Inadequate, Fiscal Years 1998 through 2003 18
Figure 4: Typical Examples of Newly Constructed or Renovated Facilities at Various Reserve Component Locations 20

Figure 5: Typical Examples of Facility Improvements at Various Reserve Component Locations 21
Figure 6: Examples of Deteriorated Ramp, Runway, and Driveways at Various Reserve Component Locations 22
Figure 7: Examples of Damage at Various Reserve Component Facilities 24
Figure 8: Examples of Inadequate Space for Equipment at Various Reserve Component Facilities 25
Figure 9: Examples of Inadequate Storage Space at Various Reserve Component Facilities 27
Figure 10: Average Annual Sustainment Funding as a Percent of Requirement by Reserve Component, Aggregate for Fiscal Years 2003 through 2009 30
Figure 11: Average Annual Recapitalization Rate by Reserve Component, Aggregate for Fiscal Years 2003 through 2009 32
Figure 12: Current and Projected Restoration and Modernization Funding by Reserve Component, Fiscal Years 2003 through 2009 34
Figure 13: Current and Proposed Fire Station at Parks Reserve Forces Training Area, California, as of November 2002 41

Abbreviation

DOD Department of Defense

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

May 15, 2003

Congressional Committees

The Department of Defense's (DOD) six reserve components—Army National Guard, Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard, and Air Force Reserve—operate and maintain more than 41,000 buildings and structures sited in about 5,000 locations in the United States and its territories in which Congress provided about $950 million in funds for fiscal year 2003. The number of reserve facilities has grown by about one-third during the past 10 years, primarily due to new mission requirements and the transfer of certain active services' facilities from bases that were either closed or realigned during the base closure process. While the number of facilities has grown, the reserve components consider 64 percent of their facilities to be inadequate. In the absence of proper maintenance, these facilities deteriorate prematurely, which could adversely affect missions supported by these facilities. Without consistent periodic recapitalization, they can become obsolete and no longer be cost-effectively renovated and must be replaced with new construction if there is a continuing need.[1] DOD and Congress have recognized the need to fully fund maintenance and recapitalization of facilities, as well as to reduce DOD's inventory of facilities through an upcoming round of base realignments and closures scheduled for fiscal year 2005.[2]

[1] Recapitalization includes major renovation or reconstruction activities (including facility replacements) needed to keep facilities modern and efficient in an environment of changing standards and missions.

[2] As authorized by Congress in 2001, DOD intends to reduce its inventory of facilities by closing some installations and by consolidating overlapping activities within and across the services through a round of base realignments and closures in fiscal year 2005. DOD officials have testified that 20 to 25 percent of DOD's infrastructure capacity is not needed to meet current mission requirements. Accordingly, as a result of the round of base realignments and closures in fiscal year 2005, DOD and the reserve components will have to adjust their facility maintenance and recapitalization plans.

In August 2001, DOD issued a facility strategic plan[3] and has recently established three objectives for improving its facilities: achieve 100 percent sustainment funding starting in fiscal year 2004,[4] achieve a 67-year average recapitalization rate by fiscal year 2007,[5] and improve the condition of facilities so that deficiencies have only a limited effect on mission performance by fiscal year 2010. In addition, as a way to achieve potential cost savings, the reserve components have initiated joint military construction projects, where two or more components combine their space requirements into one facility. They also have participated in real property exchanges, where they trade real property with other public or private entities in return for the construction of new facilities of equal or greater value.

We prepared this report under our basic legislative responsibilities as authorized by 31 U.S.C. § 717 and are providing it to you because of your Committee's oversight responsibilities for DOD's facilities. This report on the reserve components (1) examines their funding trends for facility maintenance and construction since fiscal year 1998 and the condition of their facilities over this same time period, (2) assesses the likelihood that they will meet DOD's objectives for improving facilities, and (3) discusses the challenges in implementing two potential cost saving initiatives—joint construction projects and real property exchanges. This is one of several reviews that we have completed or have underway examining various aspects of facility conditions in DOD. For example, we recently reported that funding for facility maintenance and military construction has fallen short of what was needed to halt the deterioration of facilities used by the active military services.[6] Furthermore, we noted that there was a lack of consistency in the active services' information on facility conditions and

[3] U.S. Department of Defense, *Defense Installations 2001: The Framework for Readiness in the 21st Century* (Washington, D.C.: August 2001).

[4] Sustainment funding provides resources primarily from operation and maintenance funds for recurring maintenance and repair activities necessary to keep an inventory of facilities in good working order.

[5] The recapitalization rate is calculated by dividing recapitalizable plant replacement value by the total of restoration and modernization funding. The recapitalizable plant replacement value, as defined by DOD, is the cost of replacing an existing facility with a facility of the same size at the same location, using today's building standards.

[6] U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Strategic Planning Needed to Improve the Condition of Military Facilities*, GAO-03-274 (Washington, D.C.: Feb. 19, 2003).

that DOD's facilities strategic plan and three key objectives to sustain and improve facilities have weaknesses that affected their effectiveness. In addition, we are currently reviewing the management of housing for unaccompanied personnel and the reserve components' acquisition of facilities from prior base realignment and closure actions.

In performing our work, we examined DOD's budget for facilities maintenance and construction from fiscal years 1998 through 2002. We performed our work at, and met with officials from, the Office of the Assistant Secretary of Defense for Reserve Affairs and the headquarters of the six reserve components—Army National Guard, Army Reserve Command, Naval Reserve Forces Command, Marine Forces Reserve, Air National Guard, and Air Force Reserve Command. We also visited 20 Army National Guard, 11 Army Reserve, 9 Naval Reserve, 7 Marine Corps Reserve, 5 Air National Guard, and 5 Air Force Reserve sites to discuss these issues further and to tour various facilities to observe their physical condition. We did not validate the reserve components' requirements for facilities or reported requirements for the sustainment of their facilities, nor did we validate their recapitalization requirements. A more thorough description of our scope and methodology is presented in appendix I.

Results in Brief

Although funding for maintaining and constructing reserve component facilities has increased since fiscal year 1998, reserve components report that the condition of most of their facilities are inadequate and that their construction backlog has increased to $12.2 billion. Reported obligations for maintaining facilities increased about 70 percent, from $444 million to $750 million from fiscal year 1998 to fiscal year 2002. In general, the increase in obligations resulted from the components' higher annual funding requests, except in fiscal year 2000, and the movement of funds into facility maintenance from other operating accounts at the end of each fiscal year. Similarly, annual appropriations for military construction increased 49 percent, from $461 million to $688 million from fiscal year 1998 to fiscal year 2003.[7] Of these appropriations, more than half came from add-ons by Congress. Even with these funding increases, reserve components rated the condition of 64 percent of their facilities as inadequate for fiscal year 2003. While deteriorated facilities are common, there is a lack of consistency in the reserve components' information on

[7] During this period, military construction appropriations peaked at $954 million in fiscal year 2002.

facility conditions, making it difficult to direct funds to facilities where they are most needed and to accurately gauge facility conditions.

The reserve components are unlikely to meet all of DOD's three objectives for improving facilities. While reserve components plan to meet some of the objectives from year to year, none are expecting enough funds to consistently meet DOD's objective to fully fund sustainment from fiscal years 2003 through 2009, and only the Marine Corps Reserve and the Air National Guard are expecting to reach a 67-year average recapitalization rate during this period. In addition, all reserve components call for rapid increases in restoration and modernization funding at some point during this period. Assuming that all of the facilities are needed, reserve component officials also estimate that it would cost $7.8 billion to achieve DOD's objective to concentrate funding to eliminate the most significant facility deficiencies by fiscal year 2010. However, some officials acknowledged that even when their components have expressed their intent to meet DOD's objectives, their funding plans might include unrealistically high rates of increases during the out-years when compared to previous funding trends and against other defense priorities.

The reserve components face challenges in implementing two potential cost-saving initiatives: joint construction projects and real property exchanges. First, the Office of the Assistant Secretary of Defense for Reserve Affairs has estimated that joint construction projects could save up to 20 percent over the cost of two separate projects; reserve component officials said that the challenge to implementing these projects is the difficulty in simultaneously programming them in each of their respective budget requests. Recognizing this, in April 2001, the Office of the Secretary of Defense established a separate budget structure for funding joint use military construction projects, but it has not yet programmed any funds for this purpose. As a result, many joint construction projects that had the potential to generate future cost savings might not be initiated. Second, while Congress has provided the Secretary of Defense with authority to use real property exchanges,[8] the Office of the Secretary of Defense has not provided overall direction for the program. Currently, only the Army Reserve is using this authority and plans to use this authority to recapitalize

[8] See 10 U.S.C. § 18233. The Secretary of Defense may delegate this authority to any department, agency, or officer of DOD.

10 percent of its facilities. Officials from the other reserve components said they were not aware of this authority and only now are exploring its potential use. While the Army Reserve has issued guidance and is gaining experience in implementing this authority, there is no process for collecting and sharing lessons learned with other reserve components. According to officials with the Office of the Secretary of Defense Installation and Environment, the Office of the Assistant Secretary of Defense for Reserve Affairs, and the active and reserve components of the Army, there is no method to assure that real property needed by other DOD components or for future missions is not being exchanged. Although DOD provides little guidance for real property exchanges, it does require the components to obtain the department's approval when the real property being exchanged is valued at more than $1 million or involves more than 1,000 acres.[9] However, the Army Reserve has interpreted this guidance to mean that it will notify DOD if the value of the real property received exceeds the value of the real property exchanged by $1 million, regardless if the real property exchanged is worth several millions of dollars.

We are making several recommendations to address funding priorities and management processes needed to improve the condition and reduce the costs of the reserve components' facilities. To help promote increased consideration of joint construction projects, we are also suggesting that Congress may want to consider designating a portion of its military construction appropriations for DOD's newly established budget structure to fund joint use military construction projects. In commenting on a draft of this report, DOD concurred with our recommendations.

Background

The six reserve components—Army National Guard, Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard, and Air Force Reserve—are responsible for maintaining facilities in almost 5,000 different locations within the United States and its territories, with an estimated plant replacement value of over $57 billion. These facilities consist of readiness and reserve centers plus other buildings and structures to equip, train, sustain, and deploy the reserve forces. These facilities are typically used to train reserve component members and units in classrooms and drill halls and to conduct other tasks such as unit planning; record keeping; storing of individual and unit equipment, weapons, and supplies; and

[9] DOD Instruction 1225.8, *Programs and Procedures for Reserve Component Facilities and Unit Stationing*, enclosure 3, para. E3.1.2.9, September 6, 2001.

maintaining vehicles and aircraft. The number of reserve component facilities has grown by 30 percent in the past decade, mostly due to new mission requirements and the transfer of certain facilities from installations that were either closed or realigned during the base closure process. Table 1 shows the number of locations and facilities by reserve component as of September 30, 2002.

Table 1: Number of Locations and Facilities by Reserve Component as of September 30, 2002

Reserve component	Facility locations	Buildings and structures	Readiness or reserve centers
Army National Guard	3,158	28,540	3,040
Army Reserve	1,178	4,475	742
Naval Reserve	181	1,178	153
Marine Corps Reserve	183	564	22
Air National Guard	176	5,231	0
Air Force Reserve	70	1,278	0
Total	**4,946**	**41,266**	**3,957**

Source: Office of the Assistant Secretary of Defense (Reserve Affairs).

Note: Facility locations are counted as separate pieces of property; the number of buildings and structures includes maintenance shops, aircraft hangers, warehouses, equipment centers, and administrative buildings that are separately listed on the reserve components' real property database; and readiness and reserve centers are the number of armories or centers where the reserve component unit drills.

With DOD's increased reliance on the reserve components and the activation of about 224,500 reservists as of the end of April 2003, the reserve components have increasingly become an important resource in the implementation of DOD's national defense strategy. Increased reliance on the reserve components to assume new missions, support overseas deployments, and provide support for homeland defense has highlighted the importance of adequate facilities to train reservists for their operational missions.

Funding for Facilities

Funding for sustaining and constructing facilities primarily comes from two separate appropriations—operation and maintenance and military construction. Operation and maintenance funds are used mostly to support sustainment, which covers the day-to-day expense of routine maintenance such as repairing or replacing broken windows, doors, or restroom plumbing, as well as larger repair and maintenance projects such as installing a new roof or air conditioning and heating systems. Congress indicates how it expects these funds to be spent by designating specific amounts at the subactivity group level such as for facilities sustainment, restoration, and modernization activities found in the operation and maintenance tables for each reserve component included in the appropriations act's conference report.[10] Both the operation and maintenance and the military construction appropriations can be used to fund facility restoration and modernization activities. Restoration funds are used to repair and replace items not considered routine, such as repairing or replacing items damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization funds are used to alter or modernize facilities to meet new or higher standards, accommodate new functions, or replace structural components. In addition, construction of new facilities is mostly funded with the military construction appropriation. Congress specifies the amounts and the projects for which military construction appropriations are to be used.

The reserve components compete for funds in the planning, programming, and budgeting process with their active service counterparts for operation and maintenance funding and military construction funding. The Office of the Secretary of Defense (Comptroller) and the active components review reserve component funding requirements and adjust the budget request based on DOD and service programs and priorities. The reserve components submit to Congress their own budget request submission separately from the active services as part of the President's budget submission. Congress makes appropriations for each of the six reserve

[10] DOD financial management regulations, which reflect agreements between DOD and congressional authorization and appropriations committees, provide general guidelines for various reprogramming actions. For example, congressional notification was required for operation and maintenance reprogramming actions of $15 million or more in fiscal year 2002. These DOD regulations also limit the amount of operation and maintenance funds that can be used for new construction and the alteration or conversion of existing facilities: a maximum of $750,000 per project or up to $1.5 million if the project is designed to correct a deficiency that threatens life, health, or safety. See DOD Financial Management Regulation 7000.14-R, *Budget Formulation and Presentation*, vol. 2B, ch. 8, sec. 080201, June 2002.

components in a separate operation and maintenance appropriation and a separate military construction appropriation—often adding construction projects to the appropriations. These appropriated funds are then managed by each reserve component command rather than by a centralized authority like the Office of the Assistant Secretary of Defense for Reserve Affairs, which generally serves as a liaison with the Office of the Secretary of Defense and provides policy and advisor-type functions among the active and reserve components. The Army has made recent changes to centralized facility management that now includes the Army Reserve. However, it is too early to assess how the management of sustainment, restoration, and modernization funds will change. The Navy has regional programs to manage its active installations and reserve component facilities and is moving toward a more centralized management structure similar to the Army's facility management program by October 2003.

In addition, individual states contribute funds to maintain Army National Guard and Air National Guard facilities as outlined in National Guard Bureau regulations.[11] Funding for facility maintenance of Army National Guard state-owned facilities is based on cooperative agreements between the respective states and the federal government and the type of facility involved. For example, the states are typically expected to contribute to the cost of repairs at their 3,040 readiness centers—up to 50 percent of the cost for major repairs, such as replacing roofs and air conditioning systems, and 100 percent of the cost for minor repairs, such as unclogging toilets and painting walls. The states are also required to contribute up to 25 percent of the costs for both major and minor repairs to their equipment maintenance shops, but they are not required to contribute to facility maintenance of the Army National Guard's training centers, local training areas, aviation support facilities, maneuver training equipment sites, unit training equipment sites, and facilities for civil support teams if weapons of mass destruction are used. Most of the Air National Guard facilities are located at airports, which are federally leased property, or are collocated on DOD installations. Thus, states do not contribute to the cost of sustaining many of these facilities.

[11] Departments of the Army and the Air Force, National Guard Bureau, *Grants and Cooperative Agreements*, NGR 5-1/ANGI 63-101 (Washington, D.C.: July 7, 2000).

Facility Strategic Plan and Objectives

In August 2001, DOD issued a facility strategic plan that outlined four long-term strategic goals for installations and facilities.[12] The strategic goals are to (1) locate, size, and configure defense installations and facilities to meet the requirements of today's and tomorrow's force structures; (2) acquire and sustain defense installations and facilities to provide mission-ready installations with quality living and work environments; (3) leverage resources—money, people, and equipment—to achieve the proper balance between requirements and available funding; and (4) improve facility management and planning by embracing best business practices and taking advantage of modern asset-management techniques and performance-assessment metrics. In addition to the broad goals set forth in the strategic plan, DOD also established three key objectives to improve the condition of facilities: (1) fully fund sustainment starting in fiscal year 2004; (2) achieve an average recapitalization rate of 67 years by fiscal year 2007; and (3) improve the condition of facilities so that deficiencies have only a limited effect on mission performance by fiscal year 2010.

In an attempt to standardize the rating of facilities across the services and to provide Congress with a measure of facility conditions and their ability to support military missions, DOD issued its first Installations' Readiness Report in 1999. Within the report, the services' major commands report on the condition of their facilities using a scale of C-1 through C-4: C-1 facilities have only minor deficiencies with negligible impact on capability to perform missions; C-2 facilities have some deficiencies with limited impact on capability to perform missions; C-3 facilities have significant deficiencies that prevent performing some missions; and C-4 facilities have major deficiencies that preclude satisfactory mission accomplishment. According to DOD's guidance, the services could implement this readiness reporting system without modifying their existing assessment processes. As a result, all four services are using different systems to assess facility conditions and develop C-ratings.

[12] U.S. Department of Defense, *Defense Installations 2001: The Framework for Readiness in the 21st Century* (Washington, D.C.: Aug. 2001).

According to DOD, providing full sustainment funding is the most cost-effective approach to managing facilities because it provides the most performance over the longest period for the least investment. Without adequate sustainment, the expected life of a facility is reduced and facilities must be recapitalized sooner, although, even with adequate sustainment, facilities eventually wear out or become obsolete over time. An obsolete facility is one that is irrelevant to present-day missions regardless of its condition; for example, a maintenance shop built in the 1950s may be too narrow and small to accommodate large tanks and vehicles. Once a facility reaches the end of its expected service life, it must be recapitalized—that is, replaced or extensively renovated or modernized. DOD estimates that an average recapitalization rate of 67 years allows fully sustained facilities to meet the department's requirements. Recapitalization investments can also be made periodically throughout a facility's service life, which extends service life and delays the need for replacement. Moreover, even after recapitalization investments are made, facility performance can rapidly decline in the absence of adequate sustainment.

Use of Joint Construction Projects

According to officials of the Office of the Assistant Secretary of Defense for Reserve Affairs, joint construction is when two or more components agree to consolidate space requirements and build one facility to share instead of building separate facilities. The reserve components are required by 10 U.S.C. § 18234 to pursue the joint use of facilities by two or more components to the greatest extent practicable. DOD implemented this statutory requirement by establishing a Joint Service Reserve Component Facility Board in every state. Once a year, these boards are expected to review all proposed military construction projects and identify those for joint construction potential. In April 2001, DOD created a budget structure for the exclusive use of funding joint use military construction projects between two or more service components, whether active, reserve, or guard.

Use of Real Property Exchanges

Real property exchange is a method the reserve components can use to construct or renovate facilities in exchange for military-owned real property. When most of the reserve components' infrastructure was built prior to 1970, many facilities were originally located outside or near metropolitan areas. However, these properties are now in prime locations and are candidates for real property exchanges because of urban growth and the various complexes—such as shopping centers, commercial or industrial parks, and residential housing developments—that surround the properties. The reserve components can use the authority contained in 10 U.S.C. § 18233 to acquire real property from a private or public entity in exchange for military-owned real property. The reserve components can also seek a congressionally directed exchange authority specific to an individual exchange project that typically has been included in defense authorization, appropriation, or military construction acts. Exchanging real property with a private or public entity is a method of obtaining new facility construction without the need for additional appropriated funds for property acquisition.[13]

Prior GAO Reports

Since 1997,[14] we have identified DOD infrastructure management as a high-risk area and, as such, we have issued several reports that address areas where DOD and the services could improve their facilities management program. In 2001, we reported that DOD needed to address facility requirements, recapitalization, and maintenance and repair needs.[15] In a January 2003 report, we continued to identify DOD infrastructure management as a high-risk area and to report that transforming DOD's support infrastructure remains a long-term challenge.[16] In addition, for the

[13] At the request of the Chairman, Committee on the Budget, United States Senate, we are identifying capital financing approaches that depart from a long-standing budget concept calling for the budget to include the full range of federal activities. Real property exchanges are one such approach.

[14] U.S. General Accounting Office, *High-Risk Series*, GAO/HR-97-7 (Washington, D.C.: February 1997).

[15] U.S. General Accounting Office, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

[16] U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Defense*, GAO-03-98 (Washington, D.C.: January 2003).

first time we added federal real property as a high-risk area due to significant property repair and restoration needs, among other reasons.[17]

In February 2003, we reported that, while funding for facility maintenance and military construction for active services' facilities increased during the past few years, the amounts had fallen short of what is needed to halt the deterioration of facilities used by the active military forces.[18] In addition, we found that there was a lack of consistency in the services' information on facility conditions, making it difficult for Congress, DOD, and the services to direct funds to facilities where they are most needed and to measure progress in improving facilities. We also reported that DOD's facilities strategic plan and three key objectives for the services to sustain and improve the condition of their facilities have weaknesses that affect their effectiveness. We recommended that the Secretary of Defense (1) direct the services to reassess their funding priorities for facilities; (2) implement a consistent departmentwide process to assess, rate, and validate facility conditions; (3) revise DOD's facilities strategic plan to include information on specific actions, time frames, responsibilities, and funding levels; (4) clarify DOD's guidance by specifying the organizational level at which its facility improvement objectives should be achieved; and (5) direct the services to develop comprehensive performance plans to sustain and recapitalize their facilities. In commenting on a draft of that report, DOD concurred with our recommendations and outlined steps it was taking to address our concerns.

[17] U.S. General Accounting Office, *High-Risk Series: Federal Real Property*, GAO-03-122 (Washington, D.C.: January 2003).

[18] See GAO-03-274.

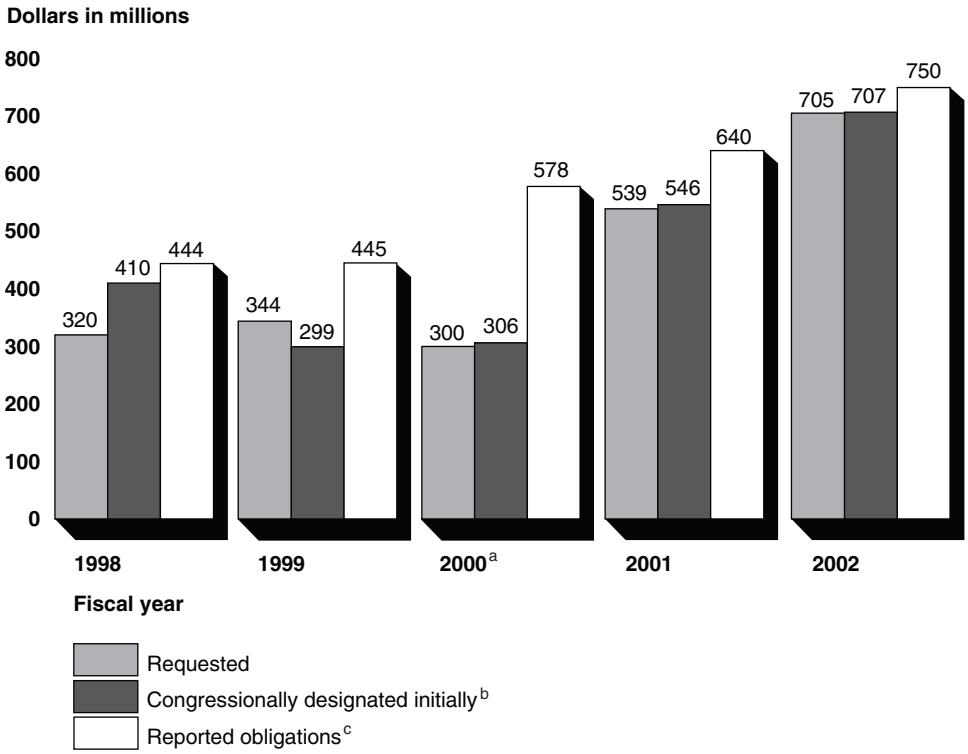
While Funding Has Increased, Most Facilities Are Considered Inadequate

While funding for maintaining and constructing reserve component facilities has increased since fiscal year 1998, reserve components report that most of their facilities are inadequate and that their construction backlog had increased to $12.2 billion in fiscal year 2001. Reported obligations for facility maintenance increased about 70 percent from fiscal year 1998 to fiscal year 2002 and appropriations for military construction increased about 49 percent from fiscal year 1998 to fiscal year 2003. Even with these increases in funding, reserve components rated 64 percent of their facilities as inadequate for fiscal year 2003. Our visits to 57 reserve components sites showed that the condition of facilities ranged from good to inadequate, and we observed unit inefficiencies and workarounds at some deteriorated facilities.

Funding Increased for Facility Maintenance

DOD's reported obligations for facility maintenance, funded with operation and maintenance monies, show an increase between fiscal year 1998 and fiscal year 2002. Reported obligations for facility maintenance increased about 70 percent, from $444 million to $750 million during this period. As figure 1 shows, the request for facility maintenance also increased from $320 million to $705 million during the same period, representing an increase of 120 percent.

Figure 1: Requested, Congressionally Designated Initially, and Reported Obligated Facility Maintenance Funding Levels for the Reserve Components, Fiscal Years 1998 through 2002



Sources: DOD and Congress.

[a]In fiscal year 2000, Congress, in its conference report, moved funds requested for quality of life enhancements into facility maintenance.

[b]The term "congressionally designated" refers to amounts set forth at the budget activity, activity group, and subactivity group level in an appropriation act's conference report. These recommended amounts are not binding unless they are also incorporated directly or by reference into an appropriation act or other statute.

[c]DOD reported obligated amounts to Congress in its budget submissions.

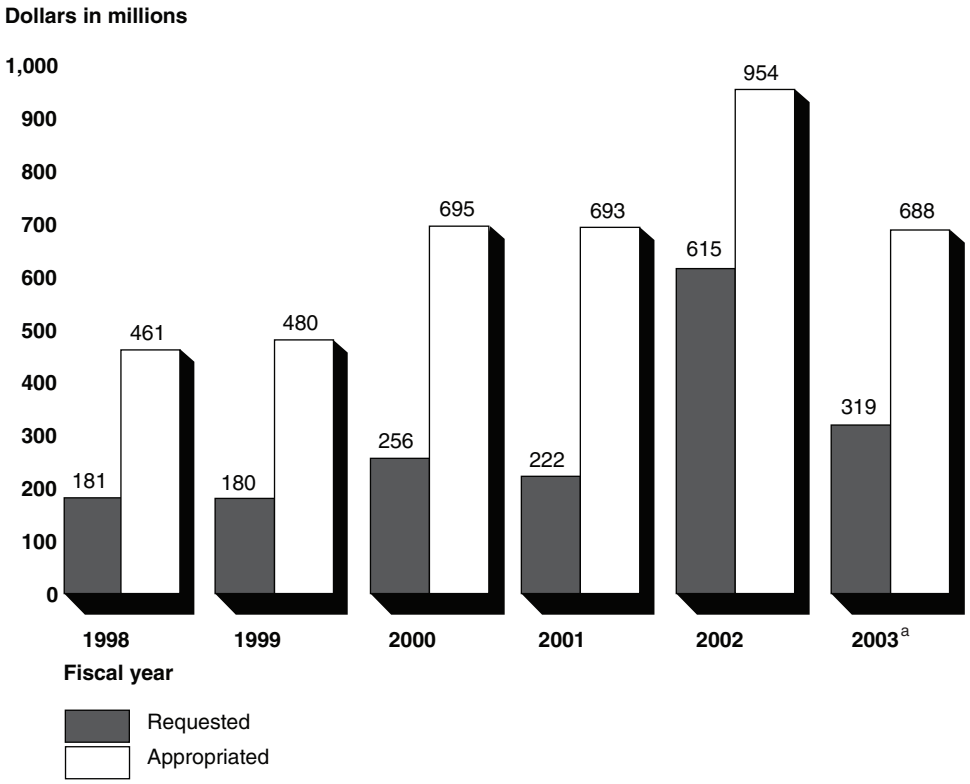
In general, these funding increases resulted from two primary sources: the reserve components' higher annual funding requests—except in fiscal year 2000—and the movement of funds into facility maintenance from other operation and maintenance accounts at the end of each fiscal year. However, reserve officials said that even with these additional funds, they are still not funding all of their facility maintenance requirements. Reserve officials said that they have the flexibility to move funds out of the facility maintenance accounts early in the fiscal year and, as the year unfolds, move funds back into these accounts in addition to other funds that were not executed in other operation and maintenance accounts. It is difficult to determine what specific accounts these funding increases came from because funds moved out of one account cannot generally be traced directly to another account.

To prevent the movement of facility maintenance funds, the Army took action to establish a new organization—the Installation Management Agency—in October 2002. Reporting directly to the Army Assistant Chief of Staff for Installation Management, the new agency will oversee and manage all facility maintenance funds centrally as well as implement consistent standards across the Army. It will also manage facility funding for Army Reserve facilities but not the Army National Guard because officials said the Installation Management Agency might interfere with state rights. It is too early to assess the potential success of the Army's facility management program.

Appropriations Increased for Military Construction

During the same time period that the reserve components reported obligations for facility maintenance increased, appropriations for military construction also increased. From fiscal years 1998 through 2003, Congress consistently appropriated more military construction funds than the reserve components requested by mostly appropriating additional funds for projects already identified by the reserve components for funding in the out-years. As shown in figure 2, appropriations for military construction increased about 49 percent, from $461 million to $688 million from fiscal year 1998 to fiscal year 2003. During this period, military construction appropriations peaked at $954 million in fiscal year 2002.

Figure 2: Requested and Appropriated Military Construction Funding Levels for the Reserve Components, Fiscal Years 1998 through 2003



Source: Office of the Assistant Secretary of Defense (Reserve Affairs).

Note: Obligated amounts for military construction are not shown because such funds are available for obligation over a 5-year period. For example, funds appropriated for military construction in fiscal year 1998 can be obligated through fiscal year 2002.

[a]Fiscal year 2003 requested and appropriated amounts include emergency response funds.

More than half of these aggregate appropriations came from add-ons by Congress. Reserve component officials stated that DOD and the active services have come to rely on these congressional increases while requesting funding for other priorities within DOD's budgetary constraints. For example, Congress appropriated additional funding for 48 more projects than what was in the reserve components' budget request for fiscal year 2003. However, even with these congressional increases, various reserve component officials said that many of their construction projects go unfunded. As shown in table 2, the backlog of military construction projects has increased from $7 billion to $12.2 billion from fiscal year 1998

to fiscal year 2001. However, if certain active services' facilities from bases that were either closed or realigned during the base closure process were transferred to the reserve components, it could have a positive or negative impact on reducing the backlog of military construction projects.

Table 2: Military Construction Backlog by Reserve Component, Fiscal Years 1998 through 2001

Dollars in billions				
Reserve component	**1998**	**1999**	**2000**	**2001**
Army National Guard	$2.5	$2.5	$5.5	$7.1
Army Reserve	1.9	1.9	2.1	2.1
Naval Reserve	0.4	0.4	0.3	0.3
Marine Corps Reserve	0.3	0.1	0.3	0.3
Air National Guard	1.3	1.2	1.5	1.7
Air Force Reserve	0.6	0.6	0. 6	0.7
Total	**$7.0**	**$6.7**	**$10.3**	**$12.2**

Source: Office of the Assistant Secretary of Defense (Reserve Affairs).

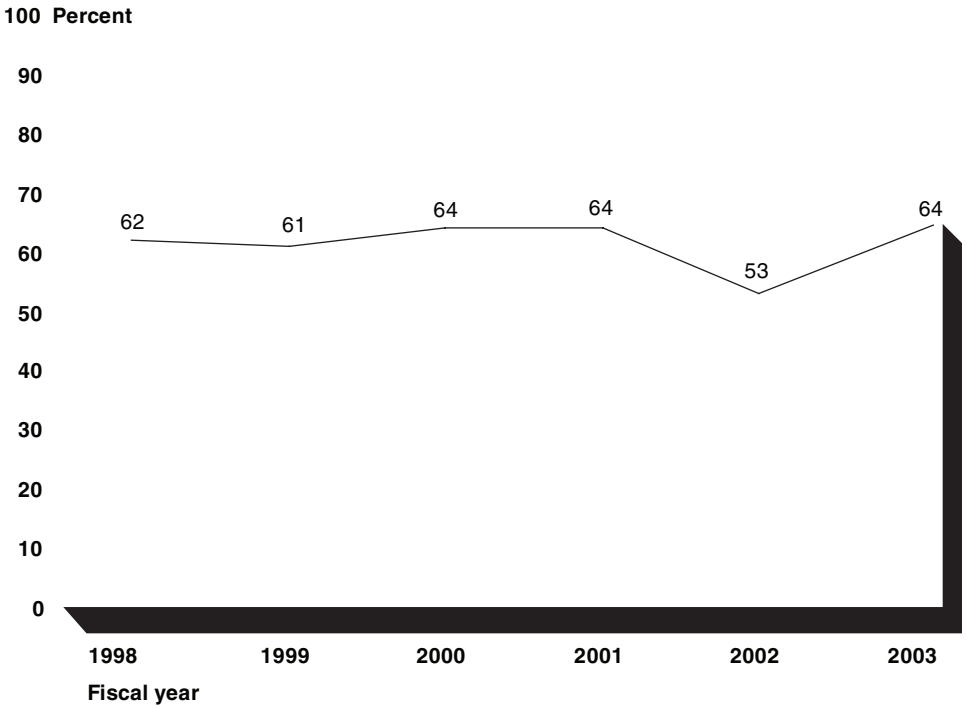
Note: At the time of our review, data on the military construction backlog had not been collected for fiscal year 2002.

Reserve Components Consider Many of Their Facilities to Be Inadequate

While funds devoted to facility maintenance and military construction have increased, the overall condition of facilities has not improved significantly. At the beginning of fiscal year 2003, the reserve components considered 64 percent of their buildings and structures to be inadequate (see fig. 3).[19] While deteriorated facilities are common at many locations, reserve component officials have said that the age and size of these facilities contribute to them being inadequate because many facilities built in the 1950s and 1960s have not been modernized or expanded to accommodate changes in missions and equipment requirements.

[19] This percentage compares with 68 percent of active component facilities reported as inadequate in fiscal year 2001.

Figure 3: Percent of Reserve Component Facilities Considered Inadequate, Fiscal Years 1998 through 2003



Source: Office of the Assistant Secretary of Defense (Reserve Affairs).

Notes: According to reserve component officials, the variation from fiscal years 2001 through 2003 is primarily the result of changes in the procedures used to assess facility conditions such as weight factors for individual facility components that can change the facility condition assessment and not necessarily the result of a significant change in facility conditions.

Fiscal year 2003 data represents facility conditions as of September 30, 2002.

In our February 2003 report on the active services' facilities, we noted there was a lack of consistency in the services' information on facility conditions, making it difficult for Congress, DOD, and the services to direct funds where they are most needed and to measure progress in improving facilities.[20] Our analysis showed differences among the services in terms of facility raters and procedures, assessment scopes and frequencies, appraisal scales, and validation procedures, all of which result in inconsistencies and a lack of comparability in the ratings. The reserve components follow the policies and procedures directed by the active services in rating facility conditions. Without a consistent cross-service system for assessing facility conditions and developing ratings, DOD and the reserve components cannot be assured that their funding decisions effectively target facilities in greatest need and reported ratings accurately measure progress in facility condition improvements. In our prior report, we recommended that the Secretary of Defense instruct the military services to implement a consistent departmentwide process to assess and validate facility conditions. In commenting on a draft of that report, DOD concurred with our recommendation and outlined steps for implementing a departmentwide process.

Conditions of Reserve Components' Facilities We Visited Ranged from Good to Inadequate

During our visits to 57 reserve component sites across the country, we observed a variety of conditions ranging from newly constructed facilities that were in good condition to outdated and deteriorated facilities that were inadequate and led to inefficiencies and workarounds. While we did not see any facilities that were not in use except those scheduled for demolition, the upcoming base realignment and closure round is expected to evaluate the extent reserve component facilities are utilized. Among the newly constructed or renovated facilities we observed were a newly constructed air traffic control tower; new reserve centers and fire stations; installed air conditioning and heating units; replaced roofs, windows, and doors; renovated restrooms, showers, and locker areas; and upgraded electrical systems. Some examples of these facilities are shown in figure 4.

[20] See GAO-03-274.

Figure 4: Typical Examples of Newly Constructed or Renovated Facilities at Various Reserve Component Locations

Source: GAO.

(Clockwise from top left): A newly constructed air traffic control tower at Selfridge Air National Guard Base, Michigan; a renovated Army Reserve facility at the Army National Guard Maneuver Training Center, Fort Pickett, Virginia; a newly constructed distance-learning center at an Army National Guard facility in Taylor, Michigan; and a renovated dining facility at Parks Reserve Forces Training Area, California.

We also observed facilities—such as classrooms, restrooms, and offices—that were being constructed or undergoing restoration and repairs. We saw maintenance and repair activities in progress, such as replacing roofs, remodeling office space, laying new floor tile, maintaining heating units, and paving parking lots. Some of the facility improvement projects we observed are shown in figure 5.

Figure 5: Typical Examples of Facility Improvements at Various Reserve Component Locations

Source: GAO.

(Clockwise from top left): The construction of a Marine Corps Reserve facility at Grissom Air Reserve Base, Indiana; a restoration project for the Air Force Reserve Command headquarters building at Robins Air Force Base, Georgia; a renovation project for an Air National Guard facility at Harrisburg International Airport, Harrisburg, Pennsylvania; and the replacement of a roof at the Naval Reserve's Naval Support Activity in New Orleans, Louisiana.

In contrast, we observed many facilities that were degraded and deteriorated, such as cracked building foundations and walls; crumbling taxiways and driveways; water damaged walls, ceilings, and aircraft parking ramps; inadequate electrical power systems; poor heating, ventilation, and air conditioning systems; peeling lead paint; and leaking roofs. Some examples of a deteriorated ramp, runway, and driveways that we observed are shown in figure 6.

Figure 6: Examples of Deteriorated Ramp, Runway, and Driveways at Various Reserve Component Locations

Source: GAO.

(Clockwise from top left): A water damaged parking ramp for C-130 aircraft at Dobbins Air Reserve Base, Georgia; a damaged runway with cracks and humps at Grissom Air Reserve Base, Indiana; a deteriorated driveway with potholes, and cracked and missing pavement at a Marine Corps Reserve facility in Detroit, Michigan; and a washed-out, deteriorated driveway at the Army National Guard Maneuver Training Center, Fort Pickett, Virginia.

At Dobbins Air Force Base, Georgia, we observed a C-130 parking ramp that sustained water damage as pictured in figure 6. With limited funds to repair the ramp for an estimated cost of $40,000, base officials concentrated on higher-priority items, leaving the ramp problem unresolved for about a year. DOD officials stated they intend to repair the ramp with unobligated funds available at year-end. At Grissom Air Reserve Base, Indiana, Air Force Reserve officials told us that the condition of the taxiways is so deteriorated in spots that pilots must taxi further distances up the runway to avoid damaging their aircraft, as also pictured in figure 6. Officials told us that when they acquired the property through the base realignment and closure process, they were not familiar with managing runways and thus the runways deteriorated faster because of base maintenance inexperience. At the Marine Corps Reserve Center in Detroit, Michigan, the driveway leading into the facility had several large potholes with cracked and missing pavement. Officials told us that due to other priorities, funds were not available to fix the driveway, leaving the problem unresolved. While at the Army National Guard Maneuver Training Center, Fort Pickett, Virginia, we saw a washed-out, deteriorated driveway that officials said had existed for years and occurred because of inadequate water drainage that resulted in land erosion. At this location, we saw other washed-out driveways, walkways, and stairs due to inadequate water drainage.

We also noted facility damage at various facilities that were in use, such as broken windows, cracks in walls and floors, crumbling floor and ceiling tiles, peeling lead paint, and leaky roofs. Officials told us that, although several self-help projects have been done to improve the condition of these facilities, renovations are still needed. Some examples of damage to facilities that we observed are shown in figure 7.

Figure 7: Examples of Damage at Various Reserve Component Facilities

Source: GAO.

(Clockwise from top left): Crumbling tile in a shower that is currently in use at a Naval Reserve facility at Selfridge Air National Guard Base, Michigan; broken windows at an Army National Guard facility in Fort Worth, Texas; a cracked wall with floor separating from foundation at a Naval Reserve facility at Selfridge Air National Guard Base, Michigan; and damaged ceiling caused by a hurricane over 4 years ago at an Air National Guard facility at Harrisburg International Airport, Harrisburg, Pennsylvania.

During our visits to selected sites, we were told about and observed examples of inadequate space for equipment at various reserve component facilities, as shown in figure 8.

Figure 8: Examples of Inadequate Space for Equipment at Various Reserve Component Facilities

Source: GAO.

(Clockwise from top left): An aircraft hangar too small to completely cover a C-5 aircraft for maintenance purposes at Robins Air Force Base, Georgia; an aircraft hangar too small to completely cover a KC-135 aircraft for maintenance purposes at Grissom Air Reserve Base in Indiana; earth-moving engineering equipment that cannot fit into maintenance bays built in the 1940s at an Army Reserve facility at the National Guard Training Center, Fort Indiantown Gap, Pennsylvania; and a helicopter maintenance area that has limited space because of changed mission requirements at an Army National Guard facility at the National Guard Training Center, Fort Indiantown Gap, Pennsylvania.

As shown in figure 8, hangers at Robins Air Force Base, Georgia, and at Grissom Air Reserve Base, Indiana, were too small to hold an entire C-5 and KC-135 aircraft, respectively. Maintenance work on the hydraulics gear located on the aircraft's tail must be done in an enclosed space. To work on the hydraulics gear, engineers at Robins Air Force Base designed and built an extension that is large enough to enclose the aircraft's tail and that can be rolled up next to the hangar. At the National Guard Training Center, Fort Indiantown Gap, we saw heavy earth-moving vehicles that could not fit into maintenance bays that were built during World War II. As a result, vehicle maintenance and training must be done outdoors, which creates unsafe working conditions during the winter because of the snow and ice. Also at the National Guard Training Center, Fort Indiantown Gap, Pennsylvania, we saw a helicopter maintenance facility that could hold four of the unit's older 2-rotor blade helicopters but only one of the unit's newer 4-rotor blade helicopters in the same space. Maintenance officials told us that the inadequate space requires a constant workaround effort to contend with various sizes of the aircraft to maximize facility usage. For example, it now takes them longer to conduct maintenance because they take the rotor blades off the newer helicopters in order to fit more helicopters into the maintenance hanger.

At other locations, we saw overcrowded and outdated supply and storage areas, as shown in figure 9.

Figure 9: Examples of Inadequate Storage Space at Various Reserve Component Facilities

Source: GAO.

(Clockwise from top left): A crowded small arms vault for a military police unit that no longer stores all of its weapons with the unit (at Army's request, we are not disclosing facility location due to security reasons); reduced drill hall space due to the construction of additional storage containers that limit drilling opportunities at an Armed Forces Reserve Center in Concord, California; an overcrowded vehicle maintenance work area at a Marine Corps Reserve facility in Detroit, Michigan; and crates of rotted camouflage netting due to inadequate covered storage space at an Army National Guard facility in Moreno Valley, California.

As shown in figure 9, we saw a small arms vault used by an Army National Guard military police unit that no longer stored all of the required weapons at one location with the unit. According to unit officials, members of the police unit are required to travel to several different storage locations to obtain all of their required equipment. Consequently, they noted that if the police unit had to rapidly respond to an emergency, such as a terrorist attack, the unit would not have immediate access to all of its weapons and the response time would be longer. At an Armed Forces Reserve Center in California, additional secured storage containers were built to store

controlled unit equipment in the drill hall area. Subsequently, a Marine Corps Reserve unit that shares this facility with the Army Reserve stopped drilling in this space because it could no longer accommodate the 100 personnel unit. While at a Marine Corps Reserve facility in Michigan, officials told us that the overcrowded vehicle maintenance bay lacks adequate space for its purpose as well as office space for maintaining required maintenance records. At an Army National Guard facility in California, the unit was forced to store crates of packed camouflage netting outdoors due to a lack of covered storage space. When the crates became wet, $50,000 worth of packed netting subsequently rotted.

It is difficult to quantify the effect of deteriorated facilities on mission readiness, but we observed that deteriorated facilities could create operating inefficiencies. This was also recognized in the Air Force's *Facility Investment Plan*, which states that degraded facilities create inefficiencies, workarounds, and higher costs to meet mission readiness.[21] It also noted that the higher costs created by these inefficiencies have often been borne by military and civilian personnel who are willing to devote extra time and effort to their tasks and who endure disruptive work schedules and difficult working conditions.

It is also difficult to quantify the states' role in funding portions of facility maintenance on the overall condition of Army National Guard facilities given the absence of a central data source for this information. However, at some locations we visited, Army Guard officials told us that certain types of facilities are better maintained than others where the federal percentage of funding is higher relative to others where it is less based on the cooperative agreement.[22] For example, Army National Guard officials told us that usually their vehicle maintenance shops are consistently in better shape than their readiness centers because maintenance shops can receive up to 75 percent federal funding for repairs whereas readiness centers can receive up to 50 percent federal funding for repairs. Also, facilities for the Army National Guard training centers and areas are usually in better shape than maintenance shops and readiness centers because they are 100 percent federally supported for facility repairs. However, National Guard Bureau officials told us it was difficult to provide us with

[21] U.S. Department of the Air Force, *United States Air Force Facilities Investment Plan* (Washington, D.C.: Aug. 14, 2002).

[22] Departments of the Army and the Air Force, National Guard Bureau, *Grants and Cooperative Agreements*, NGR 5-1/ANGI 63-101 (Washington, D.C.: July 7, 2000).

information on the states' share of facility funding because, depending on the cooperative agreement between the state and the federal government, cost data will vary from state to state and by facility type. Also, as noted, data on state contributions are not aggregated at a central location.

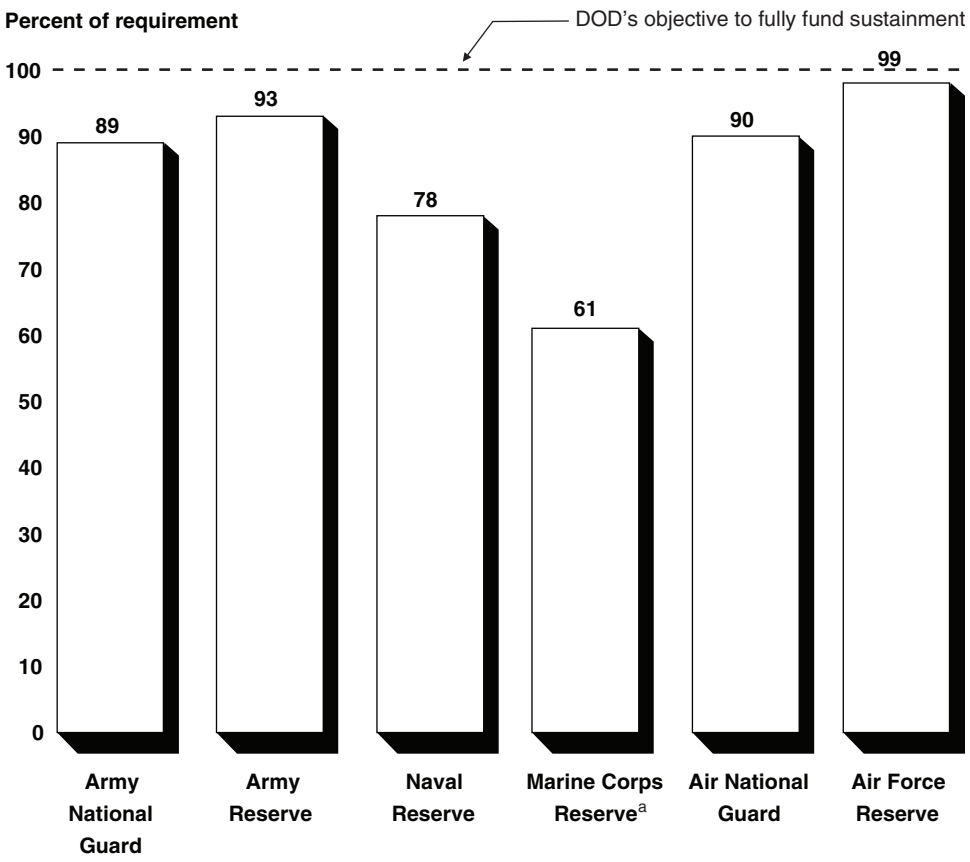
Reserve Components Are Unlikely to Meet All of DOD's Objectives for Improving Facilities

Similar to the situation we found with the active services, the reserve components are unlikely to meet all of DOD's three objectives for improving facilities: achieve 100 percent sustainment funding starting in fiscal year 2004; reach a 67-year average recapitalization rate by fiscal year 2007; and improve the condition of facilities so that deficiencies have only a limited effect on mission performance by fiscal year 2010. While we did not see any facilities that were not in use, except those scheduled for demolition, the upcoming base realignment and closure round is expected to evaluate the extent reserve component facilities are utilized. At the same time, reserve component officials are concerned that the components may not receive significant funding increases for facility recapitalization activities in the out-years because the reserve components are considered a low priority based on prior experiences. They also said that the reserve components do not compete well with their active counterparts and facilities generally do not compete well with other DOD programs and priorities when formulating budget requests.

Reserve Components Do Not Plan to Consistently Meet DOD's Objective to Fully Fund Facility Sustainment

None of the reserve components are projecting enough funds to consistently meet DOD's objective to fully fund facility sustainment requirements during fiscal years 2003 through 2009. To stop the further deterioration of facilities, DOD issued budget planning guidance instructing the services to fund their sustainment requirements at 100 percent starting in fiscal year 2004. According to DOD, fully funding sustainment is the most cost-effective approach to managing facilities because it provides the most performance over the longest period of time for the least investment. However, average planned sustainment funding from fiscal years 2003 through 2009 by the reserve components ranges from 61 percent to 99 percent (see fig. 10).

Figure 10: Average Annual Sustainment Funding as a Percent of Requirement by Reserve Component, Aggregate for Fiscal Years 2003 through 2009



Source: Office of the Deputy Under Secretary of Defense for Installations and Environment.

[a]Marine Corps Reserve sustainment funding covers fiscal years 2004 through 2009. In fiscal year 2003, DOD used a new model to calculate facilities sustainment requirements that DOD intended to be applied to a large population of facilities. Instead, the model incorporated the Marine Corps Reserve's smaller sustainment requirements in with its active service's requirements for fiscal year 2003.

As shown in figure 10, the Air Force Reserve plans to fund more of its sustainment requirements than any of the other reserve components. While it is also the only component expressing the intent to meet DOD's objective in fiscal years 2004 and 2005, available data suggest it will not reach that goal in the other out-years. The Air Force Reserve is expecting to decrease its sustainment funding to 88 percent and 86 percent in fiscal years 2006 and 2007, respectively, then increase funding to 91 percent in fiscal years 2008 and 2009. None of the other reserve components, however, plan to

meet DOD's fully fund sustainment objective during fiscal years 2004 through 2009, as the following examples show:

- The Army National Guard expects to fund its sustainment requirements at 93 percent in fiscal year 2004, decrease funding to 74 percent in fiscal year 2005, and then gradually increase funding to 94 percent by fiscal year 2009.

- The Army Reserve plans to follow a funding pattern similar to the Army Guard for future funding of its sustainment requirement. It plans to fund at 93 percent in fiscal year 2004, decrease funding to 72 percent in fiscal year 2005, then increase funding to 96 percent of its sustainment requirements by fiscal year 2007, and then stay at 96 percent for fiscal years 2008 and 2009.

- The Naval Reserve plans to fund its sustainment requirements at 89 percent in fiscal year 2004, then gradually decrease sustainment funding each fiscal year until fiscal year 2007 when it expects to fund its sustainment requirements at 69 percent. After which, it plans to increase funding to 77 percent the next fiscal year and then decrease funding to 76 percent for fiscal year 2009.

- The Marine Corps Reserve intends to fund its sustainment requirements at 69 percent starting in fiscal year 2004, then decrease funding to 64 percent in fiscal year 2005, and then decrease funding again to 57 percent of its sustainment requirements in fiscal year 2007. In fiscal years 2008 and 2009, it expects a slight increase in funding to 58 percent of sustainment requirements.

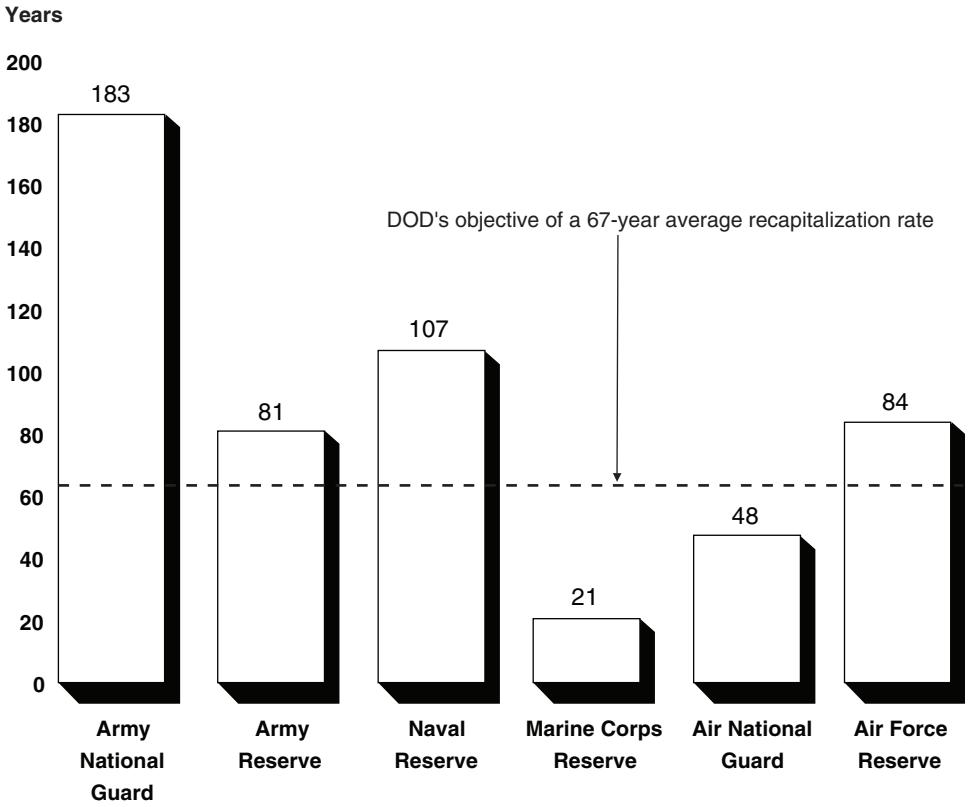
- The Air National Guard plans to fund sustainment at 81 and 82 percent, respectively, in fiscal years 2004 and 2005, then increase funding to 91 percent of its sustainment requirement during fiscal years 2006 to 2008, and then increase funding slightly to 92 percent in fiscal year 2009.

Most Reserve Components Are Unlikely to Achieve a 67-Year Average Recapitalization Rate

Averaging the projected restoration and modernization funding during fiscal years 2003 through 2009, four of the six reserve components will not meet DOD's objective to achieve a 67-year average recapitalization rate. Facilities must be replaced or extensively renovated or modernized once they reach the end of their expected service life if they are to continue to provide adequate performance. DOD estimates that an average recapitalization rate of 67 years allows fully sustained facilities to meet this

requirement, and recapitalization rates higher than 67 years means it will take longer to recapitalize facilities. The recapitalization rate is based on funding to restore and modernize facilities and is defined as the number of years it would take to restore or replace facilities at a given level of investment. Only the Marine Corps Reserve and the Air National Guard are planning to reach the 67-year average recapitalization rate. Overall, the average projected recapitalization rate by the reserve components ranges from 21 years to 183 years during fiscal years 2003 through 2009 (see fig. 11).

Figure 11: Average Annual Recapitalization Rate by Reserve Component, Aggregate for Fiscal Years 2003 through 2009



Source: Office of the Deputy Under Secretary of Defense for Installations and Environment.

During the period depicted above, each reserve component's average recapitalization rate varies widely from year to year. For example, the:

- Army National Guard is expecting to achieve a recapitalization year rate ranging from 388 years in fiscal year 2004 to 101 years in fiscal year 2009—short of DOD's objective in every year.

- Army Reserve is expecting to achieve a recapitalization year rate ranging from 152 years in fiscal year 2004 to 41 years in fiscal year 2009—meeting DOD's objective in fiscal years 2008 and 2009.

- Naval Reserve is expecting to achieve a recapitalization year rate ranging from 515 years in fiscal year 2007 to 59 years in fiscal year 2003—meeting DOD's objective only in fiscal year 2003.

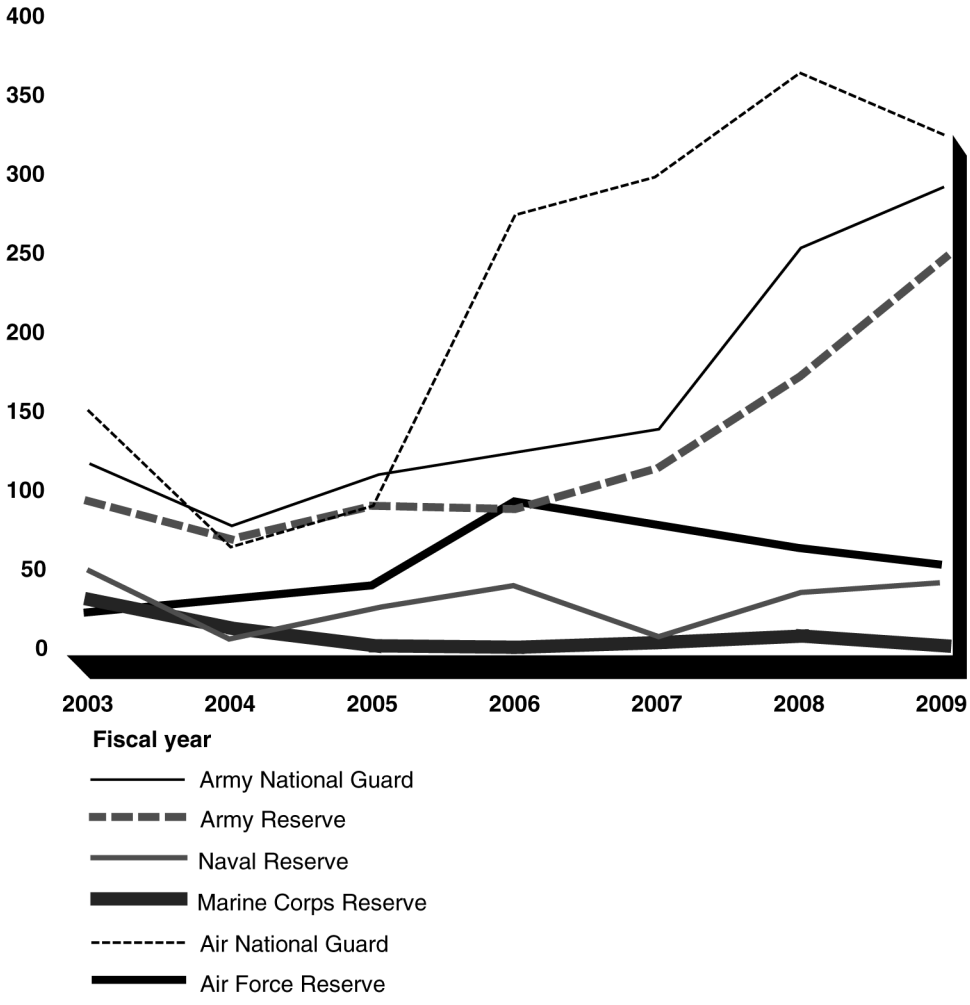
- Marine Corps Reserve is expecting to achieve a recapitalization year rate ranging from 895 years in fiscal year 2006 to 5 years in fiscal year 2003—meeting DOD's objective in fiscal years 2003, 2004, 2007, and 2008.

- Air National Guard is expecting to achieve a recapitalization year rate ranging from 170 years in fiscal year 2004 to 31 years in fiscal year 2008—meeting DOD's objective in fiscal years 2006 through 2009.

- Air Force Reserve is expecting to achieve a recapitalization year rate ranging from 197 years in fiscal year 2003 to 50 years in fiscal year 2006—meeting DOD's objective in fiscal years 2006 and 2007.

To achieve these recapitalization rates, all of the reserve components call for rapid increases in restoration and modernization funding at some point during fiscal years 2003 through 2009 (see fig. 12). However, according to reserve component officials, they are concerned that the components may not receive significant funding increases for facility recapitalization activities in the out-years because the reserve components are considered a low priority, based on past experience. They also said the reserve components do not compete well with the active services and facilities generally do not compete well with other DOD programs and priorities during the budgeting process. Further, reserve component officials told us that they doubt that funding increases of the size indicated in figure 12 will occur given the low funding levels in the past and the uncertainty of future funding priorities.

Figure 12: Current and Projected Restoration and Modernization Funding by Reserve Component, Fiscal Years 2003 through 2009



Source: Office of the Deputy Under Secretary of Defense for Installations and Environment.

Officials told us that, historically, budget plans for maintaining real property have had more dollars programmed in the out-years than were submitted in budget requests to Congress. As shown in figure 12, this may be the case with respect to most reserve components expecting significant funding increases to restore and modernize their facilities. For example, in constant fiscal year 2003 dollars, the

- Army National Guard is expecting a 283 percent funding increase from $76 million to $291 million from fiscal year 2004 to fiscal year 2009,
- Army Reserve is anticipating a 268 percent funding increase from $67 million to $247 million from fiscal year 2004 to fiscal year 2009,
- Naval Reserve is expecting a 532 percent funding increase from $6 million to $40 million from fiscal year 2004 to fiscal year 2009,
- Air National Guard is expecting nearly a 200 percent funding increase from $91 million to $272 million from fiscal year 2005 to fiscal year 2006 and a 422 percent funding increase from $62 million to $325 million from fiscal year 2004 to fiscal year 2009, and
- Air Force Reserve is anticipating a 188 percent funding increase from $31 million to $90 million from fiscal year 2004 to fiscal year 2006.

Fully Eliminating the Most Deteriorated Facilities by Fiscal Year 2010 Is Likely to Be a Challenge

As with DOD's 67-year average recapitalization rate, eliminating the most deteriorated reserve component facilities requires funding that the components are unlikely to obtain. To improve the overall condition of facilities, the reserve components estimate that it would cost $7.8 billion to achieve DOD's objective to concentrate funding to eliminate C-3 and C-4 facility ratings by fiscal year 2010. This amount would be enough to bring all facilities up to the minimal C-2 level or improve the condition of facilities so that deficiencies have only a limited effect on mission performance in DOD's rating system. However, as shown in figure 12, collectively these funding increases remain unrealistic when compared to prior funding levels, the disproportionate reliance on high levels of funding in the out-years, and the need for funds for other defense priorities. Further, officials of the Army National Guard, the Army Reserve, the Air Force Reserve, and the Air National Guard said that they expect to meet DOD's objective to eliminate facilities rated C-3 and C-4 by 2010, but only if expected restoration and modernization funding levels stay on target. However, they said the expected out-year amounts are generally reduced

when the out-years get closer to the budget year because expected funds are likely to be budgeted for other DOD program priorities. A Naval Reserve official told us they are uncertain about funding increases because, starting in October 2003, facility funds will be managed by its active counterpart as part of a Navywide reorganization to streamline facility management. The Marine Corps Reserve officials said that they do not expect to eliminate their most deteriorated facilities by fiscal year 2010 but plan to meet this DOD objective in fiscal year 2013.

Challenges Exist in Implementing Joint Construction Projects and Real Property Exchanges

The reserve components have made use of two approaches—joint construction projects and real property exchanges—to achieve improved facilities and potential cost savings; however, the reserve components face challenges in implementing the approaches. The Office of the Assistant Secretary of Defense for Reserve Affairs estimated that joint construction projects could save up to 20 percent of the total cost of two separate projects. However, reserve component officials told us that a major challenge to implementing joint construction projects involved achieving effective coordination among the components to simultaneously program the projects in their respective budget requests. Concerning real property exchanges, Congress has provided the reserve components with authority to use real property exchanges, but the overall program direction is limited.

Challenges in Implementing Joint Construction Projects

The reserve components stated that the funding for joint construction projects—where two or more components share space requirements and build one facility—is difficult to coordinate. Although Congress, the Assistant Secretary of Defense for Reserve Affairs, and the six reserve commands have all acknowledged the economic advantages to constructing more facilities jointly and have expressed a desire to achieve more joint construction projects, few projects have actually resulted. For example, reserve components' data show that a little more than 1 percent of the 41,266 reserve facilities are considered joint facilities.[23] Reserve officials said that joint construction projects require the reserve components to simultaneously program the projects in their budget

[23] According to officials in the Office of the Assistant Secretary of Defense for Reserve Affairs, the exact number of jointly constructed facilities is not known because of varied interpretations of the definition of jointness by the reserve components, but they suggested it might even be lower than 1 percent.

requests, but that the various service component priorities made this difficult to accomplish.

The reserve components are required by 10 U.S.C. § 18234 to pursue the joint use of facilities to the greatest extent practicable. This statutory requirement was implemented by establishing a Joint Service Reserve Component Facility Board in every state.[24] These boards are expected to meet at least once a year to validate future military construction projects and recommend specific projects for joint construction. According to the Office of the Assistant Secretary of Defense for Reserve Affairs, these boards did a good job of identifying joint projects. Of 714 projects, 101 were identified by the boards as having joint construction potential in 2002.

Joint construction of military facilities offers opportunities to achieve cost savings and efficiencies through sharing of common space—as much as 20 percent savings according to an estimate provided by the Office of the Assistant Secretary of Defense for Reserve Affairs. These dollar savings would be achieved as a result of reduced construction requirements as well as reduced costs to design and construct a project. Furthermore, the savings typically continue after a joint project is completed due to reduced requirements to sustain joint common areas, such as administrative space, classrooms, dining facilities, restrooms, medical examination rooms, drill halls, and assembly areas. Joint construction among reserve components also increases a facility's utilization because they can alternate drill weekends and use a single facility more often than two separate buildings. For example:

- A joint Armed Forces Reserve Center at Gray, Tennessee, which combined construction projects for the Army Reserve, the Army National Guard, and the Marine Corps Reserve into a single facility project, as reported by DOD, saved millions of dollars by not constructing three separate facilities.[25]

- At Sand Springs, Oklahoma, the Army National Guard and the Army Reserve estimated that if they constructed their facilities separately, it

[24] DOD Directive 1225.7, *Reserve Component Facilities Programs and Unit Stationing*, June 6, 2001, and DOD Instruction 1225.8, *Programs and Procedures for Reserve Component Facilities and Unit Stationing*, enclosure 3, para. E3.1.2.9, September 6, 2001.

[25] See DOD's *Defense Installations 2001: The Framework for Readiness in the 21st Century* (Washington, D.C.: August 2001).

would cost almost $21 million. However, by jointly constructing a single facility, they expect the cost to be about $13.4 million, resulting in an anticipated savings of $7.3 million, or 35 percent. This savings only included lower construction and contract design and planning costs—not anticipated savings from reduced sustainment costs.

Officials at all of the reserve components said that the principal challenge to implementing joint construction projects was the lack of funding coordination between the components. These officials stated that it was difficult for the components to simultaneously program the joint projects in their respective budget requests because of different service component priorities. For example, most joint construction projects identified by the Joint Service Reserve Component Facility Boards do not have funds programmed because, according to reserve component officials, the reserve components' projects do not compete well when they are assessed along with the active services' construction projects during the budget process. As a consequence, reserve projects tend to be lower on the active services' list of priorities for military construction funds, making the simultaneous funding from two or more reserve components difficult to achieve. For example, several joint construction projects, such as those in Augusta, Georgia, Mobile, Alabama, and Kansas City, Kansas, were not initiated because the different reserve components could not coordinate the funding. Often, while one reserve component might be able to program the funds it needs for a joint construction project, the other component involved cannot get funds programmed into its budget, or the funds are programmed so far into the future that the project is unlikely to be completed.

Not only is funding for joint construction projects difficult to coordinate between different reserve components, such as the Naval Reserve and the Air Force Reserve, it is also difficult to coordinate the funding between two components within the same service, such as the Army National Guard and the Army Reserve. For example, at Moreno Valley, California, the Army National Guard and the Army Reserve wanted to construct a joint facility reviewed by the California Joint Service Reserve Component Facility Board, but the Army National Guard obtained funds for the project in fiscal year 2003 whereas the Army Reserve planned to request funds in fiscal year 2007. The Army National Guard will be proceeding with its construction plans unilaterally because it needs the facility now to activate a new unit. The Army Reserve is negotiating with the Naval Reserve and the Marine Corps Reserve about jointly constructing a facility at Moreno Valley.

In April 2001, the Office of the Secretary of Defense established a separate budget structure for funding joint construction projects, but it has not yet programmed any funds for this purpose.[26] According to DOD officials, the services are reluctant to fund joint projects using the newly created budget structure because of concerns that their budgets will be reduced elsewhere.

Challenges in Implementing Real Property Exchanges

Congress has provided the reserve components with authority to participate in real property exchanges, but DOD has provided little overall direction for the real property exchange program. The Army Reserve is using its real property exchange authority the most and is planning on using this authority to recapitalize 10 percent of its facilities involving real property valued at hundreds of millions of dollars. Having the potential to avoid military construction costs, the other reserve components are just now exploring its use. However, a process to collect and share the Army Reserve's lessons learned with other reserve components does not exist. Further, DOD does not have a method to ensure that real property needed by other DOD components or for future missions is not being given up, nor does it have assurances that the reserve components are seeking its approval for exchanges valued at more than $1 million, as called for in DOD instruction.[27]

Congress Has Provided Authority for Real Property Exchanges, but DOD Has Not Provided Overall Direction

Congress has provided the reserve components with authority to use real property exchanges as contained in 10 U.S.C. § 18233; to date, only the Army Reserve is making use of the authority. Other reserve components have indicated they are only now exploring using it. At the same time, the Office of the Secretary of Defense has not provided overall direction for the real property exchange program.[28] Specifically, DOD and reserve component officials could not direct us to any comprehensive guidance on real property exchanges except for guidance prepared by the Army

[26] DOD established a new program element in its Future Years Defense Program structure for its Program Objective Memorandum 2003-2007 to fund joint use military construction projects.

[27] DOD Instruction 1225.8, *Program and Procedures for Reserve Component Facilities and Unit Stationing*, enclosure 3, para. E3.1.2.9, September 6, 2001.

[28] In addition to this authority, individual legislative provisions may authorize real property exchanges affecting specific reserve component locations.

Reserve.[29] DOD officials told us they delegated authority to acquire and manage facilities to the service secretaries and the reserve components.[30] An official in the Office of the Secretary of Defense said DOD does not always provide written direction for all congressional authorities the military departments use and is not planning on developing policy for exchanges conducted under 10 U.S.C. § 18233 because of concerns that DOD might be micromanaging the reserve components. On the other hand, we believe that some oversight might be beneficial in ensuring lessons learned are captured and shared across the reserve components.

Army Reserve Plans to Increase Its Use of Exchange Authority

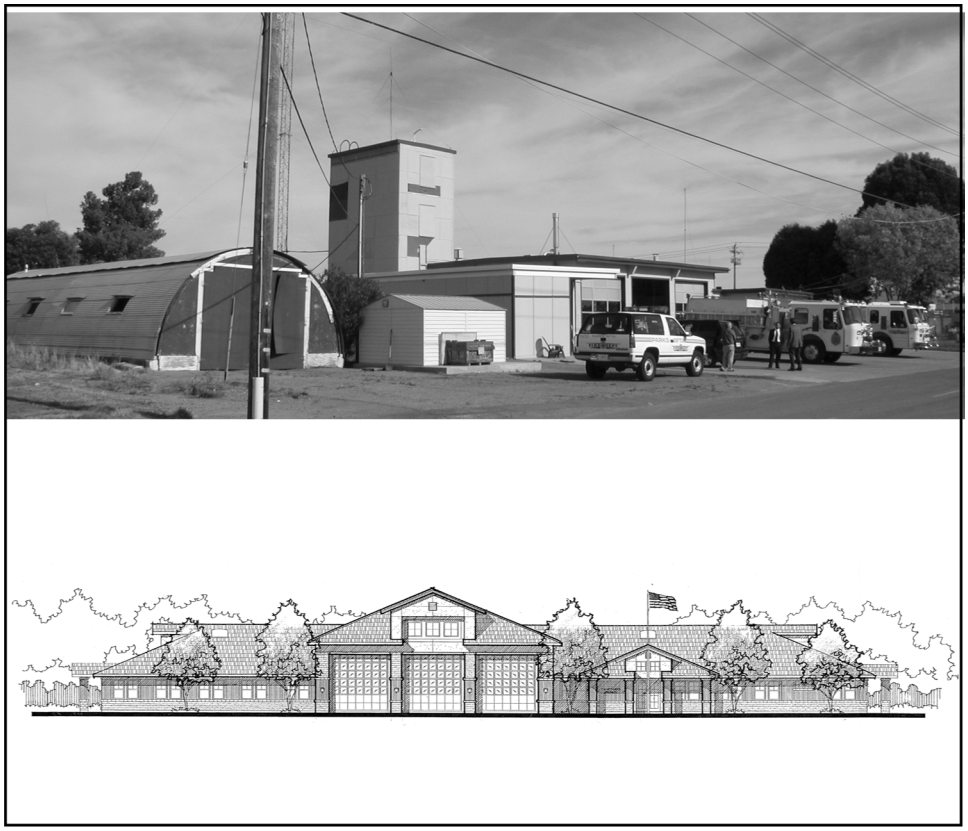
Using the exchange authority, the Army Reserve plans to identify 80 real property exchanges in order to recapitalize 10 percent of its facilities over the next 8 years. The Army Reserve has already identified about $500 million in potential exchange projects and has signed exchange agreements for four projects, as of February 2003. In contrast, officials from the other reserve components said they were not aware of this congressional authority and are only now exploring its use.

At Parks Reserve Forces Training Area, California, the Army Reserve signed an exchange agreement with a private land developer in October 2002 for about 11 acres at the training area in exchange for construction of a fire station. The developer wanted the land to construct an access road into its new housing development. In exchange for the property, appraised at $1.8 million, the Army Reserve will receive a new fire station valued at $3.9 million. Figure 13 shows the fire station scheduled for replacement and an architectural drawing of the proposed new fire station.

[29] Army Regulation 140-483, *Army Reserve Land and Facilities Management*, July 30, 1994.

[30] DOD Directive 5100.10, *Delegation of Authority With Respect to Reserve Forces Facilities*, March 16, 1972.

Figure 13: Current and Proposed Fire Station at Parks Reserve Forces Training Area, California, as of November 2002



Source: GAO (photograph); Army (architectural drawing).

A description of the three other Army Reserve projects follows:

- At East Windsor, Connecticut, the Army Reserve exchanged about 6 acres of its property with a local automobile wholesaler that wanted the land to facilitate its operations. In exchange for the property, the Reserve received almost 8 acres of land contiguous to the Army Reserve Center as well as a maintenance bay and paving, landscaping, and fencing improvements. The Reserve exchanged land appraised at $270,000 for other land and improvements valued at $450,000. The deed exchange occurred in January 2003.

- At Fort Snelling, Minnesota, the Army Reserve exchanged about 7 acres of its property with the Minnesota Department of Transportation and the Metropolitan Council for constructing a highway interchange and expanding a light rail train system. In exchange for the property appraised at $2 million, the Army Reserve received a 38,000-square foot addition to its permanent facility worth about $5.1 million. The bill of sale occurred in November 2002.

- Also at Fort Snelling, the Army Reserve exchanged about 11 acres of its property with the Metropolitan Airport Commission in order to expand the runway at the Minneapolis-St. Paul International Airport. In exchange for the property appraised at $1.4 million, the Reserve will receive a newly constructed maintenance facility in St. Joseph, Minnesota, valued at $1.7 million. The exchange agreement was signed August 2002.

Lessons Learned Not Being Captured

While the Army Reserve is gaining experience in implementing the authority to conduct real property exchanges, it has not established a process for collecting and sharing its lessons learned with other reserve components. One such lesson regards the appraisal value of real property being considered in an exchange. The Army Reserve's policy requires it to obtain no less than the fair market value for the real property to be exchanged. In obtaining fair market value, there are multiple methods to appraise real property, and appraisals can fluctuate greatly depending on the approach used by an appraiser. For example, the exchange at Parks Reserve Forces Training Area, California, included land that was initially valued at $75,500 by the developer based on the land's condition at that time, which the appraiser considered to be agricultural. However, the appraised value significantly underestimated the fair market value because the appraiser did not consider the potential best use of the property by the developer and the value and use of land nearby. The Army Corps of Engineers reappraised the land, taking into consideration these factors. This new appraisal puts the value of the land at $1.8 million.

In addition, the Army Reserve expects to gain additional experience as it begins to actively solicit public or private interest in exchange projects. Previously, the Army Reserve would only start an exchange project when a private or public entity approached it with an offer to exchange real property. However, officials told us that they are now taking a more proactive approach by advertising the availability of property and obtaining best financial offers for consideration. For example, the Army Reserve is considering a process to request price proposals from public or private

entities to exchange 187 acres at Parks Reserve Training Area, in return for renovating about 40 buildings, also at Parks. The value of this land was estimated to be at $200 million to $300 million at the time of our review.

Navy Reserve officials said they will need to look to the Army Reserve as a guide as the Navy Reserve plans to implement the exchange program using the exchange authority and considers whether to implement a competitive approach to its exchanges. The Navy Reserve has begun to assess the potential for exchanges at its 181 sites in anticipation that it may identify 20 to 30 real property exchange projects in the near future. In addition, these officials said that the Navy Reserve is interested in the competitive exchange approach and will be looking for lessons learned from the Army Reserve. Officials of the other four reserve components said they do not plan to use this authority for their exchange projects.

No Method to Ensure That Needed Property Is Not Being Exchanged by the Reserve Components

According to officials of the Office of the Secretary of Defense Installations and Environment, the Office of the Assistant Secretary of Defense for Reserve Affairs, the Army, and the Army Reserve, there is no method to ensure that real property needed by other DOD components or for future missions is not being exchanged by the reserve components. DOD officials told us that because the department has delegated authority to manage facilities to the service secretaries, they do not oversee exchanges by the reserve components. As such, the Department of the Army provides oversight for Army Reserve real property exchanges by determining that each exchange is within the proper authority, approving each exchange at the concept stage and again at the execution stage, and conducting the required notification to Congress. However, neither the Army nor the Army Reserve determines if the land to be exchanged is needed (1) by the other reserve components or the active services or (2) for future missions. Several reserve component officials stated they believe that the Joint Service Reserve Component Facility Boards, as discussed earlier in this report, could serve in this role.

Although DOD requires approval of high value exchanges involving property valued at more than $1 million or 1,000 acres, the Army Reserve has interpreted DOD's guidance to only apply to an exchange where the difference in the value of the property exchanged exceeds $1 million.[31] As such, Army Reserve officials said that they notify DOD of an exchange only

[31] DOD Instruction 1225.8, *Programs and Procedures for Reserve Component Facilities and Unit Stationing*, September 6, 2001.

if the value of the real property received exceeds the value of the real property exchanged by $1 million. In practice, the Army Reserve has not been seeking DOD's approval of its exchanges. For example, the Army Reserve would notify DOD of the exchange if land valued at $50 million was exchanged for recapitalized facilities valued at more than $51 million because the net value was more than $1 million. The Army Reserve would not, on the other hand, notify DOD if the exchanged land valued at $50 million was exchanged for recapitalized facilities also valued at $50 million because the net value was zero. As a result, DOD is not aware of the Army Reserve's high value exchanges, which can involve many millions of dollars in real property.

Conclusions

Despite recent efforts to have the military services increase their sustainment funding, DOD did not make sustaining and improving reserve component facilities a funding priority prior to fiscal year 2004 because of other defense programs and emerging requirements. While DOD has issued guidance emphasizing the need to improve funding of sustainment and recapitalization of facilities, funding trends and priorities create an uncertain picture regarding the extent to which facility improvements and achievement of DOD's objectives are likely to be realized. Continuation of this trend will make it difficult for reserve components to meet all of DOD's objectives for sustaining and improving facilities, which may lead to further deterioration of facilities and increase the use of workarounds to meet mission requirements. However, the upcoming base realignment and closure round, which is expected to evaluate the extent reserve component facilities are utilized, could affect the reserve components' expected need for facilities and their plans to met DOD's objectives.

Even though the reserve components are not likely to consistently meet DOD's objectives, they have initiated joint construction projects to achieve potential cost savings and have participated in real property exchanges to replace older buildings—a practice that can serve to better leverage the use of available resources than otherwise would have occurred. However, without better funding coordination for joint construction projects or utilization of DOD's newly established budget structure for joint use military construction projects, many projects that have the potential to generate future cost savings might not be initiated. In addition, the reserve components can also participate in real property exchanges to replace older facilities. Without procedures in place for cross service coordination as the number and size of projects grow, the reserve components risk exchanging real property that is needed by other DOD components or for

future missions. Although DOD's guidance requires approval of exchanges where the real property is valued at more than $1 million, the Army Reserve only notifies DOD of exchanges where the net value exceeds $1 million. Thus, DOD is not always aware nor approves of exchanges involving high value property. While the Army Reserve is expanding its program under the authority to conduct real property exchanges and is using competitive offers to exchange property, there is no method to capture lessons learned and to share them with the other reserve components. As a result, the other reserve components may incur unnecessary costs when they initiate exchanges without the benefit of the Army Reserve's experience.

Recommendations for Executive Action

We recommend that the Secretary of Defense direct the secretaries of the military departments, in consultation with their respective reserve components, to periodically review and reevaluate the priorities given to sustaining and improving the condition of reserve components' facilities if the reserve components are expected to meet DOD's objectives for improving facilities. In addition, we recommend that the Secretary of Defense direct the Deputy Under Secretary of Defense for Installations and Environment, in consultation with the reserve components and the active services, to

- facilitate the coordination among the reserve components and their service counterparts for programming identified military joint construction projects in their future budgets;
- examine ways to employ the budget structure DOD established for funding high priority joint construction projects;
- establish a method to ensure that real property to be exchanged is not needed by the other reserve components or the active services or for future missions; and
- clarify DOD's guidance requiring approval of exchanges when the real property is valued at more than $1 million.

Finally, we recommend that the Secretary of Defense direct the Office of the Assistant Secretary of Defense for Reserve Affairs to monitor the Army Reserve's experience with implementing the authority to conduct real property exchanges and assist it in capturing lessons learned for the benefit of other reserve components, especially as the Army Reserve expands its use of a more competitive process.

Matter for Congressional Consideration

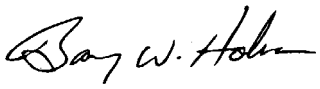
To further encourage the use and funding of joint construction projects, Congress may want to consider designating a portion of its military construction appropriations for DOD's newly established budget structure to fund joint use military construction projects.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Assistant Secretary of Defense for Reserve Affairs concurred with our recommendations and indicated that actions were underway or planned to deal with our recommendations. In commenting on our recommendation for the services to review and reevaluate the priorities to sustain and improve the condition of reserve facilities, DOD stated it has implemented our recommendation and has directed the services to fund sustainment at 100 percent in fiscal year 2006 and achieve a 67-year recapitalization rate in fiscal year 2008. However, as we pointed out in the report, achieving these goals call for rapid increases in restoration and modernization funding that are unlikely when compared to prior funding trends and with the need to fund other defense priorities and programs. Similarly, the Assistant Secretary of Defense for Reserve Affairs noted that a key component of the budget process is setting priorities and accepting risks in certain areas and that DOD has accepted various infrastructure risks during the budget process. He also acknowledged that reserve components have more requirements than requested funds and that they do not expect to meet DOD's objective of a 67-year recapitalization rate, even with increases in obligations and congressional add-ons. Accordingly, we believe that this issue requires continued reevaluation and have modified this recommendation to reflect the need to periodically reassess the priorities given to sustaining and improving the condition of reserve components' facilities. DOD's comments are included in appendix II of this report.

We are sending copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; and the Director, Office of Management and Budget. We will also make copies available to others upon request. In addition, the report is available at no charge on GAO's Web site at www.gao.gov.

Please contact me on (202) 512-8412 if you or your staff have any questions regarding this report. Key contributors to this report are listed in appendix III.



Barry W. Holman, Director
Defense Capabilities and Management

List of Congressional Committees

The Honorable John Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Ted Stevens
Chairman
The Honorable Daniel K. Inouye
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Kay Bailey Hutchison
Chairman
The Honorable Dianne Feinstein
Ranking Minority Member
Subcommittee on Military Construction
Committee on Appropriations
United States Senate

The Honorable Duncan Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

The Honorable Jerry Lewis
Chairman
The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

The Honorable Joe Knollenberg
Chairman
The Honorable Chet Edwards
Ranking Minority Member
Subcommittee on Military Construction
Committee on Appropriations
House of Representatives

Scope and Methodology

We prepared this report under our basic legislative responsibilities as authorized by 31 U.S.C. § 717. We performed our work at, and met with officials from, the Office of the Assistant Secretary of Defense for Reserve Affairs; the Army National Guard; the Air National Guard; and the headquarters of the Army Reserve Command, Naval Reserve Forces Command, Marine Forces Reserve, and Air Force Reserve Command. We also visited 20 Army National Guard, 11 Army Reserve, 9 Naval Reserve, 7 Marine Corps Reserve, 5 Air National Guard, and 5 Air Force Reserve sites, as shown in table 3. During our visits, we toured various facilities to observe their physical condition. We discussed funding trends, systems for assessing facility conditions, and plans for improving facilities to include the funding for joint construction projects and the participation in real property exchanges. Our review covered only those facilities funded by operation and maintenance and military construction funds and not by other sources, such as revolving and management funds, military family housing and overseas facilities funds, and defense health program funds for hospitals and medical clinics.

Table 3: Listing of Various Reserve Component Locations GAO Visited

Reserve component	Facility or installation	Location
Army National Guard	Army National Guard	Arlington, Virginia
	National Guard Training Center at Fort Indiantown Gap	Annville, Pennsylvania
	Army National Guard Maneuver Training Center at Fort Pickett	Blackstone, Virginia
	Harrisburg Military Post	Harrisburg, Pennsylvania
	Readiness Center	Detroit, Michigan
	Readiness Center	Grand Prairie, Texas
	Readiness Center	Concord, California
	Readiness Center	Hershey, Pennsylvania
	Readiness Center	Lebanon, Pennsylvania
	Readiness Center	Moreno Valley, California
	Readiness Center	Norfolk, Virginia
	Readiness Center	Pittsburg, California
	Readiness Center	Portsmouth, Virginia
	Readiness Center	Richmond, California
	Readiness Center	Suffolk, Virginia
	Readiness Center	Taylor, Michigan
	Readiness Center	Vallejo, California
	Readiness Center	Virginia Beach, Virginia
	Readiness Center at Cobb Park	Fort Worth, Texas
	Readiness Center at Sandage	Fort Worth, Texas
	Readiness Center at Shoreview	Fort Worth, Texas
Army Reserve	Army Reserve Command	Atlanta, Georgia
	Armed Forces Reserve Center	Concord, California
	Armed Forces Reserve Center	Southfield, Michigan
	Armed Forces Reserve Center	Harrisburg, Pennsylvania
	Reserve Center	Moreno Valley, California
	Reserve Center	Grand Prairie, Texas
	Reserve Center at East Point	Atlanta, Georgia
	Reserve Center at Forest Park	Atlanta, Georgia
	Reserve Center at Fort Indiantown Gap	Annville, Pennsylvania
	Reserve Center at Fort Pickett	Blackstone, Virginia
	Army Reserve at Selfridge Air National Guard Base	Mount Clemens, Michigan
	Parks Reserve Forces Training Area	Dublin, California

(Continued From Previous Page)

Reserve component	Facility or installation	Location
Naval Reserve	Naval Reserve Forces Command	New Orleans, Louisiana
	Naval Air Reserve Activity at Selfridge Air National Guard Base	Mount Clemens, Michigan
	Naval Air Station Joint Reserve Base	Fort Worth, Texas
	Naval Air Station Joint Reserve Base	New Orleans, Louisiana
	Naval and Marine Corps Reserve Center	Alameda, California
	Naval and Marine Corps Reserve Center	Harrisburg, Pennsylvania
	Naval and Marine Corps Reserve Center	Moreno Valley, California
	Naval Reserve Center	Southfield, Michigan
	Naval Reserve Center Detroit at Selfridge Air National Guard Base	Mount Clemens, Michigan
	Naval Support Activity	New Orleans, Louisiana
Marine Corps Reserve	Marine Forces Reserve	New Orleans, Louisiana
	Armed Forces Reserve Center	Concord, California
	Armed Forces Reserve Center	Grand Prairie, Texas
	Marine Corps Reserve Center	Detroit, Michigan
	Marine Corps Reserve Center	Newport News, Virginia
	Marine Corps Reserve Center at Naval Air Station Joint Reserve Base	Fort Worth, Texas
	Marine Corps Reserve Center at Selfridge Air National Guard Base	Mount Clemens, Michigan
	Naval and Marine Corps Reserve Center	Harrisburg, Pennsylvania
Air National Guard	Air National Guard at Andrews Air Force Base	Camp Springs, Maryland
	Air National Guard at Fort Indiantown Gap	Annville, Pennsylvania
	Air National Guard at Harrisburg International Airport	Harrisburg, Pennsylvania
	Air National Guard at March Air Reserve Base	Riverside, California
	Air National Guard at Naval Air Station Joint Reserve Base	Fort Worth, Texas
	Selfridge Air National Guard Base	Mount Clemens, Michigan
Air Force Reserve	Air Force Reserve Command at Robins Air Force Base	Macon, Georgia
	Air Force Reserve at Naval Air Station Joint Reserve Base	Fort Worth, Texas
	Air Force Reserve at Selfridge Air National Guard Base	Mount Clemens, Michigan
	Dobbins Air Reserve Base	Marietta, Georgia
	Grissom Air Reserve Base	Peru, Indiana
	March Air Reserve Base	Riverside, California

Source: GAO.

To examine the reserve components' funding trends for facility maintenance and construction since fiscal year 1998 and the condition of the components' facilities over this same time period, we analyzed the reserve components' budgets for operation and maintenance funding and military construction funding and the military construction backlogs and visited 57 reserve locations. For facility maintenance, we analyzed budget

data from the reserve components' sustainment, restoration, and modernization subactivity group in their operation and maintenance appropriations. We compared the amounts that the reserve components requested in their budget submissions with the amounts that Congress designated in conference reports for the Department of Defense (DOD) appropriation acts and with the amounts the reserve components reported as obligated in their budget submissions for fiscal years 1998 through 2002. We also looked at the reserve components' military construction budget requests and congressional designations for fiscal years 1998 through 2003. For military construction, we compared the amounts that the reserve components requested in budget submissions with amounts that Congress designated in its conference reports for DOD military construction appropriation acts. We discussed amount differences for operation and maintenance and military construction with DOD and reserve component officials to obtain a better understanding about overall fund movements. We did not review the obligated amounts for military construction because such funds are available for obligation over a 5-year period and cannot easily be tied back to the year requested.

To determine the impact of historical and current funding on the condition of reserve facilities, the factors that have led to the deterioration of facility conditions, and the effect of deteriorated facilities, we met with officials from the Army National Guard; U.S. Army Reserve Command; Commander, Naval Reserve Forces; Marine Forces Reserve Command; Air Force Reserve Command; and the Air National Guard. To view the condition of facilities firsthand, we visited 57 reserve locations across the country. Given the large number of reserve component facilities to select from, we relied on suggestions from reserve component officials. We visited facilities that ranged from good to poor condition for the six reserve components throughout the United States. During our visits, we met with the facilities' occupants and took pictures to document facility conditions. The conditions we observed at these 57 locations might not be representative of conditions at other reserve facilities. We did not examine the individual states' required share of the costs for major repairs to Army National Guard facilities. However, we obtained an understanding of how state funding differs according to the type of facility needing repair, such as a readiness center, a maintenance shop, or a training facility. Officials with the National Guard Bureau told us that specific data on facility maintenance contributions were retained by the states and were not readily available. This was not a limitation with the Air National Guard because many of its facilities are located at airports, which are federally leased property. Thus, states do not contribute to the cost of maintaining these facilities.

To assess the likelihood that the reserve components will meet DOD's three objectives for improving facilities, we examined the reserve components' current and projected funding plans for sustaining, recapitalizing, restoring, and modernizing facilities to determine whether these plans would allow them to meet DOD's objectives by specified deadlines. We did not validate the reserve components' reported requirements for the sustainment and recapitalization of their facilities.

To identify challenges in implementing two potential cost saving initiatives—joint construction projects and real property exchanges—we met with officials at the reserve components' headquarters and discussed the benefits and challenges of the initiatives. To determine the challenges faced with implementing joint construction projects, we met with officials at the Office of the Assistant Secretary of Defense for Reserve Affairs and the headquarters of the six reserve components and contacted the Office of the Under Secretary of Defense (Comptroller). We examined the funding provisions available to implement joint construction projects and discussed with officials the challenges in implementing these funding provisions for joint construction projects. To assess the reserve components' participation in real property exchanges, we reviewed 10 U.S.C. § 18233 authorizing such exchanges and related guidance and regulations associated with these exchanges. We met with officials from DOD's Office of the Deputy Under Secretary of Defense for Installations and Environment, the Office of the Assistant Secretary of Defense for Reserve Affairs, the Army's offices of the Assistant Secretary for Installations and Environment and the Army Reserve, and the Army Corps of Engineers to understand real property exchanges.

In performing this review, we used the same accounting records and financial reports DOD and reserve components use to manage and justify budgets for their facilities. We did not independently determine the reliability of the reported financial information. However, in our recent audit of the federal government's financial statements, including DOD's and the reserve components' statements, we questioned the reliability of reported financial information because not all obligations and expenditures are recorded to specific financial accounts.[1] In addition, we did not validate DOD's reported requirements for the sustainment of its facilities, nor did we validate its facility inventory database.

[1] GAO-03-98.

We conducted our work from May 2002 through February 2003 in accordance with generally accepted government auditing standards.

Comments from the Department of Defense

ASSISTANT SECRETARY OF DEFENSE
1500 DEFENSE PENTAGON
WASHINGTON, DC 20301-1500

RESERVE AFFAIRS

22 APR 2003

Mr. Barry W. Holman
Director, Defense Capabilities and Management
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Mr. Holman:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-03-516, "DEFENSE INFRASTRUCTURE: Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce the Costs of Guard and Reserve Facilities," dated March 21, 2003 (GAO Code 350199).

A key component of the budget process is setting priorities and accepting risk in certain areas. Department of Defense has accepted various infrastructure risks as reflected in the Budget Process and acknowledged more validated requirements than requested. Yet, even with increases in obligations and Congressional adds, the Reserve components do not meet the new Defense Department's objectives of a 67-year recapitalization rate referenced in this GAO Report. In addition, the report emphasizes the need to assess and validate the condition of facilities, which the Department has focused on as one of the major issues for accountability of facility sustainment, restoration, and modernization. This is expected to be accomplished by the September 2004 implementation date.

The report identifies two potential cost saving initiatives the Reserve components are pursuing as ways to reduce Military Construction costs: 1) joint construction projects; and 2) real property exchanges. Joint construction is the planning, design, and construction of one facility that meets the requirements of two or more components, regardless of Service, and eliminates construction of another facility. The real property exchange identifies valuable DoD property desired by the community that can be exchanged for suitable property and a new replacement facility for the affected Reserve component. We will continue to develop and improve these processes to better identify, coordinate, and fund joint construction projects as well as to ensure that real property exchanges are completed in accordance with DoD policy.

I concur with the recommendations as stated, and will work to resolve other issues addressed within this report.

Sincerely,

T.F. Hall

T.F. Hall

GAO CODE 350199/GAO-03-516

"DFEFENSE INFRASTRUCTURE: CHANGES IN FUNDING PRIORITIES AND MANAGEMENT PROCESSES NEEDED TO IMPROVE CONDITION AND REDUCE THE COSTS OF GUARD AND RESERVE FACILITIES"

DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct The Secretaries of the Military Departments, in consultation with their respective Reserve components, to review and reevaluate the priorities given to sustaining and improving the condition of the Reserve components' facilities if the Reserve Components are expected to meet DoD's objectives for improving facilities. (Page 48-49/Draft Report).

DoD RESPONSE: Concur.

DoD has already implemented this recommendation. In January 2003, we completed the FY04 program-budget review. OSD directed the Services and Defense Agencies to provide adequate funding to achieve a sustainment rate of 93% in FY04, with a plan to achieve 100% sustainment in FY06. In addition, the Department plans on funding that achieves a 67-year recapitalization rate DoD-wide by FY08. To achieve 67-year recapitalization for the Reserve components, the Department has programmed significant funding in the out years to buy back their facility deficit and to improve the quality of their existing facilities.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct the Deputy Under Secretary of Defense for Installations and Environment, in consultation with the Reserve components and the active Services to facilitate the coordination among the Reserve components and their Service counterparts for programming identified military joint construction projects in their future budgets. (Page 49/Draft Report).

DoD RESPONSE: Concur.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense direct the Deputy Under Secretary of Defense for Installations and Environment, in consultation with the Reserve components and the active Services to examine ways to employ the budget structure DoD established for funding high priority joint construction projects. (Page 49/Draft Report).

DoD RESPONSE: Concur.

RECOMMENDATION 4: The GAO recommended that the Secretary of Defense direct the Deputy Under Secretary of Defense for Installations and Environment, in consultation with the Reserve components and the active Services to establish a method to ensure that real property to be exchanged is not needed by the other reserve components or the active Services or for future missions. (Page 49/Draft Report).

DoD RESPONSE: Concur.

RECOMMENDATION 5: The GAO recommended that the Secretary of Defense direct the Deputy Under Secretary of Defense for Installations and Environment, in consultation with the Reserve Components and the active Services to clarify DoD's guidance requiring approval of exchanges when the real property is valued at more than $1million.

DoD RESPONSE: Concur.

Both the DoD Instruction 1225.8 and SECDEF new policy, provides for the "purchase or annual lease price exceeds 1 million dollars." SECDEF new policy guidance, "Land Acquisition and Leasing of Office Space in the United States" dated Nov 17, 2002 that provides the review process on real estate acquisition, concerning real property that exceed $1M and/or 1,000 acres.

RECOMMENDATION 6: The GAO recommended that the Secretary of Defense direct the Office of the Assistant Secretary of Defense for Reserve Affairs to monitor the Army Reserve's experience with implementing the authority to conduct real property exchanges and assist it in capturing lessons learned for the benefit of other Reserve Components, especially as the Army Reserve expands its use of a more competitive process. (Page 49/Draft Report).

DoD RESPONSE: Concur

DASD/RA (Materiel & Facilities) will work with the Army Reserve to capture lessons learned. A policy memo was issued on April 7, 2003, "Reserve Components Military Construction Reprogramming and Real Property Exchanges Requests" in addressing this issue. The memo highlights the ASD/RA responsibility of overall supervision as outlined in DoD Directive 5125.1 and requires the Services to coordinate such actions prior to official notification.

GAO Contact and Staff Acknowledgments

GAO Contact

Mark A. Little (202) 512-4673

Acknowledgments

In addition to the individual named above, Janine Cantin, George Duncan, Oscar Mardis, Malvern Saavedra, Laura Talbott, and R.K. Wild made key contributions to this report.

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