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MILITARY BASES

Review of DOD's 1998 Report on Base Realignment and Closure



**National Security and
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Section 2824 of the National Defense Authorization Act for Fiscal Year 1998 (P.L. 105-85) required that the Secretary of Defense prepare and submit to the congressional defense committees a report on the costs and savings attributable to the rounds of base realignments and closures (BRAC) conducted under special legislative authorities between 1988 and 1995 and on the need, if any, for additional BRAC rounds. The legislation also required us to review the Secretary's report.

In completing our review, we made an overall assessment of the Department of Defense's (DOD) responsiveness to the individual section 2824 reporting requirements and assessed individual reporting topics, including the costs and savings of prior BRAC rounds and estimated costs and savings of future BRAC rounds, the impact of prior BRAC rounds on military capabilities, excess capacity, base reuse and economic recovery of communities affected by BRAC actions, and processes DOD would use to select bases for closure or realignment should further BRAC rounds be authorized.

Background

After four BRAC rounds between 1988 and 1995, the Secretary of Defense and the Chairman, Joint Chiefs of Staff, stated that DOD still retained excess facilities infrastructure. Both cited the need for future BRAC authority. Subsequently, the 1997 Quadrennial Defense Review and the 1997 report of the congressionally mandated National Defense Panel addressed the problem of remaining excess infrastructure within DOD and recommended that additional BRAC rounds be conducted. In DOD's May 19, 1997, report to the Congress on the results of the Quadrennial Defense Review, the Secretary announced that DOD would ask the Congress to authorize two additional BRAC rounds.

In considering the Secretary's request for additional BRAC round authority in 1997, various Members of Congress questioned the need for any future rounds. As a result, the Congress enacted section 2824 of the National Defense Authorization Act for Fiscal Year 1998, which required that the Secretary of Defense provide the Congress with a comprehensive report on a range of BRAC issues and described the manner in which the data were to be presented in the report. That legislation also required the Secretary to submit the report not later than the date on which the President

submitted to the Congress the budget for fiscal year 2000 and prohibited DOD from spending funds to plan for subsequent BRAC actions until the report was delivered. DOD submitted its report, The Report of the Department of Defense on Base Realignment and Closure, on April 2, 1998.

In submitting DOD's report to the Congress, the Secretary reemphasized that DOD has substantial excess capacity in its base infrastructure. The Secretary stressed that DOD needs the money that could be saved from closing unneeded infrastructure to sustain high force readiness and a robust weapon systems modernization program. Accordingly, the Secretary requested two additional BRAC rounds in 2001 and 2005. The Secretary also noted DOD's assistance in facilitating economic growth and development for communities affected by BRAC actions.

Results in Brief

DOD's report to the Congress provided most, but not all, of the information required in section 2824 of the National Defense Authorization Act for Fiscal Year 1998. For example, while DOD provided aggregate estimates of savings in support costs due to base closures and realignments, it did not provide this information by service, type of facility, and fiscal year. In selected instances, usually because data were not available, DOD either did not provide the information required or did not provide it in the level of specificity required. For example, it provided estimated rather than actual savings data because data on actual savings does not exist. For this reason, DOD's report did not provide much information that had not been reported previously.

DOD's report concludes that the four prior BRAC rounds, taken in aggregate, are saving DOD billions of dollars annually. Our prior work examining BRAC cost and savings and related issues affirms that past BRAC recommendations will result in substantial savings once implementation costs have been offset and net savings begin to accrue.¹ However, because of data and records weaknesses, DOD's report should be viewed as providing a rough approximation of costs and savings rather than a precise accounting. DOD's data systems do not capture all savings associated with BRAC actions, nor has DOD established a separate system to track BRAC savings. DOD's estimates of costs and savings for future BRAC rounds should also be viewed as rough estimates because there is no assurance that the cost and savings experiences from prior BRAC rounds will be precisely

¹Savings can begin to accrue even as costs are being incurred to implement a BRAC decision. One-time implementation costs may increase or decrease from initial estimates during the implementation period and can affect the point at which savings exceed implementation costs and net savings begin to accrue on an annual recurring basis.

replicated in the future. For example, in previous BRAC rounds, the military services, in selecting bases to close among those ranking low in military value, often chose those that were relatively less expensive to close. Therefore, costs for future rounds may be higher than the average cost of previous rounds.

Because the methodology used to identify excess capacity has a number of limitations, DOD's report gives only a rough indication that excess capacity has increased relative to force structure since 1989. For example, DOD did not try to determine to what extent excess capacity may have existed in 1989. However, other DOD studies, statements by DOD officials, and our prior work support the report's general conclusion that DOD continues to retain excess capacity. Our work has shown this to be the case, particularly in maintenance depots and in research, development, test, and evaluation facilities.

DOD's analysis of operational and readiness indicators have shown no long-term problems affecting military capabilities that can be related to BRAC actions. This general conclusion is also consistent with our prior work.

DOD's report emphasizes that communities affected by prior BRAC actions appear to be rebounding economically. We have also found this to be the case, although our work also shows that some communities are faring better than others.

DOD's report suggests that proposed BRAC rounds in 2001 and 2005 would be conducted like prior rounds. DOD's legislative proposal requesting authority to conduct two additional BRAC rounds provides a good starting point for considering future legislation, should the Congress decide to authorize additional rounds.

DOD's Report Provides Most of the Required Information

Section 2824 required DOD to provide information on costs and savings and other aspects of prior BRAC rounds. Likewise, it required an analysis of excess capacity and an assessment of the need for future BRAC rounds and projections of costs and savings that could be expected. It also required a description of the process and methodologies that would be used in future BRAC decision making. Further, the legislation prescribed how DOD's analysis should be presented, requiring several levels of detail and comparative analyses.

DOD's report provides most, but not all, of the information required in section 2824. Data limitations and other factors² prevented DOD from providing some required information. In some instances, there were limitations in the degree of coverage DOD provided in responding to individual reporting requirements. In a few instances, coverage could have been more comprehensive had DOD involved the services, for example, in updating savings estimates from prior BRAC rounds. DOD's assessment provided only a rough indication of excess capacity. Table 1 details the legislative and presentation requirements for DOD's report, indicates the pages in DOD's report where the issues are addressed, and provides our observations on the extent to which DOD provided the information required by each subsection. A more thorough discussion of DOD's response to the legislative requirements is provided in appendix I.

Table 1: GAO Assessment of Legislative and Presentation Requirements for DOD's BRAC Report, by Topic

Section 2824 citation	Requirement	DOD report ^a	GAO assessment of information provided
Costs and savings of prior BRAC rounds			
(b)(1)	A statement, using data consistent with budget data, of actual costs and savings (to the extent available for prior fiscal years) and estimated costs and savings (in the case of future fiscal years) attributable to BRAC actions	Costs: pp. iv-v, 29-43; Detailed tables, Parts 2-3; Savings: pp. iv-vi, 45-53; Detailed tables, Part 1	DOD provided budget estimates along with obligational data because actual savings data do not exist. DOD has not established a system to track and update savings.
(b)(2)	A comparison of actual costs and savings, by BRAC round, to estimates of costs and savings submitted to the BRAC commissions as part of the base closure process	Detailed tables, Part 1, pp. 2-3; Part 3, COBRA cost estimates, pp. 1-16	DOD provided a partial list of COBRA estimates, but because not all relevant COBRA documents were available, DOD could not provide a full and meaningful comparison.
(c)(1) ^b	Operation and maintenance costs, including costs associated with expanded operations and support, maintenance of property, administrative support, and allowances for housing at military installations to which functions are transferred, set forth by service, type of facility, and fiscal year	Detailed tables, Parts 2 and 3	DOD provided budget estimates by type of facility, service, and fiscal year for operation and maintenance but was unable to measure costs at bases to which functions were transferred.

(continued)

²DOD's basic report was accompanied by three volumes of supporting data to meet the reporting requirements. The three volumes provide detailed cost and savings data comparing BRAC cost estimates by service and BRAC round; a comparison of budget estimates by budget category (such as costs and savings from military construction and operations and maintenance) sorted by service, BRAC round, installation type, and budget category; and cost of base realignment actions (COBRA) cost estimates sorted by service and BRAC round. This generally represents information drawn from DOD's prior budget submissions to the Congress. DOD derived initial BRAC costs and savings estimates from the COBRA model during each BRAC round. COBRA analyses provided a means to compare alternative closure actions but was not intended to produce the budget-quality data that was developed after a BRAC decision became final.

Section 2824 citation	Requirement	DOD report^a	GAO assessment of information provided
(c)(2) ^b	Military construction costs, including costs of rehabilitating, expanding, and constructing facilities to receive personnel and equipment set forth by service, type of facility, and fiscal year	Detailed tables, Part 2	DOD provided budget estimates by type of facility, service, and fiscal year for military construction but was unable to measure costs at bases to which functions were transferred.
(c)(3) ^b	Environmental cleanup costs, including costs associated with assessments and restoration set forth by service, type of facility, and fiscal year	p. v; Detailed tables, Parts 2 and 3	DOD provided aggregate estimated costs for assessments and restoration.
(c)(6) ^b	Costs associated with military health care set forth by service, type of facility, and fiscal year	pp. 41-43	DOD did not provide the required information because data available did not allow health care costs to be isolated from other costs.
(c)(7) ^b	Savings attributable to changes in military force structure set forth by service, type of facility, and fiscal year	Not provided	DOD did not provide the required information because, according to DOD officials, no costs and savings were attributable to changes in military force structure in BRAC accounts.
(c)(8) ^b	Savings due to lower support costs resulting from closure or realignment of installations set forth by service, type of facility, and fiscal year	Not provided	DOD did not provide the required information by category, although lower support costs are included in overall savings estimates.
(b)(3)	A comparison, set forth by BRAC round, of actual costs and savings to the annual estimates of costs and savings previously submitted to Congress	Detailed tables, Parts 1, 2, and 3	DOD compared obligations by BRAC round and fiscal year with the initial and most current estimates. DOD did not provide a similar comparison of savings.
Estimated costs and savings of future BRAC rounds			
(b)(10)	An estimate of costs and savings from future BRAC rounds by service and year	pp. iv, 21-22, 117-121	DOD provided an estimate for two future BRAC rounds by year but not by service.
(b)(11)	An assessment of whether costs and estimated savings from new BRAC actions are in the current Future Years Defense Program	p. 22	The outyears of the current Future Years Defense Program (1999-2003) begin to reflect the costs and savings from an anticipated BRAC round in 2001.
Military capabilities			
(b)(6)	An assessment of the effect of previous BRAC actions on military capabilities and the services' ability to fulfill the National Military Strategy	pp. ii, 9, 99-108	DOD provided the required assessment.
Excess capacity			
(b)(4)	A list of each military installation with 300 or more authorized civilian personnel, by service	pp. 135-144	DOD provided the required information.

(continued)

Section 2824 citation	Requirement	DOD report ^a	GAO assessment of information provided
(b)(5)	An estimate of current excess capacity at all military installations as a percentage of the total capacity of (A) all the services' military installations, (B) each service's military installations, and (C) types of military installations	pp. iii-iv, 13-18, 109-116	DOD provided an estimate of excess capacity as required by subsections (A) and (B) but did not provide the information required in subsection (C).
(b)(7)	A description of the types of military installations that would be recommended for closure or realignment by service in the event of one or more additional BRAC rounds	pp. 15-17	DOD did not make any distinction among the types of facilities that would be recommended for closure or realignment. DOD said all bases would be considered.
Base reuse and economic recovery			
(c)(4)	Economic assistance costs, including expenditures on DOD demonstration projects; expenditures by the Office of Economic Adjustment; and to the extent available expenditures by the Economic Development Administration, the Federal Aviation Administration, and the Department of Labor, set forth by service, type of facility, and fiscal year	pp. 37-39, 42-43	DOD provided the required information in summary form by funding agency and fiscal year.
(c)(5)	To the extent information is available, unemployment compensation costs, early retirement benefits, and worker retraining expenses under the Priority Placement Program, the Job Training Partnership Act, and any other federally funded job training program set forth by service, type of facility, and fiscal year	pp. 37-41, 129-132	DOD provided some aggregate estimates, but data did not specifically identify beneficiaries who lost their jobs as a result of BRAC actions as opposed to other downsizing efforts.
Processes DOD would use in future BRAC rounds			
(b)(8)	The criteria the Secretary of Defense would use in evaluating installations for realignment or closure in future BRAC rounds	pp. iv, 124	DOD provided the required information.
(b)(9)	The methodologies the Secretary of Defense would use in evaluating installations for closure or realignment in future BRAC rounds	pp. iv, 23-27, 65-97	DOD provided the required information.

^aDetailed tables were provided as appendixes to DOD's report.

^bRequirement applies only to the statement and comparison required by subsections (b)(1) and (b)(2).

Substantial Savings From BRAC Are Likely, but Amounts Are Not Precise

Data from DOD's most recent budget submission was incorporated in its section 2824 report to indicate that the four previous BRAC rounds will cost about \$23 billion to implement from 1988 to 2001. The data also show that BRAC actions will net \$14 billion in savings during implementation and are

expected to produce recurring savings of about \$5.7 billion or more each year thereafter.³

DOD assessed its costs and savings data from several vantage points to affirm its position that prior BRAC rounds are saving billions of dollars in operating costs. These included (1) analyzing data drawn from DOD's annual budget submissions to the Congress; (2) completing a new analysis that relied heavily on an analysis of personnel reductions as a basis for estimating savings; (3) summarizing reviews by external groups, such as the DOD Inspector General (IG) and Army Audit Agency audits of selected BRAC rounds and BRAC actions; and (4) citing reports by the Congressional Budget Office (CBO) and GAO.

We and CBO have reported that BRAC reductions provide the basis for recurring savings once implementation costs have been offset.⁴ Our assessment that substantial savings are expected is based on our reviews of BRAC issues, which have included examining DOD data that showed reductions in spending on base support programs and personnel. Many bases are aging, and base closures offer an opportunity to avoid capital improvement costs in the future. However, our analysis of DOD's report and its supporting documentation and our previous work on this issue also indicate that DOD's cost and savings data are not precise. The data exclude some costs and savings, which if included would cause some increase in the time required for savings to exceed implementation costs and for net savings to begin. Reviews by the DOD IG and the Army Audit Agency have also pointed out the imprecision in DOD's estimates of costs and savings, though they reinforced the view that BRAC actions result in net savings.

While DOD has required the military services to update costs and savings, the services seldom updated BRAC savings estimates.⁵ In addition, DOD's estimates may not capture all costs and savings—including the avoidance

³DOD reported the expected annual savings at \$5.6 billion, but because recurring savings estimates for the Navy were underreported by \$100 million in the fiscal year 1999 budget request, the savings estimate should be \$5.7 billion.

⁴See Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified (GAO/NSIAD-96-67, Apr. 8, 1996) and Review of The Report of the Department of Defense on Base Realignment and Closure, Congressional Budget Office, July 1, 1998.

⁵We have previously reported on the need for DOD components to have and follow a clear and consistent process for updating savings estimates associated with prior BRAC decisions, and we recommended that the Secretary of Defense provide guidance to ensure that components follow that process. The current situation affirms the continuing need for DOD to take this action. Such action would be equally important in the future, should the Congress decide to authorize additional BRAC rounds. See Military Bases: Lessons Learned From Prior Base Closure Rounds (GAO/NSIAD-97-151, July 25, 1997).

of some costs associated with base closures, such as the costs of long-term capitalization improvements that will not have to be undertaken. Additionally, in making its estimates, DOD assumed that all BRAC recommendations would be implemented and initial savings projections realized. In selected cases, bases recommended for closure or realignment have been scheduled for privatization in place, or operation of the installations will be turned over to private contractors. As we have reported, privatization does not always produce savings or reduce excess capacity.⁶

DOD supplemented its estimates of savings with a separate analysis that focused primarily on calculating savings from personnel reductions; it estimated an annual recurring savings of about \$7 billion. This analysis is not precise because (1) the personnel costs used in the calculation were estimates and were not tied to the actual salaries of positions eliminated and (2) while BRAC actions have clearly produced significant personnel reductions and savings, we cannot be sure of the extent to which all personnel reductions DOD cited are fully attributable to BRAC actions, as opposed to other force structure reductions during this period of downsizing. See appendix II for a more detailed analysis of DOD's reporting on cost and savings from prior BRAC rounds.

DOD's report projects that additional BRAC rounds would also save resources that it could use for higher priorities, such as weapon systems modernization. DOD estimated the net recurring savings after implementing two future BRAC rounds to be \$3.4 billion annually. DOD arrived at this estimate by averaging estimated costs and savings for the most recent two rounds, in 1993 and 1995, and applying this average to proposed BRAC rounds in 2001 and 2005. DOD did not present estimates of future costs and savings by service in its report, as required.

Also, the method of estimating cost and savings for future BRAC rounds is limited, principally because it assumes that savings from future base closures will be the same as savings from the 1993 and 1995 BRAC rounds, adjusted for inflation. While DOD's estimate may be appropriate for planning purposes, its precision is limited because the costs of future BRAC rounds might not parallel the costs from prior rounds. For example, among facilities rated low in military value, bases closed in prior rounds frequently were among those least costly to implement and requiring the shortest time for savings to offset implementation costs. Generally, those

⁶See *Navy Depot Maintenance: Cost and Savings Issues Related to Privatizing-in-Place at the Louisville, Kentucky, Depot* (GAO/NSIAD-96-202, Sept. 18, 1996) and *Navy Depot Maintenance: Privatizing Louisville Operations in Place Is Not Cost-Effective* (GAO/NSIAD-97-52, July 31, 1997).

costing more to implement and requiring a longer time to recover savings were not selected for closure. Therefore, DOD's estimate represents only a rough gauge of future savings. More information on DOD's methodology for estimating future costs is provided in appendix II.

If future BRAC rounds were held as requested, DOD would begin to incur implementation costs in 2002. However, some questions have been raised regarding whether DOD already is incorporating costs and savings from future BRAC rounds into its Future Years Defense Program.⁷ DOD has incorporated net estimated costs in the last 2 years (2002 and 2003) of its 1999-2003 Future Years Defense Program. The costs represent a net amount, since DOD anticipates savings from the avoidance of military construction and the cessation of some operations and maintenance activities. These planned costs are presented in the aggregate at the DOD level.

Prior BRAC Rounds Do Not Appear to Have Limited Military Capabilities

The 1998 act required DOD to assess the impact of previous base closures on military capabilities. DOD's report concludes that previous BRAC rounds had a positive effect on military capabilities. The commanders in chief of the combatant commands, the service chiefs, and the Joint Chiefs of Staff concurred with the conclusion that previous BRAC rounds have not harmed military capabilities and have had a net positive impact on operations. While readiness can be temporarily affected as individual BRAC decisions are being implemented, available data does not provide us with any basis to disagree with DOD's conclusions concerning any long-term impact.

DOD looked to a number of indicators and studies to determine whether any operational and readiness problems could be linked to BRAC actions. DOD officials reviewed operational and readiness records dating from 1991 to the time they completed their report, including the joint monthly readiness reports, the joint uniform lessons learned reports, commanders in chief integrated priority lists, and the combat support agency review.⁸ DOD concluded from its review that BRAC actions had not adversely affected military capabilities.

⁷The Future Years Defense Program is an authoritative record of current and projected force structure, costs, and personnel levels that has been approved by the Secretary of Defense. The program displays resources and personnel levels by program and activities.

⁸These various reports, some of which are developed based on input from operating levels, provide indications of unit performance and problems that might have an impact on readiness levels and operating capabilities.

This view was supported by the results of monthly senior-level Office of the Secretary of Defense and Joint Chiefs of Staff forums, during which issues affecting military capabilities are considered under varying operational scenarios. These assessments incorporate input from affected combatant commanders in chief, and any BRAC-related problems might surface in these assessments. According to a military official associated with these forums, some temporary problems associated with transitions during domestic BRAC closings have been identified, but no long-term problems or deficiencies that related to domestic BRAC activities have surfaced.⁹ This conclusion is consistent with statements from other senior military officials after previous BRAC rounds. For example, in a 1997 letter to the Chairman of the Senate Committee on Armed Services, the Joint Chiefs of Staff unanimously supported additional domestic base closures. Our reviews of readiness issues over the years have not identified any long-term readiness problems that were related to domestic base realignments and closures.

DOD took several actions to minimize potential negative impacts to military capability in previous BRAC rounds, including stressing military value in deciding on bases to recommend for closure and realignment. In addition, the Joint Chiefs of Staff and combatant commanders in chief reviewed the Secretary of Defense's closure and realignment recommendations to prevent degradation of military capability and endorsed the recommendations. Using such an approach in the future, should the Congress decide to authorize any future BRAC rounds, may help to avoid long-term adverse effects on military capabilities.

DOD's Analysis Provides a Rough Measure of Excess Base Capacity

DOD identified those installations (bases) with 300 or more authorized civilians. It also assessed excess capacity as required, which involved many of the same bases. DOD reported increased capacity in 2003 relative to 1989 for DOD, for each service, and for types of installations within each service and reported an overall increase in excess capacity of 23 percent. In using 1989 as a baseline for its excess capacity analysis, DOD did not assess excess capacity that might have existed in 1989. Additionally, the analysis did not take into account the possibilities of joint cross-servicing and the potential impacts of management initiatives discussed in the

⁹Short-term problems identified included backlogs of maintenance. For a discussion of lessons learned in one workload transfer, see *Depot Maintenance: Lessons Learned From Transferring Alameda Naval Aviation Depot Engine Workloads* (GAO/NSIAD-98-10BR, Mar. 25, 1998).

Secretary's report on defense reform initiatives¹⁰ or by the BRAC 1995 joint cross-service group's report. Such initiatives could result in consolidation, reorganization, or regionalization of activities and potentially reduce the amount of infrastructure capacity required in the future.

The services generally agreed with the magnitude of excess capacity shown by the analysis. Because of differences in the types of installations among the services and in the way capacity was measured, DOD did not report capacity as a percentage of the total capacity by types of installations, such as the total capacity in all depots. Such an analysis of excess capacity would allow a comparison among types of installations, which is what the legislation appears to envision. Further, DOD did not present a description of the types of installations that would be recommended for closure or realignment, by service, in one or more future BRAC rounds as required. Rather, DOD indicated that all bases would be considered for closure or realignment in any future BRAC round. Appendix III provides additional details on DOD's methodology for identifying bases that are authorized 300 or more civilian employees and for computing excess capacity.

DOD officials said that its analysis was not designed to identify bases that would be closed in additional BRAC rounds. According to DOD officials, individual base-level data, such as that collected for a BRAC round, would be required to specify the types of installations that would be recommended for closure. They also said that section 2824(f) of the 1998 act prohibited DOD from expending resources to conduct such data-gathering efforts. DOD's view has some merit; however, it appears that DOD could have taken additional steps to illustrate more clearly how much excess capacity existed within categories of bases. For example, while DOD's analysis shows no increase in the excess capacity between 1989 and 2003 in the category of Army depots, our previous work has shown—and DOD officials have agreed—that depots have excess capacity. Further, while a definitive picture regarding actual numbers of bases to be closed in any future BRAC round would not be known until the analysis associated with a specific round occurred, we believe DOD could have provided a clearer picture of the types and potential amount of excess capacity it has within its basing infrastructure. This could be part of a broader strategic plan for the future, one which better delineates future requirements, excess capacity, and plans for revitalizing remaining infrastructures. We

¹⁰Defense Reform Initiative Report, Secretary of Defense, Nov. 1997. The report outlines plans for significant additional personnel reductions, reengineering of existing business processes, expanded use of the private sector for support services, and other actions that could decrease facility infrastructure requirements.

have previously suggested the need for such a plan and suggested that it be presented to the Congress in much the same way DOD presented its plan for force structure reduction in the Bottom-Up Review.¹¹

Many Communities Are Rebounding Economically From Base Closures

The 1998 act required DOD to report on the cost of economic assistance provided to communities adversely affected by BRAC actions—funding that has been provided outside of DOD’s BRAC implementation budgets or by other federal agencies. DOD estimated these costs to be \$955.9 million between 1988 and 1997; these costs are discussed in appendix II. Additionally, while not specifically required to do so, DOD’s report expands on the subject of economic assistance and credits public and private reinvestment in the affected communities with facilitating base reuse and economic recovery. The report states that for bases closed more than 2 years, nearly 75 percent of the lost civilian jobs have been replaced. It also cites a number of examples in making the point that most communities are rebounding.

Our prior and ongoing work also found indications of economic recovery in many communities, although some are faring better than others.¹² We found that federal assistance provided to communities affected by base closures has helped to cushion the negative economic impact and supports DOD’s contention that the redevelopment of base property has successfully created thousands of jobs. However, the reuse of bases appears to be only one aspect of economic recovery for most communities. The strength of the national economy and the level of economic diversity in the affected communities played a strong role in determining how well they survived a base closure. Without a growing economy, some communities might not have been as successful at attracting industries and jobs to redevelop base properties. The same would be true for communities affected by future BRAC rounds.

¹¹High Risk Series: Defense Infrastructure (GAO/HR-97-7, Feb. 1997) and Defense Infrastructure: Challenges Facing DOD in Implementing Reform Initiatives (GAO/T-NSIAD-98-115, Mar. 18, 1998.)

¹²Based on a separate congressional request, we are conducting a more in-depth assessment of selected issues associated with the implementation of prior BRAC decisions. That report will provide more specific information on how local communities affected by base closures have fared and will include data on unemployment rates and per capita income.

Any Future BRAC Rounds Could Build on Processes Developed for Prior BRAC Rounds

The 1998 act required that DOD report on the criteria and methodologies the Secretary would use to evaluate military installations for future closures or realignments. DOD's report indicates that future BRAC procedures and methodologies would be similar to those used in prior rounds. DOD proposed legislation for new BRAC authorities to the Congress in February 1998; that proposal was also included in DOD's required report to the Congress.

Congressional authority for two additional BRAC rounds modeled on processes used in recent BRAC rounds is DOD's preferred alternative for reducing its excess infrastructure. DOD states that legislation modeled on authorities provided to execute recent BRAC rounds is superior to provisions contained in 10 U.S.C. 2687, which placed many study and reporting requirements upon DOD in connection with efforts to close military bases. We previously reported that section 2687, enacted in the 1970s, greatly impeded efforts to close military bases until special legislation authorizing recent BRAC rounds was enacted.¹³ We also reported that legislation enacted in 1990, which expired in 1995, was seen by many officials as a starting point for considering new legislation should the Congress decide that it wants to authorize future BRAC rounds.¹⁴ Some individuals expressed concern over the role of politics in the process. We recognize that no public policy process such as that used for base realignment and closure can be completely removed from the U.S. political system. However, the processes used between 1988 and 1995 had several checks and balances to keep political influences to a minimum. Ultimately, however, the success of these processes requires the cooperation of all participants.

As DOD and previous BRAC commission officials have noted, key elements of the 1990 BRAC legislation, as amended, contributed to the success of prior rounds. These elements included (1) the establishment of an independent commission and nomination of commissioners by the President, in consultation with the congressional leadership; (2) the development of clearly articulated, published criteria for decision making; (3) the use of data certified as to its accuracy; (4) the requirement that the President and the Congress accept or reject in their entirety the lists of closures adopted by a BRAC commission; and (5) the creation of tight time frames to force timely decisions. The legislation also required that we analyze DOD's BRAC decision-making process and recommendations.

¹³Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment (GAO/NSIAD-95-133, Apr. 14, 1995).

¹⁴Military Bases (GAO/NSIAD-97-151, July 25, 1997).

Additional audit coverage by the DOD IG and service audit agencies associated with the process helped ensure the accuracy of data and analyses associated with the decision-making process.

DOD's legislative proposal contains, with minor exceptions, essentially the same provisions as those contained in the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510, as amended) for making decisions on which bases to close and realign. One exception is that it gave 2 months more than was available in BRAC 1995 for the Secretary of Defense to publish the proposed list of bases to be closed. The publication date would be May 1 rather than March 1 of the year in which the BRAC round is conducted. Other decision points outlined in the legislation also shifted 2 months. Another difference is that the proposed legislation would reduce the amount of time available for us to review and report to the Congress and the BRAC commission on the Secretary's proposals from 45 days as in BRAC 1995 to 30 days.

Alternatives to New BRAC Authority

DOD's report notes that actions may be required to reduce base capacity, such as demolishing buildings that are no longer needed and conducting reorganizations and consolidations that do not require BRAC actions or invoke provisions of section 2687.¹⁵ We have reported on a number of initiatives available to DOD to help it reduce excess infrastructure costs and free up funds for other priorities.¹⁶ The Secretary also has noted the less desirable alternative of deferring maintenance and upkeep of facilities as a way of minimizing infrastructure costs. Available data suggests that DOD has taken such actions for several years as it made trade-offs in funding priorities.¹⁷ For example, we reported that over a 10-year period, from fiscal year 1987 to 1996, DOD's total operations and maintenance funding obligations for facilities maintenance and repair, excluding family housing, declined by 38 percent on average in real terms.¹⁸ The Army had the

¹⁵Closures of installations with 300 or more civilian personnel authorized to be employed and realignments with respect to any military installation involving a reduction by more than 1,000 or by more than 50 percent in the number of civilian personnel authorized to be employed trigger the reporting requirements of 10 U.S.C. 2687.

¹⁶See, for example, *Defense Infrastructure: Challenges Facing DOD in Implementing Reform Initiatives* (GAO/T-NSIAD-98-115, Mar. 18, 1998).

¹⁷*Deferred Maintenance Reporting: Challenges to Implementation* (GAO/AIMD-98-42, Jan. 30, 1998).

¹⁸*Defense Infrastructure: Demolition of Unneeded Buildings Can Help Avoid Operating Costs* (GAO/NSIAD-97-125, May 13, 1997).

steepest decline of all the services, about 49 percent. Available data also indicated that, although servicewide maintenance and repair obligations had fallen about 38 percent over a 10-year period, the reduction in square footage of space owned and managed by the services was much less—about 10 percent.

Conclusions

DOD submitted the report required by the Congress and requested legislative authority for additional BRAC rounds. It stated that the rounds would close unneeded bases and free up resources for higher priorities. DOD provided most, but not all, of the information the Congress requested. Some data were not readily available. In other cases, DOD decided not to collect the detailed data that would be required to address specific sections of the act.

DOD used budget data previously presented to the Congress and subsequent obligational data to estimate costs and savings from prior BRAC actions and applied these to future BRAC actions. However, these estimates are not precise because DOD does not update or track savings estimates from BRAC rounds on a regular basis. DOD collected some new data for its excess capacity analysis, but the methodology it used did not compare capacity to future requirements or lend itself to identifying the types of installations that needed to be closed. Further, DOD's conclusion that military capability has not suffered adverse long-term effects because of BRAC actions appears to be reasonable. Finally, DOD's proposal for using processes used in prior BRAC rounds represents a good starting point for considering future BRAC legislation.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD concurred with our conclusions on savings from previous BRAC recommendations, remaining excess capacity, the impact of previous BRAC actions on military capability, and economic impact on local communities. In addition, DOD agreed that the process used to conduct prior BRAC rounds is a good starting point for considering future BRAC legislation. At the same time, DOD expressed three principal areas of major concern. These related to (1) whether DOD's report had completely addressed all reporting requirements, (2) the precision of savings estimates, and (3) how well DOD had identified excess capacity.

DOD disagreed with our assessment that it had not addressed all the legislative requirements of section 2824. According to DOD, in some cases it was not possible to provide some information and its report indicated the

reasons that it did not provide the information. Our assessment of whether all information was provided is presented in table 1. This table shows several areas in which DOD's report did not provide information as requested and additional areas where DOD could have provided more information. For example, DOD did not report estimated savings from future BRAC rounds by service as the legislation required.

In stating that the savings data it cited are the best available, DOD notes that the data are imprecise indicators of the actual savings. We have consistently recommended to DOD that it periodically update its savings estimates.¹⁹ However, absent additional efforts to update service savings estimates, the data presented may be the best available. If the efforts to improve future savings reporting DOD cites in its comments are successful, then DOD should be able to provide more accurate estimates in the future.

DOD took issue with our observation that it had not reported excess capacity by type of military installation across all DOD components. DOD believes that such an analysis of excess capacity was not required by the statute and, because of differences in types of installations among the services, was not practical to conduct. DOD said that reporting on excess capacity across all DOD components would have required an effort similar to a full BRAC analysis. DOD therefore reported on excess capacity by type of installation only within each military service and the Defense Logistics Agency. As discussed previously in this report, having an estimate of Department-wide excess capacity by type of military installation across all DOD components would have permitted a fuller assessment of excess capacity and would not have required a full BRAC analysis.

DOD's written comments are reprinted in appendix IV along with our additional observations on selected points. Our objectives, scope, and methodology are in appendix V.

We conducted our review between January and July 1998 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Senate Majority and Minority Leaders; the House Minority Leader; the Secretaries of Defense, the Army, the Navy, and the Air Force; the DOD Inspector General; and the Director, Office of Management and Budget. Copies will also be made available to others upon request.

¹⁹Military Bases (GAO/NSIAD-97-151, July 25, 1997).

This report was prepared under the direction of David R. Warren, Director, Defense Management Issues, who may be reached at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.

A handwritten signature in black ink that reads "Henry L. Hinton, Jr." with a stylized flourish at the end.

Henry L. Hinton, Jr.
Assistant Comptroller General

List of Congressional Committees

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

The Honorable Strom Thurmond
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable C.W. Bill Young
Chairman
The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on National Security
Committee on Appropriations
House of Representatives

The Honorable Floyd D. Spence
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on National Security
House of Representatives

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Abbreviations

BRAC	base realignment and closure
CBO	Congressional Budget Office
COBRA	Cost of Base Realignment Actions
DOD	Department of Defense
IG	Inspector General

Section 2824 Legislative Requirements and Presentation of Information in DOD's Report

Section 2824 of the National Defense Authorization Act for Fiscal Year 1998 (P.L. 105-85) set out required elements (subsection (b)) and methods of presentation (subsection (c)) for the Department of Defense's (DOD) report on base realignment and closure (BRAC) issues. Table 1 (see p. 4) summarizes the legislative reporting requirements for DOD's report, indicates where DOD's report provides the required information, and summarizes our assessment of the extent to which DOD's report provides the required information. This appendix discusses limitations in the level of detail and method of presentation in relation to the legislative requirements.

Assessment of Limitations in DOD's Response to Legislative Requirements

DOD's report provides most, but not all, of the information required by section 2824. In selected instances, certain information is either not provided or not provided in the level of specificity required. The following are our summary observations, grouped by topic, concerning information DOD provided in response to the reporting requirements and its rationale for why it was unable to provide required information in selected instances.

Costs and Savings of Prior BRAC Rounds

DOD responded to the requirement to provide costs and savings data in four different categories: (1) costs and savings of bases already closed or realigned during the previous four BRAC rounds, (2) costs and savings during the implementation periods for each of the four previous BRAC rounds, (3) net savings on an annual recurring basis after the BRAC implementation period, and (4) estimated costs and savings from two future BRAC rounds. While the legislation called for DOD to provide actual cost data, only estimated data was available.

DOD provided budget estimates and obligational data rather than actual outlay data in responding to provisions in subsection 2824(b)(1).¹ Also, DOD did not provide complete information in response to provisions in subsection 2824(b)(2) because it said complete information was not readily available to compare estimated costs by fiscal year, spending category, and installation type, in part because of the need to retrieve historical data and differences in the ways the services develop budget data. Similarly, DOD did not provide precise information required by subsection 2824(b)(3) and did not provide a similar comparison of savings. As we have previously noted, actual savings data do not exist (savings data

¹DOD financial regulations define obligations as amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment. They may be viewed as estimated rather than final costs pending liquidation of all obligations.

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are estimates), and the services generally have not updated their savings estimates regularly.

To respond to subsections 2824(b)(2) and (b)(3), DOD submitted a series of detailed tables on each base closure round, by service, type of facility, and funding activity (such as operations and maintenance, military construction, and the environment). DOD used the budget justification books it submitted to the Congress as the source of the projected costs and savings information in the BRAC accounts and for DOD costs outside of BRAC accounts. DOD officials indicated that data were not available on some indirect costs outside the BRAC accounts. What DOD termed actual costs are BRAC budget account obligations provided by the military departments, defense agencies, and the Defense Finance and Accounting Service.² We have not independently verified this data. DOD officials told us that they were not able to present obligations for the Navy or DOD agencies by type of installation because they develop their budgets by function rather than by installation.

In responding to subsection 2824(b)(2), DOD did not compare its budgeted costs and savings to DOD submissions to the BRAC commissions. DOD reported it could not meet this requirement because the estimates it submitted to the commissions were based on the Secretary of Defense's recommendations and were not the commissions' final, approved BRAC recommendations to the President and the Congress. According to DOD, differences in the Secretary's recommendations and the commissions' final BRAC actions created differences, sometimes significant, in costs and savings estimates. In addition, DOD's estimates of costs and savings submitted to the commissions excluded the costs associated with environmental restoration, since the BRAC criteria purposely excluded these costs as closure and realignment recommendations were developed. Environmental restoration costs were added to budget estimates for BRAC costs and savings after all BRAC actions became final.

In general, DOD provided information on presentation requirements in subsections 2824(c)(1) through (c)(8) where data were available, but often the information is incomplete. For example, DOD did not display its savings data by service, BRAC round, type of facility, fiscal year, and budget category as required because it had difficulty locating specific cost of base realignment actions (COBRA) analyses that were needed to develop complete comparisons. DOD did not have complete information available to compare costs by fiscal year, spending category, and installation type as

²Our prior work indicates that obligational data does not necessarily reflect actual final costs.

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required by subsections 2824(b) and (c). This type of comparison would require the specific COBRA analysis associated with each recommendation that the Secretary of Defense sent to the commissions (and each final COBRA analysis performed by the commissions).

DOD officials told us they did not provide the information prescribed in subsection 2824(c)(6) because data available did not allow health costs to be isolated from other costs. DOD also did not provide the required information in subsection 2824(c)(7), which required it to report savings attributable to changes in military force structure. According to a DOD official, BRAC accounts contained no costs or savings attributable to military force structure reductions. Finally, DOD did not provide the required information in subsection 2824(c)(8), which required it to show, by service, fiscal year, and type of facility, the savings due to lower support costs for military installations that were closed or realigned. DOD did, however, include an aggregate estimate of lower support costs in its savings estimates.

**Estimated Costs and
Savings From Future
BRAC Rounds**

DOD provided an estimate, by fiscal year, of costs and savings from two future BRAC rounds in response to subsection 2824(b)(10), but it did not report amounts by service. DOD did not report the aggregate estimate by service because, according to DOD officials, the costs and savings for each service would depend on the specifics of each individual base closure. Because DOD cannot predict the BRAC actions that would be approved for each service, DOD officials said they did not have a reliable basis for allocating future costs and savings among the services.

**Base Use and Economic
Recovery**

Costs for worker retraining under the Job Training Partnership Act are included in the report as required by subsection 2824(c)(5), but DOD did not include any expenses for its Priority Placement Program, which tracks job opportunities for civilians released for any reason but does not provide any retraining.

Excess Capacity

DOD did not provide an estimate of excess capacity as a percentage of types of military installations as required by subsection 2824(b)(5)(C). DOD gathered data on multiple categories of installations to determine the extent to which reductions in base structure since 1989 have kept pace with reductions in the force and its supporting services. DOD stated it did not develop an estimate of excess capacity across types of installations

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because the services categorize activities differently, which limits the usefulness of categories for analysis. In addition, the services sometimes used different measures of capacity on similar activities, so developing an overall estimate would not be possible.

DOD did not provide all the information required by subsection 2824(b)(7) to provide a description of the types of installations it would recommend for closure in the event of any future BRAC rounds. DOD's analysis of excess capacity was not comprehensive, which would make it difficult to identify specific bases that might be closed in future BRAC rounds. DOD stated it did not identify excess capacity by individual installation or make any distinction among installations that may be closed or realigned in any future BRAC round because it did not want to identify potential closure and realignment actions without benefit of a BRAC analysis. In addition, DOD officials told us that data collection associated with such an analyses would be prohibited by subsection 2824(f). DOD indicated that all bases would be considered for closure or realignment in future BRAC rounds.

Costs and Savings From BRAC Rounds

Estimated Costs and Savings Due to BRAC Actions

DOD's most recent budget submission indicates that the four previous BRAC rounds will cost about \$23 billion to implement from 1988 to 2001, will net about \$14 billion in savings during the implementation periods, and will produce annual recurring savings of about \$5.7 billion each year thereafter.¹ DOD's report indicates that net savings will be \$3.7 billion in fiscal year 1999.

DOD applies estimated savings to future annual budgets. However, DOD's method for including costs and savings in future budgets begins with BRAC estimates, and the services' and defense agencies' implementation budgets differ in important ways from the BRAC costs and savings estimates. For example, budget data are reported in inflated dollars, while estimates were expressed in constant dollars. Although components update cost data during the budget process, their budgets do not include environmental restoration costs after 2001 or costs not funded by DOD. Including these costs has the effect of reducing net savings or delaying the accrual of net savings.

DOD's Estimates of Prior Costs and Savings Data

For its report, DOD assessed its costs and savings data from several vantage points to affirm its position that prior BRAC rounds are saving billions of dollars in operating costs. These included (1) analyzing data drawn from DOD's annual budget submissions to the Congress, (2) completing what it termed a new analysis that relied heavily on an analysis of personnel reductions as a basis for estimating savings, and (3) summarizing reviews by external groups such as the DOD Inspector General (IG) and Army Audit Agency audits of selected BRAC rounds and BRAC actions.

DOD's Analysis of Its Budget Data

In the executive summary of its report, DOD used budget estimates and obligational data to conclude that actual one-time implementation costs for the prior BRAC rounds were close to or less than DOD's initial budget estimates; that actual DOD-wide costs for BRAC 1988 and BRAC 1993 bases through fiscal year 1997 were substantially less than DOD's original budget estimates; and that for BRAC 1991 and BRAC 1995 bases, actual costs were essentially equal to initial estimates.

DOD drew these conclusions from its analysis of its BRAC budget estimates and obligational data through fiscal year 1997. However, DOD's conclusions did not reflect the following key factors.

¹For fiscal year 1993 and thereafter, the BRAC 1990 legislation required that DOD submit annual budgets with estimates of costs and savings of each closure or realignment as well as the period in which savings were to be achieved.

DOD's implementation costs, especially for earlier BRAC rounds, have been much greater than originally expected because revenue from land sales has been substantially less than originally expected. DOD's report briefly noted the exclusion of revenues from land sales but did not explain its impact on DOD's costs. Likewise, our analysis shows that cost estimates have changed over time. For example, in the fiscal year 1997 budget, DOD projected total 6-year implementation costs for BRAC 1995 to be \$6.1 billion; in the current fiscal year 1999 budget, DOD projects that those same 6-year costs will be \$1 billion higher, or \$7.1 billion. Air Force officials recently told us that they have a requirement for approximately \$335.4 million in BRAC funding between fiscal year 1998 and 2003 to implement closure and realignment actions at Kelly Air Force Base, Texas, and McClellan Air Force Base, California. This funding has not been included in previous budget requests.

DOD's comparison of obligational data to budget estimates excluded additional direct BRAC implementation costs that were not funded through the BRAC budget accounts. DOD's report notes elsewhere that while such costs exist, they are a small percentage of BRAC costs. However, our analysis of DOD's fiscal year 1999 budget shows that they total \$936 million (4 percent) through fiscal year 2001. These costs, along with others noted below, cumulatively have an impact on total implementation costs and the timing of the accrual of net savings.

The budget estimates from which DOD drew its conclusions did not include an estimated \$2.4 billion in environmental restoration costs that DOD expects to incur beyond the 6-year implementation period ending in 2001.² The federal government has also incurred over \$1 billion in indirect costs for economic assistance to communities and individuals affected by BRAC actions. (This issue is addressed more fully later in this appendix.)

These issues do not negate the fact that DOD can expect substantial savings from BRAC, although they have had some effect on overall savings and, if included in DOD's accounting, would cause some increase in the time required for savings to fully offset costs.

²The current estimates of \$2.4 billion represent a reduction from the \$3.3 billion in environmental costs beyond 2001 that DOD projected in 1997. Based on a congressional request, we are preparing a separate report on BRAC implementation issues that will include a more in-depth discussion of environmental restoration issues.

**DOD's New Analysis of
Recurring Savings Starting
in 2001**

DOD conducted what it termed a new analysis to evaluate the budget estimate of annual recurring savings. From this analysis, DOD concluded that annual recurring savings from the four previous BRAC rounds could reach \$7 billion—\$1.4 billion more than previously indicated in its annual budget submission. DOD based these savings estimates on an analysis of military and civilian personnel reductions and associated support costs. In providing this new analysis, DOD was, in large measure, using personnel data drawn from its budget submissions and applying a standard cost factor to it to derive a new estimate of savings. While DOD's method is straightforward, the data on the cost of personnel it used to make the estimate are not precise. The services' personnel and accounting systems do not permit a complete tracking and validation of reductions apart from reductions made for other purposes.

DOD's analysis used personnel reduction figures of 70,969 civilians and 39,800 military positions eliminated as reported in its budget. Military and civilian personnel reductions account for 83 percent (\$5.8 billion) of the projected savings from DOD's new analysis.

DOD estimated personnel costs of \$48,000 in average annual pay and benefits per position for military personnel³ and \$55,000 in average annual pay and benefits per position for civilian personnel.⁴ However, average military pay does not reflect actual positions eliminated or the costs of all housing, education, commissary and exchange benefits, and average military personnel costs and savings could thus be understated. On the other hand, the average civilian cost was based on an average of all civilian employees wages and was not developed from data on bases closed by BRAC actions. Thus, savings from BRAC actions could be overstated because civilian personnel released in BRAC actions were low-wage employees, according to Office of the Secretary of Defense (Comptroller) officials. Additionally, DOD's new analysis also ignored some of the costs of civilian pensions and other personnel costs. The net effect of these factors is not clear.

Concerning the total number of military and civilian personnel reductions actually eliminated due to BRAC actions, the Army, the Navy, and the Air Force were able to provide us with some, but not complete, supporting

³Military compensation includes basic pay, bonuses, retirement, payroll taxes, unemployment insurance, and most permanent-change-of-station costs (administration for these costs is handled in a separate account). Other military personnel compensation costs include subsistence, medical, housing, education benefits, training, and base commissary and exchange privileges.

⁴Civilian compensation includes salary, locality adjustment, health coverage, life insurance, bonuses, payroll taxes, unemployment insurance, and pension contributions.

documentation that military and civilian positions eliminated as a result of BRAC actions were, in fact, fully eliminated from the services' end strength. Army BRAC and manpower officials indicated that they cannot tie specific BRAC actions to end strength reductions.

The Navy's budget and personnel systems do not track specific military personnel reductions at the installation level and the Navy, therefore, cannot document that its end strength was reduced. However, the Navy's budget system does track specific civilian personnel reductions at the base level.

Of the services, the Air Force was the most successful in linking military and civilian personnel reductions due to BRAC actions to its budget. The Air Force provided us with the most detailed documentation of manpower changes that supports its budget justification estimates. Nonetheless, civilian end strength reductions due to BRAC actions lose their visibility in the budget process because civilian end strength figures are included in the Air Force's operations and maintenance "base infrastructure changes" budget category and are not identified separately.

Audits of Costs and Savings Estimates

DOD's report cited three audit reports that it said confirmed the reasonableness of initial costs and savings estimates, two from the IG and one from the Army Audit Agency. The audits indicate that savings estimates are not precise.

The IG's report on bases closed during BRAC 1993⁵ found that for the implementation period, savings will overtake costs sooner than expected. DOD's original budget estimate indicated costs of \$8.3 billion and annual recurring savings of \$7.4 billion during the implementation period for a net cost of \$900 million. The IG review concluded that the costs potentially could be reduced to \$6.8 billion and that savings could reach \$9.2 billion, which would result in up to \$2.4 billion in net savings during the implementation period. The IG's report indicated that the greater savings were due to factors such as reduced obligations for one-time implementation costs (which were never adjusted to reflect actual disbursements), canceled military construction projects, and less of an increase in overhead costs than originally projected at a base receiving

⁵Audit Report: Cost and Savings for 1993 Defense Base Realignment and Closures, Department of Defense Office of the Inspector General, Report No. 98-130, May 6, 1998.

work from a closing base.⁶ Additionally, some undefined portion of the savings included personnel reductions. IG officials told us that they could not differentiate between force structure and BRAC reductions in examining funding reductions for personnel. Accordingly, we are uncertain about the extent to which the IG's report captures personnel savings attributed solely to BRAC actions.

The IG's review of selected BRAC 1995⁷ closures also showed great variation between budget estimates and implementation experience. DOD's report cited the IG's review of 23 bases closed during BRAC 1995 and noted that savings during the implementation period were overstated by 1.4 percent and costs were overstated by 4.3 percent of initial budget estimates. However, the IG's analysis excluded costs and savings from the two activities that were privatized in place.⁸

Our previous assessments of BRAC actions involving privatization in place have raised questions about whether these actions were cost-effective and whether they reduced excess capacity.⁹ For example, in our 1996 review of the Louisville privatization, we found that the Navy's plan for privatizing the workloads in place at Louisville would not reduce excess capacity in the remaining public depots or the private sector and might prove more costly than transferring the work to other depots.

Finally, DOD's report references the Army Audit Agency's July 1997 report on BRAC costs and savings.¹⁰ The Army Audit Agency concluded that savings will be substantial after full implementation for the 10 BRAC 1995 sites it had examined but that estimates were not exact. For example, the Agency reported that annual recurring savings beyond the implementation period, although substantial, were 16 percent less than the major commands' estimates.

⁶While the IG's report suggested unobligated balances could be liquidated to increase savings, DOD officials have stated, and we agree, that much of the funds may yet be required to implement BRAC actions. The Congress, in appropriating funds for base closure implementation, has given DOD the flexibility to allocate, reprogram, and redistribute unobligated funds, as appropriate, to complete BRAC implementation actions.

⁷Memorandum for Deputy Under Secretary of Defense (Industrial Affairs and Installations) from Inspector General, Department of Defense, March 20, 1998.

⁸The two installations were the Naval Air Warfare Center Aircraft Division, Indianapolis, Indiana, and the Naval Surface Warfare Center, Crane Division Detachment, Louisville, Kentucky.

⁹Air Force Depot Maintenance: Privatization-in-Place Plans Are Costly While Excess Capacity Exists (GAO/NSIAD-97-13, Dec. 31, 1996).

¹⁰Base Realignment and Closure 1995 Savings Estimates, U.S. Army Audit Agency, Audit Report AA 97-225, July 31, 1997.

Some BRAC-Related Costs Not Counted in Savings Calculations

DOD's report recognizes that some one-time costs, while not directly funded from BRAC accounts, are related to BRAC actions. These include, but are not limited to, costs federal agencies incurred for economic assistance to communities affected by BRAC actions and other indirect assistance costs directed toward providing individuals with unemployment compensation, early retirement and voluntary separation, and military health care benefits. To the extent that some of these costs are not considered in BRAC cost and savings computations, there is an overstatement of DOD-reported net savings attributable to BRAC actions and an extension in the time required for BRAC savings to outweigh costs.

The largest single category of costs that is not considered as a BRAC cost appears to be federal agency economic assistance to communities affected by BRAC actions. As noted in DOD's report, a number of federal agencies—DOD's Office of Economic Adjustment, the Department of Commerce's Economic Development Administration, the Department of Labor, and the Federal Aviation Administration—provide financial assistance to communities affected by BRAC actions. This assistance comes in numerous forms: planning assistance to help communities determine how best to develop base property, training grants to provide the workforce with new skills, and grants to improve the infrastructure on bases.

These funds are provided by federal agencies and are not in the BRAC accounts. DOD does not consider them as costs when computing net savings from BRAC actions. DOD data show that about \$955.9 million was provided to communities through assistance programs between 1988 and 1997. However, the amount of this assistance was about 10 percent higher than DOD reported, based on the data we reviewed.

As DOD's report indicates, additional BRAC-related costs are associated with unemployment compensation, early retirements and voluntary separations, and military health care. DOD's report suggests that unemployment compensation costs are difficult to measure and are expected to be relatively small for the four BRAC rounds (about \$90 million). DOD further estimates that the cost of early retirements at BRAC bases was \$107 million from 1989 to 1997, while voluntary separation costs are estimated at \$333 million from 1993 to 1997. For military health care, DOD recognized that the impact assessment was complex and stated that it was unable to provide the cost. Our examination of this issue indicates that it is difficult to separate BRAC-related costs from total defense costs for this assistance.

Costs and Savings Estimates for Future BRAC Rounds

To estimate the costs of two future BRAC rounds, DOD averaged the costs and savings from BRAC 1993 and BRAC 1995 and applied this average to the future implementation periods and beyond. DOD assumed costs and savings of the proposed 2001 round would begin in fiscal year 2002, and the proposed 2005 round would begin in fiscal year 2006. Each round would have an initial implementation period of 6 years (as estimated for the two previous rounds) and would begin to produce annual recurring net savings beginning in year 4. The estimated value of recurring net savings after year 6 is \$1.7 billion for each round, totaling \$3.4 billion (in fiscal year 1999 dollars) annually for years 2012 and beyond, when both future rounds are projected to be complete. DOD estimated future savings based on the assumption that future costs and savings will be similar to those of the BRAC 1993 and BRAC 1995 rounds.

While DOD's estimate may be appropriate for initial planning purposes, the precision of the estimate is limited by weaknesses in data and assumptions. First, DOD developed its projections using prior costs and savings data that, as we have indicated, have some limitations. Second, the notional size and characteristics of bases closed in previous BRAC rounds may not accurately depict future rounds, as stated in the DOD report. For example, the Quadrennial Defense Review report states that future rounds must also include laboratories and test ranges that support research, development, test, and evaluation. Third, DOD did not consider all costs associated with BRAC implementation, such as non-DOD costs, or the extent of environmental restoration and other costs that would be incurred beyond the 6-year implementation period. Finally, remaining bases may be more costly to close than the previous bases closed. In previous BRAC rounds, the military services often chose to close or realign bases being relatively less expensive to close and requiring shorter time periods for savings to offset the closure and realignment costs. Therefore, costs for future closures may be higher than the average cost of previous rounds.

DOD's Methodology for Identifying Excess Capacity

DOD measured increases in excess capacity in a number of categories over time for a sample of bases. We reviewed the sample selection and capacity analysis methodology. Our observations below indicate that DOD's analysis provides only a rough indication of excess capacity that continues to exist.

Sample Base Selection

DOD provided its fiscal year 1996 base structure report, which details numbers and locations of major bases, as a starting point for the military services to use in selecting bases for their excess capacity analyses. The report identifies 495 bases as DOD's domestic base structure baseline as of September 1989 and indicates 398 bases will remain after the four BRAC rounds have been completed in 2001. The services did not rely completely on the base structure report to select bases for the capacity analysis because they did not agree with the information as presented or opted to use more current information.

DOD's Methodology for Its Analysis of Excess Capacity

The 1998 act required DOD to estimate the current excess capacity at military installations as a percentage of the total capacity of all military installations, each service, and types of installations. DOD addressed the first and second of these requirements by comparing capacity relative to the force structure in 2003 with capacity relative to the force structure in 1989 for DOD, for each service, and for types of installations within each service. The types of installations included were not the same for each service. Also, capacity was often measured differently for each service. For example, the Air Force and the Army reported data for test and evaluation facilities in terms of physical space (square feet), while the Navy reported its capacity for test and evaluation facilities in terms of workyears. As a result of both these variances, DOD did not report excess capacity as a percentage of the total capacity of types of installations as required.

To perform the capacity analysis, the services compared capacity in a sample of 371 bases in 1989 to the capacity for 259 bases that will remain in 2003 after all scheduled BRAC actions are implemented. The sample included most installations with over 300 authorized civilians and a small number of additional bases considered significant because of factors such as location or military function. The services then categorized the bases according to their primary missions and defined indicators of capacity, or metrics, for each category. Varied metrics were used as surrogates for defining capacity. For example, metrics included maneuver acres per maneuver brigades for Army training bases, square feet of parking apron

space per aircraft for Air Force bases, or capacity direct labor hours compared to budgeted or programmed direct labor hours for Navy aviation depots. For several categories of bases, DOD used two metrics that established a range of potential excess capacity based on the different indicators' values.¹ DOD divided the metric by measures of force structure to determine a ratio and calculated the extent to which the ratio of capacity in 2003 exceeded the ratio in 1989. DOD then weighted and averaged each categories' excess capacity to create a range—minimum and maximum—for each service. The weighted totals were averaged to give an overall increase in excess capacity of 23 percent.

By using 1989 as a baseline, DOD did not take into account the excess capacity that existed in that year (prior to closing bases in previous BRAC rounds); as a result, the percentage of increased excess capacity reported understated actual excess capacity by an unknown amount for some categories and may have overstated excess capacity for others. For example, while DOD's analysis shows no increase in the excess capacity between 1989 and 2003 in the category of Army depots, our previous work has shown—and DOD officials have agreed—that DOD has excess depot capacity. At the same time, the analysis could overstate actual excess capacity to the extent there was a deficit of capacity in 1989. For example, the analysis shows a 16-percent increase in excess capacity in Marine Corps bases. As the report explains, the Marine Corps acquired additional acreage during the 1990s to meet shortfalls. However, the methodology DOD used does not recognize this increase in capacity as a valid requirement.

DOD only computed increases as indicating excess capacity after force structure reductions and BRAC closings. Therefore, decreases in capacity are termed “no increase.” For example, DOD's analysis shows that excess depot capacity decreased slightly, by 6.2 percent, but this is labeled “no increase” rather than a decrease.

¹Two metrics were used in cases where more than one resource was identified as important in measuring capacity. For example, the Air Force used both classroom space and parking apron space as metrics for its education and training category because each represents a different capacity requirement.

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



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6 October 1998

Mr. David R. Warren
Director, Defense Management Issues
National Security and International Affairs Division
United States General Accounting Office
Washington, DC 20548

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) Draft report, "MILITARY BASES: Review of DoD's 1998 Report on Base Realignment and Closure," dated July 29, 1998, (GAO Code 709325/OSD Case 1660). The DoD agrees with many of the report's most important findings, while taking exception to some of its subordinate findings.

The DoD fully agrees with the report's affirmation that past base realignment and closure (BRAC) recommendations will result in substantial savings once implementation costs have been offset and net savings begin to accrue. DoD also fully agrees with the GAO report's endorsement of prior GAO work supporting the conclusion that DoD continues to retain excess capacity. These important conclusions were further substantiated by the Congressional Budget Office's (CBO) separate assessment of the DoD report, issued July 1, 1998. The CBO report stated that the BRAC report provided credible estimates of excess capacity and annual recurring savings from both current and future BRAC rounds. DoD is in full agreement with the report's finding that previous BRAC actions have not negatively impacted military capabilities in the long term. Finally, the DoD also agrees with the report's assessment that communities affected by BRAC appear to be rebounding economically and the process used to conduct BRACs 1991-1995 is a good template for conducting future BRAC rounds.

But the DoD disagrees with other of the report's comments and assessments. The most important of these differences concern 1) whether DoD completely addressed all reporting requirements, 2) savings estimates, and 3) the excess capacity analysis.

The DoD made every effort to address each of the reporting requirements in Section 2824. In some cases, as even the GAO has previously included in their assessments, the data needed to address these requirements either no longer existed or was not collected in sufficient detail. Wherever that was the case, the reason was noted in the report. In regard to GAO's comment that savings data were imprecise, the DoD report states these data are the best available. While DoD has already acted to strengthen future savings reporting, tracking savings,



See pp. 15-16.

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as indicated in the report, is an exceedingly complex undertaking. Finally, DoD's excess capacity analysis fully responded to the report requirement and is an excellent indicator of excess capacity relative to pre-BRAC 1989 levels. DoD's report acknowledges that its method may have *understated* the extent of its excess capacity, as GAO pointed out in its report. However, as noted in the DoD report, only an actual BRAC analysis can determine an absolute measure of excess capacity and, absent new BRAC authorization, such an analysis was not undertaken.

The authorization to conduct future BRAC rounds remains critical to modernization and readiness. The DoD appreciates GAO's efforts in validating that excess capacity remains, that BRAC has and will continue to produce savings, and that the draft legislation forwarded to Congress provides a good starting point for future authorization. Additional comments are provided in the enclosure to this letter.

Sincerely,



John B. Goodman
Deputy Under Secretary
(Industrial Affairs & Installations)

Enclosure

DoD RESPONSE TO
GAO DRAFT REPORT - DATED JULY XX, 1998
(GAO CODE 709325) OSD CASE 1660

“MILITARY BASES: REVIEW OF DoD’S 1998 REPORT ON BASE REALIGNMENT AND CLOSURE”

1. GAO Assessment: The Department’s report to the Congress addresses most, but not all, of the reporting requirements set forth in section 2824 of the National Defense Authorization Act for fiscal year 1998.

DoD Response: Non-concur. The Department addressed all of the Section 2824 reporting requirements, which stipulated that cost and savings information should be provided “to the extent available for prior fiscal years.” Where information was not provided as specifically requested, the Department either addressed why the information could not be provided in the report, or acknowledged where it was impossible to do so as the information does not exist. In no case did the Department fail to address the reporting requirements. In attempts to secure all relevant information, the Department searched for historical BRAC data within the various offices of the OSD staff, Military Service headquarters and field commands, the GAO headquarters, the Center for Naval Analyses, and the Washington area National Records Center. All requirements were addressed. For example:

- In place of providing “actual” savings data, the Department provided “estimated” savings data, because actual savings data did not exist. Savings are estimates only and viewed strictly as “cost avoidances,” a viewpoint acknowledged within the GAO assessment and previously substantiated by the Congressional Budget Office in their separate assessment of our BRAC report. The Department does not have an accounting system to track “actual” savings, nor would it be feasible to implement such a system. This position remains the same as noted in the Department’s February 14, 1996, response to the GAO audit, *“Military Bases: Closure and Realignment Savings Are Significant, But Not Easily Quantifiable.”*
- The Department did not provide a response to Section 2824(c)(7) requirements on those savings attributable to force structure reductions because it is the Department’s policy to exclude any such savings from BRAC accounting. This position remains the same as noted in the Department’s February 14, 1996, response to the GAO audit *“Military Bases: Closure and Realignment Savings Are Significant, But Not Easily Quantifiable.”* The Department acknowledges that it is most challenging to separate BRAC savings from those savings attributable to force structure reductions. However, to the extent it is possible to do so during the detailed Service BRAC analyses, those force structure reduction savings are purposefully excluded from BRAC accounting.
- The Department could not provide a complete response to Section 2824(b)(2) requirements on actual costs and savings comparisons to estimates provided the Commissions. In some

See comment 1.

cases, either the historical Cost of Base Realignment Actions (COBRA) data was no longer available, or the differences in the way the Services develop their budgets precluded a complete comparison by “type installation.”

- The Department could not provide a complete response to Section 2824(c)(6) requirements on isolating costs associated with military health care BRAC impacts because, as noted in the BRAC report, current resource and accounting systems do not collect or report the required data. The GAO assessment acknowledges that it is difficult to separate BRAC from other beneficiaries of this health care assistance. We are currently working to better understand and model BRAC impacts on the military health beneficiary population. Full implementation of TRICARE will make this modeling easier.
- The Department did not provide a complete response to Section 2824(b)(10) on allocating estimated costs and savings from future BRAC rounds by fiscal year *by Military Service*. As noted in our report, which the GAO assessment acknowledges, we did not allocate these amounts by Military Service because we have no basis for doing so without the benefit of detailed Service BRAC analyses leading to recommendations of which bases to close or realign. Service costs and savings are inexorably linked to these specific recommendations.

See comment 2.

2. GAO Assessment: While costs for BRAC actions are updated annually through the DoD’s budget process, DoD has not required the Military components to update initial savings estimates.

See comment 3.

DoD Response: Partially concur. The Department has always required the Military Services to update both costs and savings data on a recurring basis, especially during the budget process. This requirement is routinely reinforced during meetings between Service and OSD staffs. The Department acknowledges that the record of updating initial savings estimates based on BRAC implementation experience has not been as consistent across all Services as desired. This is caused primarily by the lack of a formal “savings” accounting system mentioned previously in our response to item number one above. We have recently reinforced that requirement with current guidance, which addresses this and other deficiencies related to the timely update of both cost and savings data. In his 26 May 1998, memorandum to the Military Services, the Comptroller reminded the Military Services of the requirements to:

- Promptly reconcile reported BRAC obligations and disbursements with source documents in coordination with the Defense Finance and Accounting Service
- Periodically review outstanding obligations and promptly adjust obligations when final costs are known
- Retain all historical records documenting adjustments to operating budgets resulting from base realignments and closure for a minimum of five years following the expiration of the BRAC account

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- Reconcile the costs of actual workload increases at gaining activities used to offset reduced base realignment and closure budget savings estimates, especially for closed industrially funded installations
- Reconcile the number and cost of military and civilian personnel authorization reductions reported in the Base Realignment and Closure Cost and Savings exhibit and update as appropriate
- Retain documentation on both full and partial cancellations of programmed, authorized and appropriated military construction projects and report associated savings from cancellations in the BRAC (BC-02) exhibit
- Update the annual budget estimates submission to reflect revised cost and savings data from the above six items.

This guidance will be incorporated in the next revision to the Financial Management Regulation.

3. GAO Assessment: The DoD estimated future savings based on the assumptions that future costs and savings will be similar to those of the BRAC 1993 and 1995 rounds. While DoD's estimate may be appropriate for initial planning purposes, its precision is limited by weaknesses in data and assumptions. For example:

- Some of the prior cost and savings data have some limitations as noted previously in this assessment.
- The notional size and characteristics of bases closed in previous BRAC rounds may not accurately depict future BRAC rounds. Future rounds might include laboratories and test ranges supporting RDT&E efforts, which are more costly to close.
- DoD did not consider all costs associated with BRAC implementation, such as non-DoD costs, or the extent of environmental restoration and other costs that would be incurred beyond the six-year implementation period.

DoD Response: Non-concur. DoD's savings projections are based on historical data and represent the best approach to forecasting future BRAC savings. Projections based on other than historical data would be much more questionable. As noted in the Department's BRAC report, the estimates of future costs and savings are broadly based, and they are intended to provide a planning assessment only. While the Department does have confidence in all the data, the quality of savings data can be improved to further enhance the results of our estimating analyses. The Department's response in items number one and two above acknowledges this limitation in

See comment 4.

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securing more precise savings data, considering the accounting systems currently available, and outlines the steps the Department has taken to reduce the impacts of this limitation.

The Department agrees that future BRAC rounds could contain recommendations to close more RDT&E facilities than characterized in the BRAC 1993 and 1995 rounds. But that does not necessarily mean, as implied in the GAO assessment, that the average *net* cost of future BRAC rounds will be higher than estimated. While the Department may experience higher costs to relocate expensive laboratory equipment and construct or modify more demanding facilities, the financial impacts of RDT&E consolidation efforts should provide higher operational and maintenance (O&M) cost avoidances than experienced in these previous BRAC rounds, on average. In the long run, these higher O&M costs avoidances, or “savings,” would most likely more than offset the higher initial costs, therefore *increasing* the estimated annual recurring savings estimates already noted in the Department’s BRAC report.

The Department’s estimated costs for future BRAC rounds, including environmental cleanup costs, were confined to the six-year implementation periods for each round. They did not include costs for federal agency economic assistance, nor did they include costs beyond the implementation periods for residual environmental cleanup. These types of costs are highly “site specific.” Without the benefit of full analyses associated with every authorized BRAC round, the Department does not have a reasonable basis for determining economic impact or the scope of residual environmental cleanup. These costs, which are a relatively small percentage of total costs, were noted in the BRAC report for “current BRAC” sites, because the Department can be more precise with known installations.

4. GAO Assessment: DoD’s implementation costs, especially for earlier BRAC rounds, have been much greater than originally expected because revenue from land sales have been substantially less than originally expected.

DoD Response: Partially concur. The Department acknowledges that initial, anticipated land sale revenues were somewhat overstated. This reflects two important considerations. First, it reflects the Department’s “learning curve” bias associated with the true value of properties (assumed a greater return). Second, it reflects a change in policy, whereby the emphasis has shifted from how much benefit the Department can realize from land sales to how much the Department can assist communities recover from the economic impacts of base closures. The new policies result from new statutory authority to transfer properties at less than fair market value for job creation purposes.

However, these initial estimating errors had no effect on reporting costs and savings to date, or estimating costs and savings for future BRAC rounds, in the BRAC report. Because these revenues were so variable, all reported costs associated with current BRAC rounds are exclusive of land sale revenues. Land sale receipts eventually totaled only \$120 million as of December 1997.

See comment 5.

See comment 6.

See comment 7.

5. GAO Assessment: Because of differences in the types of installations among services and the way capacity was measured, the Department did not report capacity as a percentage of the total capacity by types of installations, such as the total capacity in all depots across all Military Services, *as required* (emphasis added).

DoD Response: Non-concur. The Department views this critique as a difference in interpretation of reporting requirements and methodology, rather than as a deficiency in adherence to reporting requirements. In appendix E of the report, the Department provided detailed analyses of excess capacity by “type” of installation for each Military Service. Installation types for one Military Service do not always cross reference to the same type in other Services, oftentimes requiring the use of different metrics for similar, but different, missions. Also, as noted in the report, excess capacity analyses assigned each base to only one installation type or category. In fact, most bases support more than one mission category.

To provide excess capacity by type installation across all Military Services, the analyses would have required detailed data calls and cross service team analysis akin to a full BRAC analysis, similar to that conducted during previous BRAC rounds. Such an analysis could not be conducted without statutory BRAC authority.

6. GAO Assessment: The DoD did not present a description of the types of installations that would be recommended for closure or realignment, by service, in one or more future BRAC rounds, as required. Rather, DoD indicated that all bases would be considered for closure or realignment in any future BRAC round.

See comment 8.

DoD Response: Non concur. The Department’s excess capacity provides an excellent indication of areas of excess capacity exist relative to 1989 levels. This fully addresses the reporting requirement, but, as pointed out in the report, is not appropriate for selecting individual bases or categories for realignment or closure. No analysis, other than an actual BRAC analysis can predict each type or category of installation, because only a BRAC analysis can compare installation capacity with absolute requirements for that capacity. To provide such predictions, the Department would need to use detailed, base-by-base analyses that address the many factors considered in a detailed BRAC analysis. Such an analysis could not be conducted without statutory BRAC authority.

The GAO assessment characterized the Department’s viewpoint as “having some merit.” Their alternative approach for providing a clearer picture of excess capacity, within the broader context of a strategic plan, while having some merit as well, does not relieve the Department of the requirement to conduct more detailed, specifically authorized analyses. Our excess capacity analyses demonstrate that future BRAC rounds are sufficiently warranted. At that time, all bases would be considered for closure or realignment within the context of greater analytic scrutiny.

7. GAO Assessment: Using 1989 as a baseline, DoD did not take into account the excess capacity that existed in that year (prior to closing bases in previous BRAC rounds). As a result, the percentage of increased excess capacity reported understated actual excess capacity by an unknown amount for some categories and may have overstated excess capacity for others.

DoD Response: Concur. The Department views this critique as a difference in methodology rather than as a deficiency in adherence to reporting requirements. The intent of the analyses was to show a relative increase in excess capacity across the Department using the 1989 baseline. It was not necessary to precisely measure the excess capacity that may have existed in 1989. Rather, the primary concern is isolating the overall direction that a capacity analysis is taking. Sufficient or excess capacity existed in 1989, and the Department's report notes that assumption. The Department is aware that excess capacity *continued* to exist even considering the effects of BRAC 95 recommendations. This viewpoint is supported by the GAO in their report "*MILITARY BASES: Analysis of DoD's 1995 Process and Recommendations For Closure and Realignment,*" in which the GAO states that "excess infrastructure is expected to remain after the 1995 BRAC process is completed, even if all of DoD's recommendations are approved." Using the most appropriate excess capacity methodology, the Department estimates that it has about 23 percent excess base capacity across the Military Services.

More detailed capacity analyses during future BRAC rounds will allow the Department to accurately gauge the extent of excess capacity relative to current mission requirements. An overstatement of excess capacity in the Department's BRAC report for selected base categories would not materially affect the overall results. If we have understated the extent of our excess capacity, as suggested by the GAO assessment, then we have even further justification for seeking new BRAC authority.

The following are GAO's comments on DOD's letter dated October 6, 1998.

GAO Comments

1. We revised our report language to clarify our point that DOD did not provide all of the information required by section 2824. In some cases, DOD explained why it could not provide such information, and we noted these reasons in our report. However, we pointed out other cases in which required information was not provided without any explanation from DOD. In its comments, DOD maintained that it addressed all requirements and provided explanations for why it did not provide all of the required information. Yet, in some other instances DOD's report did not provide required information and was silent on the reasons.

2. DOD could have allocated future costs and savings from future BRAC rounds by fiscal year and by military service by applying the same methodology it used to estimate the total costs of future rounds, that is, using the costs and savings from previous rounds by service and applying them to future rounds by service. As noted in our report, DOD's rationale for not allocating estimates of future costs and savings by service was that it had no basis on which to allocate these costs. This rationale that past costs may not be like future costs is applicable to the aggregate estimate as well. Allocating estimates by service could have been done and would have met the legislative requirements, although how useful that information would have been is unclear, given limitations we noted with the aggregate estimate.

3. We clarified our report to indicate more clearly that the military services have seldom updated cost and savings data, even though DOD may have requested that the services conduct such updates.

4. While our report does not disagree with DOD that using historical data as a basis for projecting future costs is a reasonable approach, we point out weaknesses in the data and DOD's assumptions about future BRAC rounds that make it unlikely that future costs will mirror costs from previous BRAC rounds. For example, during the last BRAC round, relatively lower implementation costs and quicker offset of closure costs were frequently factors in DOD's closure and realignment decisions. Our intent is to suggest that there are reasons to expect greater costs to close bases during any future implementation period than during previous BRAC rounds because many bases with lower implementation costs and quicker offset of closure costs have already been realigned or closed. DOD agreed that costs are likely to be higher than in previous BRAC rounds. These costs could reduce

the net savings achieved during the implementation period. Nevertheless, we believe there still can be significant savings from future BRAC rounds.

5. While we believe there can be significant savings from future BRAC rounds, we point out in our report that the future costs DOD estimated do not include costs that extend past the 6-year implementation period. DOD's comments offer a fuller explanation of why it did not include such costs in its estimates.

6. DOD's comments provide a fuller explanation of DOD's experience with revenue from land sales.

7. DOD took issue with our statement that it had not reported excess capacity by type of military installation across all of the services, as required. DOD believes that such a breakdown of excess capacity was not required by the statute and, because of differences in types of installations among the services, was not practicable to include in the report. DOD therefore reported on excess capacity by type of installation only within each military service. The requirement in section 2824(b)(5)(C) to report excess capacity by "type of military installations" is not limited, however, to types of installations within the services. Rather, we believe that the section contemplated a DOD-wide approach because it does not specify that the information should be provided by service.

8. In its comments, DOD indicated that its analysis of excess capacity provides the required information on the types of bases that might be closed in future BRAC rounds by providing an indication of areas where excess capacity continues to exist relative to 1989 levels. DOD reiterated that it would need to use the detailed analyses typical of a BRAC round to identify specific bases that might be closed or realigned. While we agree that more detailed analyses would be required to identify individual bases to close or realign, DOD could have been clearer about the types of bases that might be closed or realigned if it had a strategic plan that delineated future requirements, excess capacity, and plans for revitalizing remaining infrastructure.

Objectives, Scope, and Methodology

To provide our analysis of DOD's report on base realignment and closure, we made an overall assessment of DOD's responsiveness to the individual section 2824 reporting requirements and assessed individual reporting topics, including the costs and savings from prior BRAC rounds and estimated costs and savings from future BRAC rounds, the impact of prior BRAC rounds on military capabilities, excess capacity, base reuse and economic recovery of communities affected by BRAC actions, and processes DOD would use to select bases for closure or realignment should further BRAC rounds be authorized.

To assess DOD's estimates of the costs and savings associated with previous BRAC rounds, we reviewed the methodology and original budget justification estimates DOD provided to the Congress. For BRAC 1988 and BRAC 1991 inputs, we interviewed representatives of the Logistics Management Institute, which assisted DOD in developing its report and new analysis, to obtain information on how they developed the new analysis of costs and savings estimates. For BRAC 1993 and BRAC 1995 inputs, we interviewed DOD IG officials and reviewed IG documents, which were used to support DOD's estimates. Also, we compared DOD's conclusions with our previous work on BRAC costs and savings, information previously reported for certain BRAC actions and accounts, and the fiscal year 1999 Future Years Defense Program. In addition, we discussed the costs and savings estimates with DOD program and financial officials.

We reviewed certain costs related to BRAC that are not contained in the BRAC budget. To assess federal agencies' economic assistance provided to communities, we met with representatives of the Logistics Management Institute to discuss data sources and reliability. We compared data DOD gathered from other agencies with our own analysis of agency data on unemployment compensation, early retirements and voluntary separations, and military health care.

We verified that DOD's military and civilian personnel reduction numbers generally matched those reported in DOD's budget justification estimates and discussed with DOD and service officials how personnel reductions are captured in budget documents. We tested the accuracy of savings estimates attributed to military and civilian personnel reductions by asking each of the services to select one example of a base closure from each of the four previous BRAC rounds and provide supporting documentation, if available, that personnel were, in fact, reduced from the services' end strengths as a result of these BRAC actions. Similarly, we asked the services to provide the same information for each base closure in BRAC 1993,

because that BRAC round represented the most complete data. (Data from 1988 and 1991 is incomplete, and BRAC 1995 is still being implemented.) However, the services were unable to provide complete supporting documentation to track these personnel reductions through the budget process because they do not have adequate systems to fully separate BRAC actions from other reductions. Thus, the services were unable to fully document the extent to which authorized end strengths of military and civilian personnel were actually reduced as a result of BRAC actions versus other actions.

To analyze DOD's estimate of potential costs and savings from future BRAC rounds, we examined DOD's methodology and assumptions. We did not verify the accuracy of the estimates of previous costs and savings because, as DOD's report points out, data on actual savings do not exist. We traced the estimated net costs from DOD's analysis of future costs and savings to its 1999-2003 Future Years Defense Program.

To assess DOD's conclusions about the impact of base closures on military capabilities, we discussed the analysis with Joint Staff officials and reviewed documentation on the analysis' methodology. We reviewed previously published studies and reports, which formed the basis for the report's conclusions, including the Quadrennial Defense Review, the Defense Reform Initiative, and our previous reports. We also discussed the report's conclusions with Joint Staff officials and reviewed comments from the Commanders of the Special Operations Command, the Pacific Command, and the Transportation Command.

To assess DOD's statements on base reuse and economic recovery, we relied on the results of our prior and ongoing work. We have been requested to provide a separate report that includes an assessment of the economic status of communities affected by BRAC actions and address other BRAC issues.

To assess DOD's estimates of excess capacity, we interviewed DOD and service officials and reviewed documentation describing DOD's methodology. We verified DOD's calculations of increases in excess capacity, but we did not independently verify the data reported by the services. To understand how DOD developed its sample of bases for its analysis, we interviewed service officials and compared the sample bases with previously reported base structure plans. We reviewed documentation pertaining to sample bases and the comparison of the ratio of capacity to force structure in 1989 and 2003. We compared the

Appendix V
Objectives, Scope, and Methodology

conclusions of DOD's current analysis with previously reported measures of excess capacity. We discussed the analysis and its conclusions with DOD and service officials.

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