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ARMED SERVICES COMMITTEE

STATEMENT OF
H. T. JOHNSON
ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)
BEFORE THE
SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT
OF THE
SENATE ARMED SERVICES COMMITTEE
ON
06 MARCH 2003

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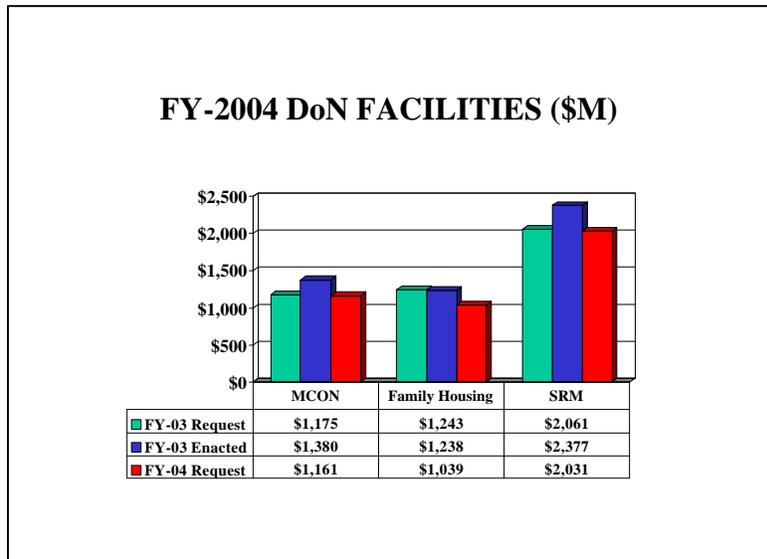
Mr. Chairman and members of the Committee, I am H.T. Johnson. While I have recently been designated as the Acting Secretary of the Navy, I am also the Assistant Secretary of the Navy (Installations and Environment), and it is in this latter capacity that I appear before you today to provide an overview of the Department of the Navy's shore infrastructure programs and environmental efforts.

FY-2004 Budget Overview

Before his recent departure to the Department of Homeland Security, Secretary of the Navy Gordon England articulated several overarching Department of Navy goals for the FY-2004 budget:

- Successfully prosecuting the global war on terrorism while sustaining our current readiness;
- Recapitalizing and transforming our Navy and Marine Corps to meet the challenges of the future;
- Fully networking our forces at sea and ashore to operate seamlessly in a joint environment;
- Continuing to invest in our Sailors and Marines; and
- Sustaining the quality of our operational training.

I believe the FY-2004 Department of Navy's budget request meets all of these goals and represents a successful balance between funds needed to operate, recapitalize and transform our fleet assets with funds needed to do the same for our shore installations. Allow me to provide you with an overview of our budget, with further details to follow later in this statement.



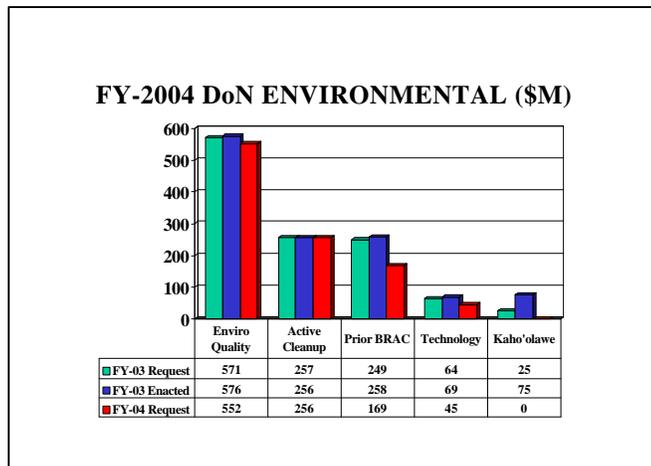
FY-2004 Budget Overview

Our FY-2004 Military Construction, Family Housing, and Sustainment, Restoration and Modernization (SRM) request of \$4.2 billion is \$764 million below the FY-2003 enacted amount, but generally on par with our FY-2003 budget request. Looking at the individual components, the FY-2004 Military Construction, (MCON) Navy (active + reserve) request is a very robust \$1.16

billion, similar to the FY-2003 request. I note that the FY-2003 enacted amount includes \$236M in one-time combating terrorism projects that were part of the FY-2003 Supplemental request. These projects met the criteria for military construction and were included in the FY-2003 MCON appropriation.

We have reduced our FY-2004 Family Housing, Navy request by 17 percent compared to the FY-2003 enacted amount or 16 percent compared to our FY-2003 request. However, expanded use of our housing privatization authorities, and increases to the Basic Allowance for Housing (BAH), which makes housing in the community more affordable, allow us to still meet the Department of Defense goal of eliminating inadequate homes by FY 2007. Sustainment, Restoration and Modernization (SRM) funding¹ is down 15 percent compared to the enacted level, a reflection of overall affordability within the Secretary's priorities. Compared to our FY-2003 request, the FY-2004 request represents a 1.5 percent reduction.

Our FY-2004 request for environmental programs totals \$1.0 billion, a reduction of about \$200 million from the FY-2003 enacted level and a 12 percent reduction from our FY-2003 request. Much of the reduction is due to the completion of cleanup on the island of Kaho'olawe, a former Naval bombing range in Hawaii. Title X required the Navy to conduct a 10-year cleanup, which will end on 11 November 2003. We are working to transition full control of the island to the State of Hawaii.



The decline in Technology investments is due to the completion of environmental research to retrofit non-ozone depleting equipment. This equipment is now being installed on ships. Our must-fund environmental cleanup requirements for bases closed under the Bases Realignment and Closure rounds in 1988, 1991, 1993, 1995, which I will refer to as Prior BRAC², are less in FY-2004 than in FY-2003, while cleanup at active bases is unchanged from FY-2003.

¹ Refers only to the Operations and Maintenance portion of SRM.

² Prior BRAC amounts shown in the graphic are only for environmental cost, and exclude \$12M in FY-2003, \$11M in FY-2004 for caretaker costs, which are a portion of the Prior BRAC budget request. The FY-04 budget request includes \$68M in expected land sale revenue to be applied to cleanup Prior-BRAC bases.

Environmental Quality (EQ) includes funds for compliance with existing environmental standards, pollution prevention, and conservation of natural and historic resources on Navy and Marine Corps Bases. Approximately half of these funds are for routine functions such as personnel salaries, environmental permits and fees, environmental sampling and laboratory analyses, and hazardous waste disposal costs, while the rest are for one-time projects. The decline in environmental quality funds is due to the completion of one-time pollution prevention projects and a reduction in equipment purchases.

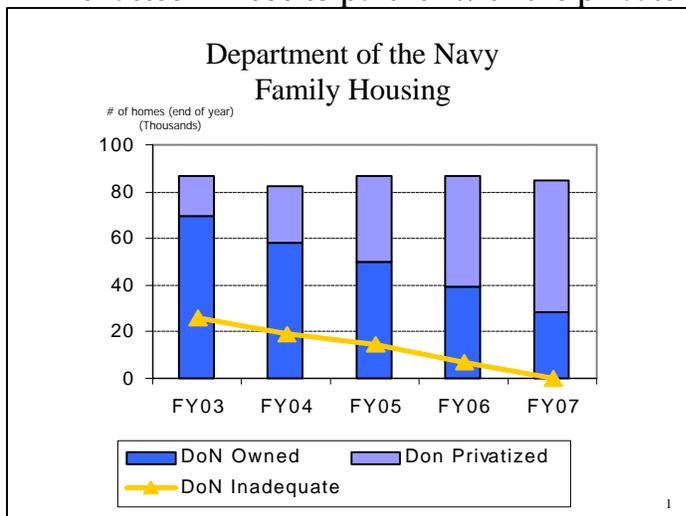
HOUSING

We have made a special effort in this budget to maintain progress on improving the quality of housing for our Sailors and Marines.

Family Housing

Our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector. In accordance with longstanding Department of Defense and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community. Our bases have housing referral offices to help newly arriving families find suitable homes in the community.
- Public/Private Ventures (PPVs). With the strong support from this Committee and others, we have successfully used statutory PPV authorities enacted in 1996 to partner with the private sector and meet our housing



needs, in part, through the use of private sector capital. These authorities, which I like to think of in terms of public/private partnerships, allow us to leverage our own resources and provide better housing faster to our families.

- Military Construction. Military construction will continue to be used where PPV authorities don't apply (such as overseas), or where a business

case analysis shows that a PPV project is not financially sound.

The Department remains on track to eliminate the inadequate family housing units we own by FY 2007, in large measure because we have increased our

emphasis on privatization. We will be able to eliminate almost two-thirds of our inadequate inventory through the use of public/private ventures. As of 1 February, we have awarded eight projects totaling almost 6,600 units. During Fiscal Years 2003 and 2004, we plan to award projects totaling over 17,000 homes at ten Navy and Marine Corps locations. This will allow us to improve our housing stock and provide more homes to Sailors, Marines and their families much faster than if we relied solely on traditional military construction.

Another important factor is the continuing initiative to improve the basic allowance for housing (BAH). With higher BAH, our members are finding suitable, affordable housing in the private sector. This, in turn, reduces the need for military housing, thus allowing us to divest ourselves of excess, inadequate units in our inventory.

Bachelor Housing

Our budget request of \$269 million for Bachelor Quarters construction projects continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. There are three challenges:

1. Provide Homes Ashore for our Shipboard Sailors. There are approximately 18,100 Sailors worldwide who are required to live aboard ship even while in homeport. This requirement is less than reported last year because of a recent change to Navy policy allowing unaccompanied E4s to live off base. This new policy is tied to the FY-2001 National Defense Authorization Act that authorized the payment of BAH to E4s without dependents who are assigned to sea duty. The Navy continues to project that it will be able to achieve its "homeport ashore" initiative by FY-2008 by housing two members per room. Our FY-2004 budget includes two "homeport ashore" projects. One represents the second increment of a Norfolk, VA project that will provide a total of 500 spaces. The second project would construct 500 spaces for shipboard Sailors at San Diego, CA.
2. Ensure our Barracks Meet Today's Standards for Privacy. We are continuing our efforts to construct new and modernize existing barracks to provide increased privacy to our single Sailors and Marines. The Navy applies the "1+1" standard for permanent party barracks. Under this standard, each single junior Sailor has his or her own sleeping area and shares a bathroom and common area with another member. To promote unit cohesion and team building, the Marine Corps was granted a waiver to adopt a "2+0" configuration where two junior Marines share a room with a bath. The Navy will achieve these barracks construction standards by FY-2013; the Marine Corps by FY-2012.

3. Eliminate gang heads. The Navy and Marine Corps remain on track to eliminate inadequate barracks with gang heads³ for permanent party personnel. The Navy will achieve this goal by FY-2007; the Marines by FY-2005.

We appreciate the support from the Congress in our efforts to extend the principles of privatization to our critical bachelor housing needs. We envision that privatization will prove to be as successful in accelerating improvements in living conditions for our single Sailors and Marines as it has been for family housing. We are developing pilot unaccompanied housing privatization projects for Hampton Roads, Camp Pendleton, and San Diego. We hope to be able to brief you on our concepts for these projects before the end of this fiscal year.

Military Construction Projects

In addition to the \$269 million in Bachelor Housing projects, our FY-2004 military construction program includes \$361 million in Operational and Training facilities such as waterfront and airfield projects, and \$44 million in compliance projects. There is \$32 million for counter-terrorism (CT) projects; additional CT costs are included as a portion of the total project where appropriate.

This budget includes \$473 million in “new footprint” projects, representing an unusually large 41 percent of the military construction program. While many barracks and CT projects are new-footprint, there are several other important projects that will support the transformation to new weapon systems of the future.

- \$116 million to complete the purchase of the Blount Island facility and safety buffer in Jacksonville, Florida. Blount Island is the maintenance site for the Marine Corps’ Maritime Pre-positioning Force. The purchase of this site, along with a surrounding safety buffer, will ensure the long-term viability of this strategic national asset.
- \$28 million to support the first phase of an outlying field for East-Coast basing of the F/A-18 E/F Super Hornets. Selection of a specific basing of this aircraft is pending completion of an Environmental Impact Statement (EIS). The EIS is scheduled for completion this summer.
- \$24 million to construct a Joint Strike Fighter test facility.
- \$21 million to construct a facility to develop the next generation shipboard aircraft launching system to be used on the new aircraft carrier CVN21.

³ Gang heads remain acceptable for recruits and trainees.

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses models to calculate life cycle facility maintenance and repair costs. These models use industry wide standard costs for various types of buildings. Sustainment funds in the Operations and Maintenance accounts maintain shore facilities and infrastructure in good working order and preclude its premature degradation. Both the Navy and Marine Corps increased sustainment funding in FY-2004, with the Navy improving to ninety-three percent of the full sustainment requirement, and the Marine Corps staying at or very near the Department of Defense goal of full sustainment.

SRM		
	Navy	
	PB-03	FY-04
Sustainment (%)	84%	93%
Recap Rate (years)	116	140
	Marine Corps	
	PB-03	FY-04
Sustainment (%)	Full	97%
Recap Rate (years)	156	88

Restoration and Modernization provides for the major recapitalization of our facilities using Military Construction and Operations and Maintenance funds. While both the Navy and Marine Corps achieve the Department of Defense goal of a sixty-seven year recapitalization rate by FY-2008, one year later than expressed last year, the FY-2004 recap rate increases to one hundred forty years for Navy while improving to eighty-eight years for the Marine Corps. The Navy will manage the near term investment in facilities recapitalization to limit degradation of operational and quality of life facilities.

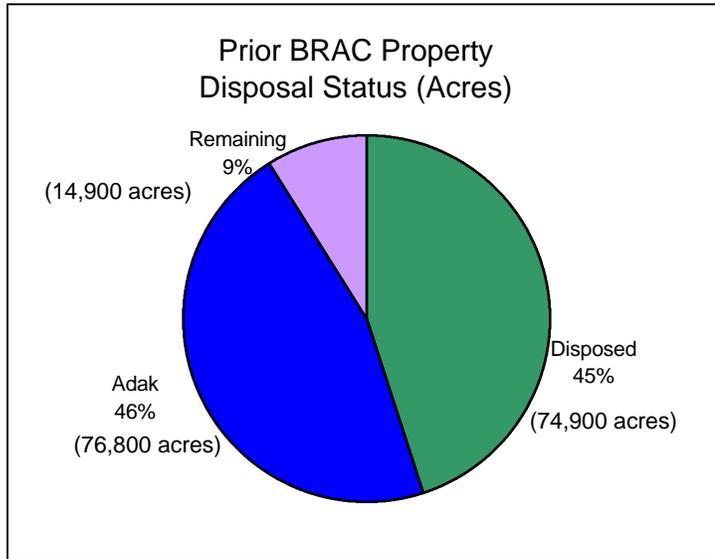
While additional funds would certainly improve the situation, it is unrealistic to believe that we will simply “buy” our way to attain these facility goals. We must seek and implement greater efficiency in our infrastructure

INFRASTRUCTURE EFFICIENCIES

Prior BRAC

The BRAC rounds of 1988, 1991, 1993 and 1995 have been a major tool in reducing our domestic base structure and generating savings. The Department closed and must dispose a total of ninety bases, and has achieved a steady state savings of \$2.7 billion per year. All that remains is to complete the environmental cleanup, with an estimated cost of \$785 million, and property disposal.

We have completed disposal of sixty-four (64) bases to date; eight more bases are planned in FY-2003, five in FY-2004. Legislation was enacted last year that will allow the Navy to transfer nearly all of the former Naval Air Station Adak, Alaska to the Department of Interior, who will in turn exchange this property for other wildlife refuge property owned by The Aleut Corporation. The United States will then retain title to wildlife refuge property previously designated for transfer to the Aleuts under the Alaska Native Claims Settlement Act. We are working the final details for the transfer and hope to complete the property exchange later this year. That transfer, along with the planned disposals this fiscal year, should leave us with less than 12,000 acres still to dispose.



I am proud of the hard work and innovation that the Navy and Marine Corps team have displayed in working with environmental regulators to expedite property cleanup and support local redevelopment efforts to speed reuse. Congress provided the necessary legislative authority to allow the Navy to pursue early transfer opportunities. With the concurrence of environmental regulators and the State Governor, we transfer the deed to the property while environmental cleanup continues, or pass mutually agreed cleanup funds to the developer who becomes responsible for doing the cleanup. We have used this authority many times, including the transfer of 1,300 acres at Mare Island Naval Shipyard last year.

The spirit of innovation continues. Taking a cue from the popular commercial uses of the Internet, we worked closely with General Services Administration (GSA) to use its web site to auction two hundred thirty-five (235) acres of highly desirable property at the former Marine Corps Air Station Tustin in California. We have deposited \$51 million from this sale, with settlement for the balance this spring. Existing statutes require that all BRAC leasing and land sale revenue be deposited into the Prior BRAC account to meet caretaker and environmental cleanup needs. We will increasingly rely on BRAC land sale revenue to accelerate the remaining BRAC cleanup efforts. I am very pleased with using the GSA web site to auction real estate. It can attract a very wide audience of potential bidders, ensure that the government receives the maximum

value for the property, and can help the community quickly resolve reuse needs. We will pursue more BRAC property sales using the GSA web site.

BRAC 2005

The FY 2002 National Defense Authorization Act amended the 1990 Defense Base Closure and Realignment Act to authorize another round of BRAC in 2005. We will apply the BRAC process to examine and implement opportunities for greater joint use of facilities, thus eliminating excess physical capacity, and to integrate DoN infrastructure with defense strategy. Continuing to operate and maintain facilities we simply no longer need is unfair to the taxpayer and diverts resources that would be better applied to recapitalize the operating forces (ships, aircraft and equipment) for the future.

The BRAC statute sets out a very fair process.

- All bases are treated equally;
- All recommendations based on twenty year force structure plan, infrastructure inventory and published selection criteria;
- Statutory selection criteria include:
 - Preserve training areas for maneuver by ground, naval, or air forces;
 - Preserve military installations in the United States as staging areas for the use of the Armed Forces in homeland defense missions;
 - Preserve military installations throughout a diversity of climate and terrain in the United States for training purposes;
 - Consider the impact on joint war fighting, training, readiness, contingency, mobilization, and future total force requirements at both existing and potential receiving locations to support operations and training.
- All data certified as accurate and complete and provided to the Commission and Congress.

We are working closely with the Office of the Secretary of Defense and the other Military Departments to develop opportunities for joint basing that would further eliminate excess infrastructure among the Services.

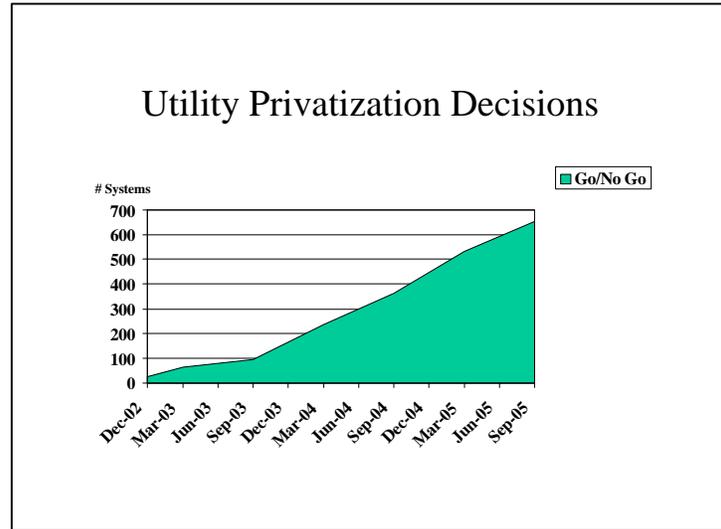
Commander, Navy Installation Command

The Navy will consolidate the management of its shore establishment on 1 October 2003 from eight installation claimants across sixteen (16) regional commanders to a single Navy Installation Command. This consolidation will achieve economies of scale, increase efficiency, and reduce headquarters staffs while also standardizing policies, procedures, and service levels across all Navy installations, much as the Marine Corps now enjoys. We estimate that the benefits of this streamlining will save the Navy \$1.6 billion over the FYDP.

There is still much work to be done to implement this change. The Navy must still define the personnel impacts, finalize the reporting relationships, and identify the appropriate funding transfers. I believe this effort will result in a more focused, leaner organization that will improve services to the Fleet.

Utility Privatization

We are proceeding with plans to privatize utility systems (water, wastewater, gas, electric) where it is economically feasible and does not pose a



security threat. Utility privatization is an integral part of our efforts to improve our utility infrastructure. The Secretary of Defense issued new utility privatization guidance last fall that requires the Services to complete a source selection decision on each system by September 2005. We are on track to do so for the 662 Navy and Marine Corps systems under consideration for privatization.

Strategic Sourcing

Strategic sourcing uses commercial business practices such as process re-engineering, divestiture of non-core functions, elimination of obsolete services, and public/private competitions under Office of Management and Budget A-76 guidelines to improve efficiency. We expect to achieve \$1.6 billion in annual steady state savings in FY-2005 from strategic sourcing initiatives.

Our FY-2004 budget includes A-76 competitions for 2,000 positions. OMB has been trying to bring about much needed process changes for conducting these competitions. We will incorporate these process changes, as well as some of our own initiatives, to speed the process while still ensuring a fair playing field between in-house and private sector interests. We are also supporting the Secretary of Defense's Business Investment Council efforts to identify non-core functions for divestiture. The Navy has identified the manufacturing of eyewear for military personnel as a pioneer project for divestiture.

Naval Safety Program

Although safety is foremost a personnel program to avoid accidental human injury or death, the private sector has also recognized safety programs for

their contribution to the bottom line in avoiding damage to expensive equipment or facilities, inadvertent loss of highly skilled personnel, and long-term injury compensation costs. We have established a senior executive in my office, the first in Department of Defense, to help foster a new Naval safety vision for the future. A Safety Task Force has been meeting to consider the relationships between safety staffs and funding mechanisms. We have engaged Navy and Marine Corps installation commanders to recognize and work to reduce the incidence of civilian man-hours lost due to injury even as we participate in a Department of Defense-sponsored Employee Work Safety Demonstration project at four bases. We plan to provide basic Operational Risk Management training to all new Sailors and Marines, with more advanced training to senior personnel.

We are also pursuing safety improvements for the more visible aviation mishaps, for which past experience shows that 85 percent are in part attributable to human errors. We plan to try a new technique that would store critical flight performance data and allow the pilot to later replay a realistic animation of the flight.

ENVIRONMENTAL PROGRAMS

Shipboard Environmental

The U.S. Navy is a recognized world leader in environmental stewardship at sea. In recent years the Navy has completed installation of pulpers, shredders and plastic waste processors on its surface ships. This ensures no plastic discharge to the world's oceans and provides environmentally benign disposal of other solid wastes, such as food, paper, cardboard, metal and glass. The Navy expects to have its submarine fleet fully outfitted with solid waste equipment by the end of 2005, well in advance of the 31 December 2008 Act to Prevent Pollution from Ships deadline. Next year, the Navy will begin to upgrade the solid waste equipment in the surface fleet. These upgrades will mean shipboard personnel will expend less time, energy and resources in processing solid waste.

The Navy continues to convert shipboard air-conditioning and refrigeration plants to ones that use non-ozone depleting, environmentally friendly refrigerants. As of today, over 75% of the fleet is CFC-free. Additionally, the Navy continues to upgrade the fleet's ability to safely and effectively handle hazardous materials by installing pollution prevention equipment on all our surface ships. We continue to work with the Environmental Protection Agency to set Uniform National Discharge Standards for all Armed Forces vessels, and in developing best management practices for preparing vessels for use as artificial reefs. These programs, along with others in the shipboard environmental program, reap enormous environmental and public relations benefits while maintaining the primary goal of allowing our ships to

operate anywhere in the world in a manner that complies with or exceeds domestic and international environmental laws and agreements.

Cleanup Program at Active Bases

For the second year in a row, the number of cleanups completed at active bases exceeded the planning target. While we still have work to do, almost seventy (70) percent of all sites now have remedies in place or responses complete. At the end of FY-2002, 2,225 of the 3,668 sites at active installations have responses complete. We plan to continue this pace. By the end of FY-2004 we plan to have about 2,500 sites completed at active bases.

Vieques Cleanup

On January 10, 2003, the Secretary of the Navy signed the letter of certification to Congress confirming that the U.S. Navy and Marine Corps will cease military training on the Vieques Inner Range by May 1, 2003. The Department of the Navy has identified training alternatives that will collectively provide equivalent or superior training to the options provided on the island of Vieques. The law requires the Navy to transfer Vieques to the Department of Interior. We have been working with Interior and the Environmental Protection Agency to do so.

We plan to conduct munitions clearance and any necessary cleanup in accordance with applicable laws. The clearance and cleanup will be done in a manner that is consistent with land use designated in the governing statute and where appropriate, minimizes disturbance of the natural environment. The designated land uses, once transferred to the Department of Interior, are wilderness area for the live impact area and a wildlife refuge for the remaining portions. We will be considering the need for land use controls to ensure long-term protectiveness as part of the remedial actions, including consideration of future land use plans. We have identified \$2 million in FY-2004 funds from our Munitions Response Program line within the Environmental Restoration, Navy (ER, N) appropriation to begin munitions clearance efforts.

Environmental Range Management

The Navy and Marine Corps have initiated efforts to better understand and manage the environmental concerns on its ranges. The Navy has \$15.8 million in FY-2004 to begin this effort at the Southern California, Fallon, Key West, and Gulf of Mexico range complexes. This environmental program addresses three major areas:

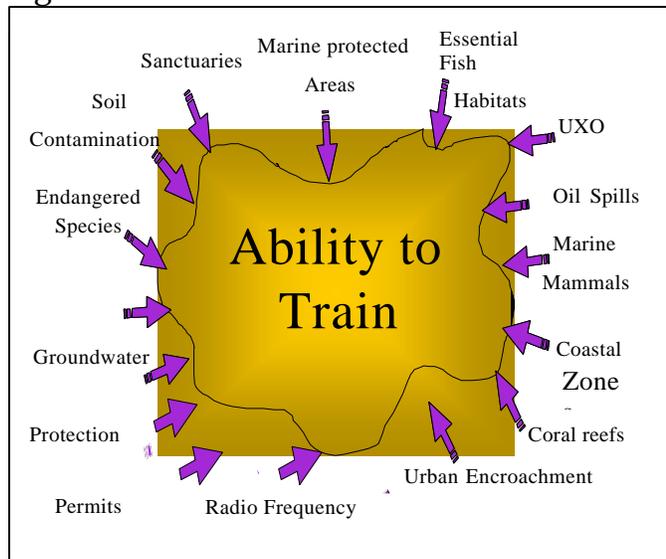
- Conduct living marine resource assessments, including ocean surveys of marine mammal population densities;

- Assess groundwater, surface water, soils conditions, natural resources and the environmental compliance status for each of the complex's land-based ranges and associated airspace;
- Integrate this information into complex-wide environmental planning in accordance with the National Environmental Policy Act, which will in turn drive Navy range complex management plans.

Encroachment

The military readiness of our forces is the highest priority of the Department of the Navy. Unfortunately, sustaining military readiness is becoming increasingly difficult because over time a host of factors, including urban sprawl, increasing regulation, litigation, and our own accommodations, although reasonable when viewed in isolation, have cumulatively diminished the Department of the Navy's ability to train and test systems effectively. Military bases and ranges represent some of the few remaining undeveloped large tracts, and are being looked at more and more by federal and state regulators as a solution for difficult and costly conservation efforts. For example, initial proposals for critical habitat designations would have included about 56%

of Marine Corps Base, Camp Pendleton, California. The Marine Corps and the U.S. Fish and Wildlife Service worked together in an effort to devise an approach that would satisfy the needs of both agencies. As a result of these efforts, the Secretary of the Interior determined that the speculative benefits of critical habitat designation were outweighed by military training needs at Camp Pendleton. This determination led to the designation of only five percent of Camp Pendleton's lands as critical habitat. However, a lawsuit challenging the U.S. Fish and Wildlife Service final rule quickly followed. As a result, U.S. Fish and Wildlife Service withdrew the designation. A new critical habitat designation is still pending.



We – the Congress, federal and state regulators, and the military services – must identify a reasonable balance between the competing national priorities of military readiness and environmental stewardship. The Department of the Navy, in conjunction with the Department of Defense, has begun working with some regulatory agencies to identify changes in regulations and agency policies that can help restore the appropriate balance. However, many environmental laws do

not always lend themselves to such changes because when enacted, no one considered their applicability to the military readiness activities of today.

The need for legislative change was demonstrated again recently when the use of a new defensive sensor known as SURTASS LFA, which was developed to deal with the threat of quiet diesel submarines now being deployed by potential adversaries, was recently restricted by a court order. The Navy had undertaken an unprecedented research program to ensure that marine mammals would not be injured, and worked closely with the National Marine Fisheries Service to develop mitigation measures so that marine mammals would not be injured. The Navy concluded that based on tests and analysis conducted by an independent panel of scientists, which was subjected to peer review and approved through a public rule making process by the National Marine Fisheries Service – the federal regulatory agency tasked with protection and preservation of marine mammals, the system would have little impact upon marine mammals. Yet a federal judge determined that the Marine Mammal Protection Act (MMPA) would not allow the Navy to deploy the defensive sensor in question in the manner the Navy had determined was needed. In the court's view, there were serious issues raised with regard to whether National Marine Fisheries Service had used a proper mechanism to identify the "specified geographic region" required under the MMPA to issue a "small take" authorization for the Navy's deployment of the sensors. The court ordered the Navy to confer with plaintiffs over possible restrictions on deployment of SURTASS LFA until the final hearing on the merits of the case currently scheduled for June 2003. Following these discussions, the court issued a preliminary injunction restricting the Navy's use to an area in the western Pacific between Japan and Guam.

The military services have been criticized by some for seeking legislative relief without first using national defense exemptions or Presidential waivers built into environmental laws. Although many of the laws contain some provision for the President to waive compliance with a specific requirement, these waivers are of limited scope and duration. Some laws have no provision for an exemption or require an adverse decision by a court before the exemption can be pursued. For example, the MMPA contains no waiver provision, even for actions that are absolutely necessary for national defense. Many environmental laws, when enacted, did not consider their impact on military readiness activities. The exemptions or waivers that do exist were not intended to serve as routine management tools; they were designed to provide short term fixes for unanticipated or emergency situations.

Last year, the Department of Defense recommended legislative changes to address specific areas of environmental laws that had the greatest adverse impact on sustaining military readiness. Congress provided some relief in one

critical area – the applicability of the Migratory Bird Treaty Act (MBTA) to military readiness activities. We are working with the Department of Interior to craft a mutually acceptable proposed rule consistent with report language accompanying the FY-2003 National Defense Authorization Act authorizing take of migratory birds for military readiness activities, and a Memorandum of Understanding to promote migratory bird conservation, as required by executive Order 13186, for non-readiness related military actions.

The other five involved proposed changes to the MMPA, Endangered Species Act (ESA), Clean Air Act (CAA), Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), and the Resource Conservation and Recovery (RCRA) Act were not made. The Department of the Navy is particularly concerned with MMPA and ESA, and the need remains for a legislative solution. For example, the Department of Navy uses special management plans called Integrated Natural Resource Management Plans (INRMPs), pursuant to the Sikes Act, to protect habitat on military installations. A federal district court in Arizona, however, recently decided the substitution of special management plans for critical habitat designation is impermissible under the ESA. In this case, which involved forest management plans, the court determined that the special management considerations could not substitute for the designation of critical habitat. The Department of Navy is concerned this reasoning could be relied upon by other federal courts when reviewing INRMPs. The U.S. Fish and Wildlife Service is using other administrative options in an attempt to exclude installations with approved INRMPs from critical habitat designations, but more certainty would be provided by legislative actions.

In addition to the decision concerning restricting deployment of the SURTASS LFA system I mentioned earlier, two other recent decisions by different federal district courts stopped scientific research after the court determined that the National Marine Fisheries Service had improperly authorized harassment of marine mammals during research by the National Science Foundation off the coast of Mexico and a Navy funded project to study the effects of underwater sound on Grey Whales off the coast of California.

We recognize the importance of resource preservation. We are not looking for wholesale suspension of environmental laws as they apply to military readiness. We are not attempting to avoid the issues that American industries and businesses face regarding environmental compliance. We are not abandoning the outstanding stewardship over the lands entrusted to us or shrinking from environmental protection requirements. We are merely trying to restore balance where environmental requirements adversely affect uniquely military activities - activities that are necessary to prepare Sailors and Marines to engage in combat and win.

LEGISLATIVE PROPOSALS

I would like to call your attention to several legislative proposals of particular importance to the Department of Navy.

Readiness & Range Preservation Initiative

This legislative proposal is a top Department of Defense priority. It would provide legislative relief for military readiness activities under various environmental statutes. Of particular interest to the Department of the Navy are:

- Modifications to MMPA that would clarify the MMPA's definition of "harassment" as a biologically significant response, and resolve other procedural issues related to the MMPA.
- Modify the ESA to allow use of Integrated Natural Resources Management Plans now required under the Sikes Act to provide the special management considerations in lieu of the need to designate critical habitat on military lands.

Property Conveyance for Housing

We propose to extend to barracks existing authority that allows the transfer of land at locations closed under prior year BRAC actions for family housing. The Administration's request also includes a similar proposal that would allow the Services to transfer land at locations not related to BRAC for either housing, land suitable for siting housing, cash, or some combination of these. These proposals would provide additional tools that we could use to obtain housing for our Sailors and Marines and their families faster.

MILCON Streamlining

We propose several initiatives to streamline the administrative aspects of the military construction process. It typically takes five to eight years from inception to completion for a military construction project. That's too long. Our proposal would increase the minor construction threshold to permit faster execution of smaller projects, and allow the use of the planning and design sub account to initiate early project design on design build projects. Such projects now include most of the design funds as part of the project cost, and thus must await line item authorization and appropriation of the project by the Congress to begin design work in earnest.

CONCLUSION

In conclusion, I would ask the members of this committee to not judge the merits of the Department of the Navy's installations and environmental program

solely through a single lens comparison of this year's budget request vs. last year's enacted level. We continue progress on most fronts, and the decline in funding is generally due to reduced requirements or less costly alternatives.

We remain steadfast in resolving inadequate housing concerns. Consistent with Department of Defense and our own priorities, we will eliminate inadequate family housing by FY-2007 through increased reliance on our privatization efforts and the help of BAH increases that it more likely for our members to find good, affordable housing in the community. We have maintained momentum to fix housing for our single Sailors and Marines, particularly with respect to getting our shipboard sailors a place ashore they can call home when their ship is in homeport. We hope to extend the benefits of family housing privatization to barracks with three pilot projects that are being developed. The very robust \$1.2 billion military construction request will revitalize existing facilities while acquiring those to support future weapon systems and readiness needs. We will apply the proceeds from selling Prior BRAC property to accelerate cleanup of remaining BRAC property. Facilities sustainment, restoration and modernization trends are positive, with the exception of the Navy recapitalization rate; regrettably, affordability required that we defer near term progress in using Operations and Maintenance, Navy funds to revitalize facilities.

We have fully funded all environmental commitments. The decline in environmental funds is tied to finishing the cleanup on Kaho'olawe, and the completion of several research and development projects and pollution prevention initiatives. Encroachment remains the primary environmental issue we must deal with. We will work with the Department of Interior to craft mutually acceptable solutions under MBTS. However, other environmental statutes, with ESA and MMPA of particular interest to the Department of Navy, remain to be resolved. We need to craft an appropriate balance between environmental stewardship and military readiness.

That concludes my statement. I appreciate the support of each member of this committee, and will try to respond to any comments or concerns you may have.