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Statement of

HONORABLE B.J. PENN, ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)

Before the

SUBCOMMITTEE ON READINESS

of the

SENATE COMMITTEE ON ARMED SERVICES

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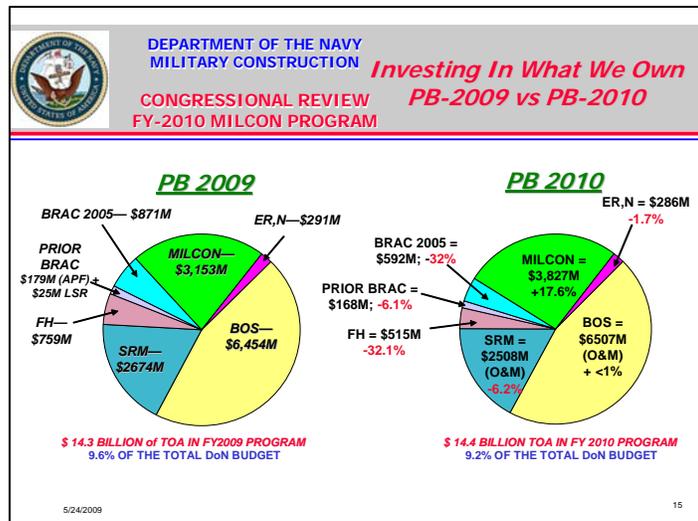
Chairman Bayh, Senator Burr, and members of the Subcommittee, I am pleased to appear before you today to provide an overview of the Department of Navy's investment in its shore infrastructure.

THE NAVY'S INVESTMENT IN FACILITIES

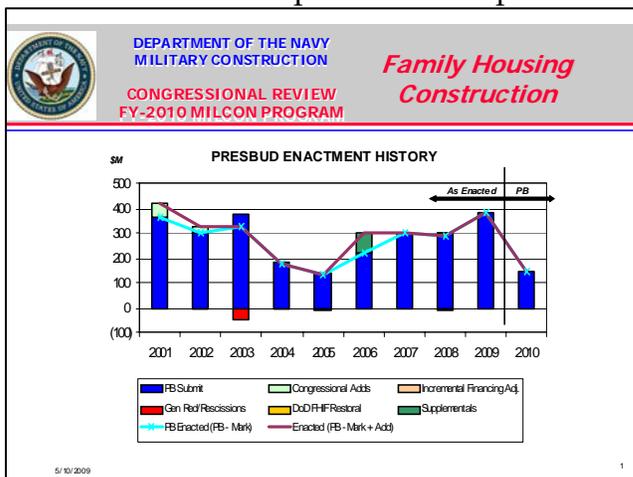
Our Nation's Sea Services continue to operate in an increasingly dispersed environment to support the Maritime Strategy and ensure the freedom of the seas. This requires an ever strong foundation of installations from which to re-supply, re-equip, train, and shelter our forces. We must continue to make smart infrastructure investments to prepare for the future and secure the peace abroad. Our FY-2010 shore infrastructure baseline budget totals \$14.3 billion, representing 9.2 percent of the DoN's FY-2010 baseline request of \$156 billion.

Our FY-2010 request of \$6.5 billion (which includes \$433 million for environmental programs) for **Base Operating Support** is only slightly greater than last year's request.

The FY-2010 **military construction** (active + reserve) request of \$3.8 billion is \$674 million more than the FY-2009 request. This growth in Department's military construction program is primarily due to the continuation of the Marine Corps' "Grow the Force" initiative and the inclusion of the first capital investments to support their realignment of forces from Okinawa to Guam.



The FY-2010 **Family Housing** request of \$515 million represents a 32% decrease from the FY-2009 request. It is helpful to examine the table at left to put this decrease in perspective.



Prior year family housing construction requests reflected an accelerated program to address additional housing requirements associated with Marine Corps force structure initiatives. The Navy and Marine Corps have continued to invest in housing, including both the

recapitalization of overseas housing as well as additional privatization to address housing requirements. Thus, having virtually privatized all family housing located in the United States, at overseas and foreign locations where we continue to own housing we are investing in a “steady state” recapitalization effort to replace or renovate housing where needed.

Our **BRAC** program consists of environmental cleanup and caretaker costs at prior BRAC locations, and implementation of BRAC 2005 recommendations.

As in FY-2009, we must seek appropriated funds in FY-2010 in the amount of \$168 million for **Legacy BRAC** activities as we have exhausted land sales revenues. We anticipate some limited future revenue as we move to dispose of the former Naval Station Roosevelt Roads in Puerto Rico and some other smaller property sales. We will use revenue from these future sales to accelerate cleanup at the remaining prior BRAC locations.

The FY-2010 **BRAC 2005** budget request of \$592 million represents a significant shift from construction to Operation & Maintenance funds as our focus turns to outfitting facilities with equipment and materiel and supporting the physical relocation of personnel, rather than constructing new or renovating existing structures, as one might expect as the statutory deadline approaches. Although we are on track to meet the September 15, 2011 deadline, we do face some significant challenges ahead.

Here are some of the highlights of these programs.

MILITARY CONSTRUCTION

The DoN’s FY-2010 Military Construction program requests appropriations of **\$3.8 billion**, including **\$169 million** for planning and design and **\$12.5 million** for Unspecified Minor Construction.

The active Navy program totals \$1.1 billion and includes:

- **\$302 million** to support three intermediate and depot level maintenance projects: the second increment of the CVN replacement pier at Puget Sound Naval Shipyard, Bremerton, Washington; modifications to the P-8/MMA facility at Naval Air Station Jacksonville, Florida; and the largest of the three projects at \$227 million – Pier 5 Replacement at Norfolk Naval Shipyard, Portsmouth, Virginia;
- **\$84 million** to fund 11 airfield projects. Included among these projects are seven supporting the Joint Strike Fighter: 6 at Eglin AFB, Florida and 1 at Edwards AFB, California;

- **\$42 million** to fund four expeditionary operations projects at Camp Lemonnier, Djibouti, which include an ammunition supply point, security fencing; road improvements, and a fire station;
- **\$86 million** to fund five training projects: a submarine learning center in Guam; the Asia-Pacific Center in Honolulu, Hawaii; a SERE school for SOCOM in Spokane, Washington; and E-2D Trainer Facility at Naval Station, Norfolk, Virginia; and a flight simulator at NAS Pensacola, Florida;
- **\$193 million** to fund four ordnance related projects: the 6th of 7 increments of the Limited Area Production and Storage Complex and the 2nd of two increments of the waterfront security enclave fencing, both projects at Naval Submarine Base, Bangor, Washington; constructs missile magazines at Naval Station Pearl Harbor, Hawaii; and a torpedo exercise support building in Guam;
- **\$95 million** to construct three enlisted training barracks, one each in Newport, Rhode Island; Eglin AFB and NAS Pensacola, Florida;
- **\$126 million** to fund four waterfront operations projects, which include dredging the entrance to the turning basin at Naval Station, Mayport, Florida to enable nuclear carriers to transit the channel without risk to the propulsion system, and Charlie One Wharf replacement (unrelated CVN homeporting) also at Mayport. The remaining two projects are the second phase of the waterfront development project at Naval Support Activity, Bahrain, and the final increment of the magnetic silencing facility at Naval Station, Pearl Harbor, Hawaii;
- **\$22 million** to build base support facilities: Naval Construction Division Operations Facility and a centralized public works facility at Naval Base, Point Loma, California; and
- **\$83 million** for planning and design efforts.

The active Marine Corps program totals \$2.7 billion (of which \$1.9 billion is for “Grow the Force”), a \$705 million increase over the FY-2009 Military Construction request. This cost increase is due to the initial construction investment in Guam and a continued emphasis on Grow the Force.

- **\$323 million** for the construction of unaccompanied housing at Camp Pendleton, Twentynine Palms, California, and Camp Lejeune, North Carolina in a continuation of the Commandant of the Marine Corps’ initiative to improve the quality of life for single Marines;
- **\$200 million** to provide quality of life facilities such as dining facilities, physical fitness centers, and fire houses at Twentynine Palms, San Diego, and Camp Pendleton, California, the Basic School at Quantico, Virginia, and Camp Lejeune, Cherry Point and New River in North Carolina;

- **\$109 million** to construct new recruit barracks and student billeting supporting the School of Infantry and the recruit training at Camp Pendleton and for the Basic School in Quantico, Virginia;
- **\$977 million** to build infrastructure to support new construction. These projects include communications upgrades, electrical upgrades, natural gas systems, drinking and wastewater systems, and roads. These projects will have a direct effect on the quality of life of our Marines. Without these projects, basic services generally taken for granted in our day-to-day lives, will fail as our Marines work and live on our bases;
- **\$744 million** to fund operational support projects such as those needed for the stand-up of V-22 aircraft in North Carolina and California; and operational units in Camp Lejeune, North Carolina and Camp Pendleton, California. Logistics operations will be enhanced with a new Port Operations facility at Marine Corps Support Facility, Blount Island, Florida;
- **\$140 million** to provide training improvements for aviation units and Marine Corps Security Force training at Quantico, VA, and Marines training at the School of Infantry at Camp Lejeune, North Carolina, and Camp Pendleton, California. A new range will be provided in Hawaii.
- **\$122 million** to construct maintenance facilities at Twentynine Palms, California, Yuma, Arizona, Beaufort, South Carolina, and New River and Camp Lejeune, North Carolina;
- **\$41 million** for the construction of storage facilities at Twentynine Palms and Camp Pendleton, California and Cherry Point, North Carolina; and
- **\$84 million** for planning and design efforts.

With these new facilities, Marines will be ready to deploy and their quality of life will be enhanced. Without them, quality of work, quality of life, and readiness for many Marines will have the potential to be seriously degraded.

The Navy and Marine Corps Reserve Military Construction appropriation request is \$64 million, including \$2 million for planning and design efforts, to construct three reserve centers – one each at Luke AFB, Arizona; Alameda, California; and Joliet, Illinois. These funds will also be used to construct a C-40 Hangar at Naval Air Station Oceana, Virginia Beach, Virginia; a parachute and survival equipment center in San Antonio, Texas, and vehicle maintenance facility in Charleston, South Carolina.

Fully-funded and Incrementally-funded MILCON projects

Our FY-2010 budget request complies with Office of Management and Budget Policy and the DoD Financial Management Regulation that establishes criteria for the use of incremental funding. The use of incremental funding in this budget has been restricted to the continuation of projects that have been

incremented in prior years. Otherwise, all new projects are fully funded or are complete and usable phases. However, as the cost of complex piers and utilities systems rise above the \$100 million and even \$200 million threshold, compliance with the full-funding policy drives both Services to make hard choices regarding which other equally critical projects must be deferred into the next year.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization (SRM)

% Sustainment	FY-08	FY-09	FY-10
USN Budget	82%	90%	93%
USN Actual/Plan	83%	90%	
USMC Budget	89%	90%	91%
USMC Actual/Plan	145%	90%	

The Department of Defense uses a Sustainment model to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of buildings and geographic areas and are updated annually. Sustainment

funds in the Operation and Maintenance accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency responses for minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems). For Navy, funding includes Joint Basing investments which requirements have yet to transfer. Once they do, the rate will revert to 90%...k

Restoration and modernization (R&M) provides major upgrades of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and BRAC, as applicable. Although OSD fielded a new Facility Modernization Model to replace the previous “67-year Recapitalization Metric” that, too, has been deemed too amorphous a model and another is under development based on “Quality” or “Q” ratings. Nonetheless, in FY-2010, the Department of Navy is investing \$2.27 billion in R&M funding.

Meeting the Energy Challenge

In August 2006, I directed that all new Department of Navy facilities and major renovations be built to U.S. Green Building Council “LEED Silver” standards starting in FY-2010. For military construction projects, we met the requirement a year earlier, in FY-2009. This year we began including sufficient funds for major renovations where the work exceeds 50 per cent of the facility’s plant replacement value.

With funds provided through the American Recovery and Reinvestment Act (ARRA) we are able to leverage current technological advances to reduce energy demand and increase our ability to use alternative and renewable forms

of energy for shore facilities as well as in our logistics processes. This technology improves energy options for our Navy today and in the future. Of the \$1.2 billion in ARRA funds that have been provided to Navy, \$577 million in Operation and Maintenance, Navy; Operation and Maintenance, Marine Corps, and Military Construction has been applied to projects that will reduce our fossil fuel energy consumption. Major investments include \$169M to install photovoltaic systems, \$71M for advance metering installation, \$30M for the energy conservation improvement program (ECIP), \$9M for geothermal energy development, and \$31M for energy improvements in various facilities, (such as critical repairs to major utilities systems, HVAC replacement, etc.).

Naval Safety

The Department of the Navy strives to be a world class safety organization. In FY-08 we achieved our lowest rate ever recorded for total Class A Operational Mishaps¹. As of 24 April 2009, if our current pace continues, we would close out FY-2009 with our lowest mishap rate ever recorded in 6 of the 7 combined Navy and Marine Corps mishap categories that we track.

The Department is working to reduce fatalities and injuries resulting motorcycle and automobile mishaps on the nations highways, to implement a culture across the Navy and Marine Corps that encourages openly sharing experiences and lessons learned. In addition to active involvement by all levels of leadership, we're also developing a corporate safety risk management IT system that will allow improved collection of safety data and provide analysis, metrics and lessons learned across the enterprise, as well as provide an IT tool to manage local safety and health programs.

We have embraced the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which fosters a cooperative relationship between management, labor, and OSHA to improve workplace safety. DoN has achieved "Star" status, OSHA's highest level of achievement, at ten sites representing the majority of the VPP star sites in DoD. The Navy activities include all four Naval Shipyards, our largest industrial facilities. Our other Navy VPP Star sites include: the Navy Submarine Base in Kings Bay Georgia; Naval Air Station, Key West, Florida; Intermediate Maintenance Facility Puget Sound, Silverdale, WA; Weapon Station Charleston, South Carolina, and Naval Hospital Corpus Christi, Texas. Our first Marine Corps VPP Star Site is Logistics Base, Barstow, California.

¹ A Class A mishap is one where the total cost of damages to Government and other property is one million dollars or more, or a DoD aircraft is destroyed, or an injury and/or occupational illness results in a fatality or permanent total disability. An operational mishap excludes private motor vehicle and off duty recreational mishaps. Mishaps exclude losses from direct enemy action.

Encroachment Partnering

The Department of the Navy has an aggressive program to manage and control encroachment, with a particular focus on preventing incompatible land use and protecting important natural habitats around installations and ranges. A key element of the program is Encroachment Partnering (EP), which involves cost-sharing partnerships with states, local governments, and conservation organizations to acquire interests in real property adjacent and proximate to our installations and ranges. The Department prevents development that is incompatible with the readiness mission, and our host communities preserve critical natural habitat and recreational space for the enjoyment of residents. Navy and Marine Corps have ongoing EP agreements at 14 installations and ranges nationwide, with additional agreements and projects planned in FY09. EP has been a highly effective tool for addressing encroachment threats from urban development and is a win-win for the Department and our host communities.

In FY-2008, Navy and Marine Corps completed partnership acquisitions on 16,662 acres. Funding for those purchases of land and easements included a combined contribution from DoD and DoN of \$11.72M, which was matched by similar investments from partner organizations. In FY-2009, Navy and Marine Corps received an additional \$19.78M from the DoD Readiness and Environmental Protection Initiative program, which will be combined with funding from the Department and our partner organization.

HOUSING

The following tenets continue to guide the Department's approach to housing for Sailors, Marines, and their families:

- All service members, married or single, are entitled to quality housing; and
- The housing that we provide to our personnel must be fully sustained over its life.

With the support of Congress, and particularly this Committee, we have made great strides in improving the quality of life for our members and their families over the past years. These include:

- Funds programmed and contracts in place to eliminate inadequate family housing in the Navy and Marine Corps.
- A robust military construction program to meet the Marine Corps' unaccompanied housing needs.
- Successful execution of the first two unaccompanied housing privatization projects within the Department of Defense.

Despite these achievements, there remain challenges that we face as a Department. A detailed discussion of the Department's family and unaccompanied housing programs, and identification of those challenges, follows:

FAMILY HOUSING

As in past years, our family housing strategy consists of a prioritized triad:

- Reliance on the Private Sector. In accordance with longstanding DoD 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. We determine the ability of the private sector to meet our needs through the conduct of housing market analyses that evaluate supply and demand conditions in the areas surrounding our military installations.
- Public/Private Ventures (PPVs). With the strong support from this Committee and others, we have successfully used PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families. Maintaining the purchasing power of BAH is critical to the success of both privatized and private sector housing.
- Military Construction. Military construction (MILCON) 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 feasible.

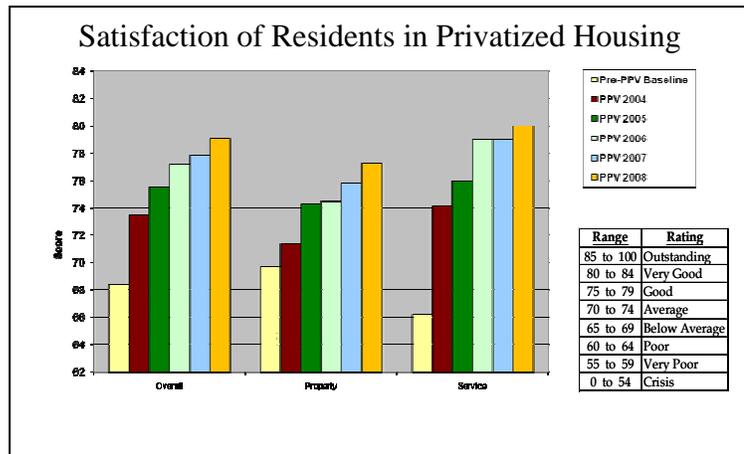
Our FY-2010 budget includes \$146 million in funding for family housing construction and improvements. This amount includes \$79 million for the Government investment in continued family housing privatization at Camp Lejeune and includes funding for an addition to a Department of Defense school. It also includes the replacement or revitalization of Navy housing in Japan, Korea, and Spain where the military housing privatization authorities do not apply. Further, there are proposed projects in Guam, unrelated to the Realignment of Marine Forces that would replace or revitalize existing homes there. Finally, the budget request includes \$369 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory.

As of the end of FY 2008, we have awarded 30 privatization projects involving over 61,000 homes. As a result of these projects, nearly 20,000 homes will be renovated and over 21,000 new or replacement homes will be built. (The remaining homes were privatized in good condition and did not require any work.) Through the use of these authorities we have secured approximately \$8 billion in private sector investment from approximately \$800 million of our funds, which represents a ratio of almost ten private sector dollars for each taxpayer dollar.

While the military housing privatization initiative has been overwhelmingly successful, there are challenges in this program area as well. They include:

- The current economic climate. In the current economic climate, we have seen a dramatic curtailment in the amount of private financing available for our future military housing privatization projects/phases. This, in turn, affects plans for future construction and renovations. We are working with the Office of the Secretary of Defense, the other Services, and the lending community on ways in which we might mitigate such impacts and preserve our ability to leverage private capital on future projects/phases.
- Program Oversight. There has been a great deal of attention focused by Congress on the Service's oversight of housing privatization projects in the wake of difficulties experienced by some partners. We take seriously our responsibility to monitor the privatization agreements to ensure that the Government's long term interests are adequately protected. We have instituted a portfolio management approach that collects and analyzes financial, occupancy, construction, and resident satisfaction data to ensure that the projects remain sound and that the partners are performing as expected. We conduct meetings with senior representatives of our partners and, where necessary, resolve issues of mutual interest. Where our projects have encountered difficulties, appropriate corrective actions have been taken. For example, we had concerns regarding performance of the private partner in our Pacific Northwest project. We worked with that partner to sell its interest to another company which has a record of good performance with military housing privatization projects.

Perhaps the most important measure of success of our privatization program has been the level of satisfaction on the part of the housing residents. To gauge their satisfaction, we used customer survey tools that are well established in the marketplace. As shown at right, the customer surveys indicate a steady improvement in member satisfaction after housing is privatized.



Unaccompanied Housing

Our budget request includes \$527 million for 14 unaccompanied housing projects (included 6 training barracks) at seven Navy and Marine Corps locations. The budget continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines.

Our current inventory consists of over 157,000 unaccompanied housing spaces for permanent party Sailors and Marines. These represent a wide mix of unit configurations including rooms occupied by one, two, or more members. There are challenges, however, which the Department is committed to address.

- Provide Homes Ashore for our Shipboard Sailors. The Homeport Ashore initiative seeks to provide a barracks room ashore whenever a single sea duty sailor is in his or her homeport, so they need not live on the ship. The Navy has made considerable progress towards achieving this goal through military construction; privatization and intensified use of existing barracks capacity. In his May 6, 2009 testimony before the House Appropriations Committee, Subcommittee on Military Construction, the Chief of Naval Operations committed to providing housing ashore for all junior sea duty Sailors by 2016 at the Interim Assignment Policy standard (55 square feet of space per person). The inclusion of \$88 million in funding, in the ARRA, for a new barracks in San Diego is helping us meet this goal. The Navy's long term goal is to achieve the OSD private sleeping room standard (90 square feet per person).

Commandant's BEQ Initiative. It is the Commandant of the Marine Corps' priority to ensure single Marines are adequately housed. Thanks to your previous support, in Fiscal Year 2009 the Marine Corps will make significant progress toward fulfilling this priority. Your 2009 appropriation of \$1.2 billion in MILCON funding for Marine Corps barracks will result in the construction of approximately 12,300 permanent party spaces at eight Marine Corps installations. Your continued support of this initiative in our Fiscal Year 2010 proposal will allow us to construct an additional 3,000 new permanent party barracks spaces. With this funding we will stay on track to meet our 2014 goal. The Fiscal Year 2010 request for bachelor housing will provide eight barracks projects at Camp Lejeune, North Carolina, and Twenty-Nine Palms, and Camp Pendleton, California. We are also committed to funding the replacement of barracks' furnishings on a seven-year cycle as well as the repair and maintenance of existing barracks to improve the quality of life of our Marines. These barracks will be built to the 2+0 room configuration, as have all Marine Corps barracks since 1998. This is consistent with the core Marine Corps tenets for unit cohesion and teambuilding.



Unaccompanied Housing Privatization

The Navy has also executed two unaccompanied housing privatization projects using the pilot authority contained in section 2881a of Title 10, United States Code. In March we cut the ribbon on the Pacific Beacon project in San Diego. Pacific Beacon includes 258 conveyed units targeted for unaccompanied E1-E4 sea duty Sailors and 941 newly constructed dual master suite units targeted for E4-E6 Sailors.

The second unaccompanied housing privatization project is in Hampton Roads (executed in December 2007) and included the conveyance of 723 units in seven buildings on Naval Station and Naval support Activity Norfolk and the construction of 1,190 dual master suite units. The first of three construction sites opened in November 2008 and the remaining units are scheduled for completion in 2010.

The Navy is continuing to evaluate candidate locations for the third pilot project, including the Mayport/Jacksonville, Florida area and additional phases at San Diego and Hampton Roads using the public/private entities previously established.

ENVIRONMENT

Environmental Management Systems

The Department of the Navy is committed to improving mission performance through better environmental program management. An Environmental Management System (EMS) strengthens our management effectiveness and provides a framework for a continual improvement process. When properly implemented, EMS creates awareness and identifies environmental aspects and impacts of operations. It particularly highlights and prioritizes risks, promotes pollution prevention, incorporates best management practices, minimizes Notices of Violation and Non-Compliance through proactive compliance management, and tracks progress towards established environmental goals.

The Department has made great strides implementing EMS across the Navy and Marine Corps installations world-wide. The Marine Corps achieved fully conforming EMS status in Spring 2008, a year and a half ahead of the required implementation schedule. Navy has made tremendous progress as well. It is well positioned to implement EMS at all major installations in 2009. The Department is now planning for EMS sustainment and potential future enhancements for FY10 and beyond to ensure maximum benefit from EMS.

Natural Resources Conservation

The Department of the Navy's natural resources conservation program continues to excel in the stewardship of our natural environment while fully supporting mission requirements. The basis of our program centers on development and implementation of Integrated Natural Resources Management Plans (INRMPs). These plans, currently in place at 88 DoN installations with significant natural resources, integrate all facets of natural resources management with the installation's operational and training requirements. Further, since these plans provide conservation benefits to species and their habitats, our installations are eligible for exclusion from formal critical habitat designation, eliminating a regulatory constraint and providing the needed flexibility to support the military mission and maximize the use of our training areas.

Since the Endangered Species Act, Section 4(a)(3)(B)(i), was amended in the FY-04 NDAA, the U.S. Fish & Wildlife Service and the National Marine

Fisheries Service determined the effectiveness of DoN INRMPs outweighed the necessity to make 32 Critical Habitat designations on DoN installations.

DoN has also developed and implemented a web-based tool for measuring the effectiveness of Navy and Marine Corps Natural Resources Programs and overall ecosystem health as it relates to mission sustainability. The tool ensures leadership is making the investments necessary to protect natural resources, as well as the mission.

Cultural Resources Program

Cultural resources under the Department of Navy's stewardship includes infrastructure, ships, and objects of our Navy heritage; vestiges of our Colonial past; and Native American archaeology and resources. We take great pride in our heritage, and the many cultural resources on our installations serve as reminders of the long and distinguished course we have charted. The clear objective of the Navy's historic preservation program is to balance the Navy's current and future mission needs and our stewardship responsibility to the American taxpayer with our desires to preserve our cultural heritage for future generations. The primary mechanism to achieve these goals is an Integrated Cultural Resources Management Plan (ICRMP), which remains the key mechanism for gathering information about an installation's historic inventory, assess potential use/reuse candidates and ensure that our installation planners and cultural resources managers are working closely together.

Our installations are filled with examples of historic preservation supporting and reinforcing the mission of a facility. We take very seriously our statutory obligations regarding historic properties. We work with OSD, the other Services, and other agencies such as The Advisory Council on Historic Preservation and State Historic Preservation Officers, tribal governments, and interested members of the public, to develop effective and efficient ways to balance our stewardship and fiscal responsibilities as part of our Shore Installation Management program.

Historic buildings are a valuable part of our portfolio: Navy has been able to rehabilitate historic buildings in a way that supports mission requirements as effectively as newer buildings, with the added benefit of preserving historic property. The Washington Navy Yard (WNY) is an excellent example of this on a large scale. WNY is a showplace for adaptive use of historic properties, including "green" renovations that reduce energy consumption, and the yard has served as the catalyst for a redevelopment of the M Street corridor that continues today. Using a combination of rehabilitated historic buildings and carefully designed new construction, we have been able to provide high quality work space for thousands of Navy employees while preserving an important historic

district. From a practical and fiduciary perspective, the best opportunity to retain a historic building is to keep it in current mission use, appropriately renovated and maintained.

Installation Restoration Program (IRP)

The DoN continues to make significant progress remediating past contaminants. As of the end of FY-08, the Department has completed cleanup or has remedies in place at 83 percent of our 3,723 contaminated sites at our active installations. We remain on track to have remedies in place or responses completed by the year 2014. The execution of the program follows a cyclical pattern as the internal DoD metrics are accomplished. FY-07 saw a major push and achievement of many “high risk” sites meeting their cleanup milestones. The next milestone is for “medium risk” sites to achieve this milestone by end of FY-11. The FY-09 and FY-10 resources are therefore focused on investigating the medium risk sites, evaluating cleanup alternatives, and selecting remedies. FY-11 will see another large spike in the number of sites achieving the cleanup milestone. The same pattern will occur for the “low risk” sites from FY-12 through FY-14.

Munitions Response Program (MRP)

The DoN is proceeding with investigations and cleanup of Munitions and Explosives of Concern and Munitions Constituents at all Navy and Marine Corps locations other than operational ranges. The major focus through FY-10 is completing site inspections at all 257 MRP sites. Additional funding is addressing high priority sites at Vieques and Jackson Park Housing. Based on the results of the site inspections and the site prioritization protocol results, DoN will sequence more complete remedial investigations and cleanups starting in FY-11. DoN plans to achieve cleanup or remedies in place at all MRP sites by FY-20.

Operational Range Assessments

Both the Navy and the Marine Corps completed environmental operational range assessments on all of their land-based operational range complexes by the end of FY-08. To date, neither the Navy nor the Marine Corps has had a release or threat of a release from an operational range to an off-range area that presents an unacceptable risk to human health and the environment.

Navy Marine Mammals/Sonar R&D investments

The Navy is taking a number of proactive steps to protect marine mammals from anthropogenic sound in the water. The Navy continues to make long-term investments in marine mammal research by supporting numerous universities, institutions, and technology businesses worldwide. Their studies will help answer critical questions in marine mammal demographics; establish

criteria and thresholds to assess the effects of naval activities; develop effective mitigation and monitoring methods to lessen any potential effects; and continue to refine characteristics of the sound field.

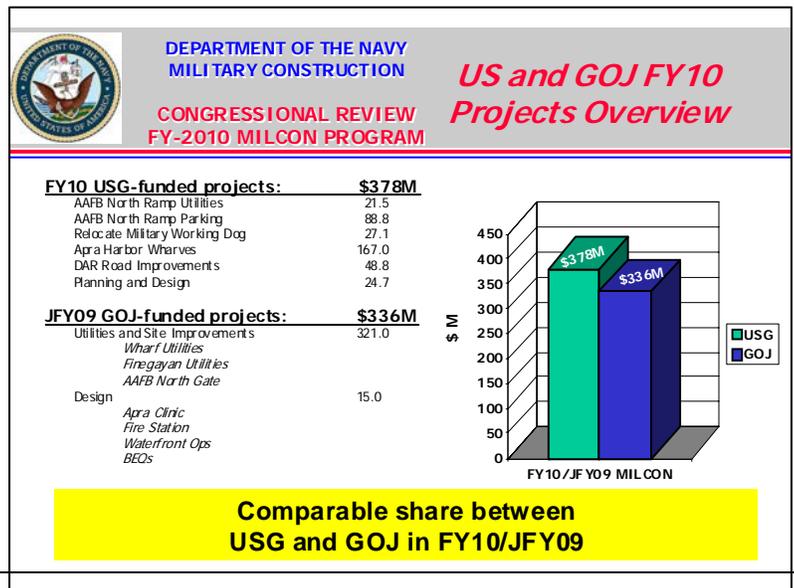
Marine Mammals/Military Readiness Activities

Over the last eight years, the Navy has been implementing its program of updating environmental documents on its major maritime range complexes and operating areas. As part of this effort, in 2008 and early 2009, the Navy signed Records of Decision for environmental impact statements (EISs) for the Hawaii Range Complex, the Southern California Range Complex and the Atlantic Fleet Active Sonar Training areas. The U.S. Navy conducts the majority of its training involving the use of mid-frequency active sonar on these range complexes. As a result of completing these three EIS/OEIS and obtaining the associated environmental compliance documentation under the Endangered Species Act (ESA) and Marine Mammal Protection Act (MMPA), the Navy no longer needed an MMPA National Defense Exemption. Similar documentation for other range complexes will be completed in 2009 and 2010.

Through the MMPA and ESA authorization processes, the National Marine Fisheries Service (NMFS) concluded that the proposed military readiness activities would have a negligible impact to marine mammals and will not jeopardize the continued existence of endangered marine mammal species in Hawaii, Southern California and off the East and Gulf Coasts of the United States. In this public process, NMFS reviewed and validated the 29 specific mitigation measures required by the two-year January 2007 MMPA National Defense Exemption. Those measures enabled the Navy to employ MFA sonar in a manner that maintained testing and training fidelity during critical MFA sonar testing and training while providing environmentally sound protection to marine mammals. Importantly, the Navy has continued unilaterally to require these mitigation measures for those areas not yet covered by environmental compliance documentation.

RELOCATING THE MARINES TO GUAM

The FY-2010 budget request includes \$378 million to construct facilities in support of the relocation. The Government of Japan, in its JFY-2009 budget (which runs April 1, 2009 through March 31, 2010) has



provided a comparable amount and we expect to receive their contribution in June. The graph at right identifies the projects each funding stream constructs.

The Department of Defense recognizes that the condition of Guam's existing infrastructure could affect our ability to execute the aggressive program execution and construction schedule. Construction capacity studies, assessments of socioeconomic impacts, and the development of the Environmental Impact Statement (EIS) have demonstrated that, in particular, Guam's road network, commercial port, and utilities systems are in need of upgrades.

Roadway, intersection, and bridge upgrades are required to handle the flow of materials from the port to work sites. Through the Defense Access Road (DAR) program, DoD is working to identify, certify as eligible for funding, and consider in future DoD budgets the need for improvements to roadways, intersections, and bridges that are critical to executing the construction program. Five road improvement projects have been certified by Transportation Command's Surface Deployment and Distribution Command under the DAR program and more are under consideration. Existing deficiencies in the island's road system and long-term traffic impacts due to the projected population increase are being considered in partnership between Guam Department of Public Works and the U.S. Federal Highway Administration. These efforts are occurring in parallel in order to ensure compatibility and mutual benefit to DoD and the Guam community.

The Port of Guam requires near and long-term improvements. The Port Authority of Guam and the U.S. Maritime Administration (MARAD) signed a memorandum of understanding to improve the port by developing an adequate master plan and implementation of a Capital Improvement Plan. These plans will develop the port into a regional shipping hub that will serve both military and civilian needs in the region in the long term. Near-term improvements to the port are underway, including the recent delivery of three refurbished cranes that will become fully operational soon. With these upgrades and improvements to materials-handling processes, the Port of Guam should be able to accommodate throughput to sustain the expected \$1.5-2.0 billion per year in construction volume.

Of the total \$6.09 billion Japanese commitment included in the Realignment Roadmap, \$740 million is for developing electric, fresh water, sewer, and solid waste infrastructure in support of the relocating Marine Corps forces. Analysis of utilities options indicates that developing new, stand-alone systems may not be cost-effective. DoD is collaborating with the Government of Guam to understand its needs and to determine the feasibility of water, wastewater, solid waste and power solutions that are mutually beneficial and

acceptable to DoD, the civilian community and the regulatory agencies. Japan's contribution to the utilities special purpose entity is but one example of how bringing private investment through public-private partnerships may be part of the solution to Guam's infrastructure problems.

Relocation to Guam represents a strategic opportunity for the United States that we must get right. Our strategy is to identify options that will support DoD missions, provide the widest possible benefit to the people of Guam, be technically and financially supportable by current and future utilities providers, and be acceptable to Government of Guam and environmental regulators. A business model is being developed to support these requirements while ensuring the interests of the U.S Government and the GOJ are met. The EIS is addressing both interim and long-term solutions as they relate to infrastructure on Guam.

DoD's Office of Economic Adjustment (OEA) has provided the Government of Guam with grants totaling more than \$4.5 million to support environmental, financial and planning studies; staffing; and community outreach programs. Additionally, the Department of Defense is working with other Federal agencies to determine what appropriate roles DoD and other Federal agencies can play in helping Guam to address necessary infrastructure and services improvements on Guam, as noted by recent Government Accounting Office reviews. Additionally, the Department will ensure that Guam's local economic adjustment requirements, as they are known at the time, are provided to the Economic Adjustment Committee, chaired by the Secretary of Defense and the Secretaries of Commerce and Labor as co-Vice Chairs.

We recognize the potential for significant socioeconomic effects on Guam with the introduction of off-island workers who will support the construction program. In order to minimize negative effects, we are collaborating with the Government of Guam to develop a program for the equitable and safe treatment of all workers, including Guam residents, workers from the Commonwealth of the Northern Mariana Islands (CNMI), Hawaii and the U.S. mainland, and any necessary H2-B laborers. We are evaluating methods to have contractors manage safety, medical, housing, transportation, and security for their workers, taking into account potential long-term positive side benefits that different solutions may have on the Guam community.

Environmental Impact Statement

As it is designed to do, the National Environmental Policy Act (NEPA) process and associated studies are helping us identify and address environmental issues and constraints. A key milestone to executing the realignment in the established timeframe is achieving a Record of Decision on a

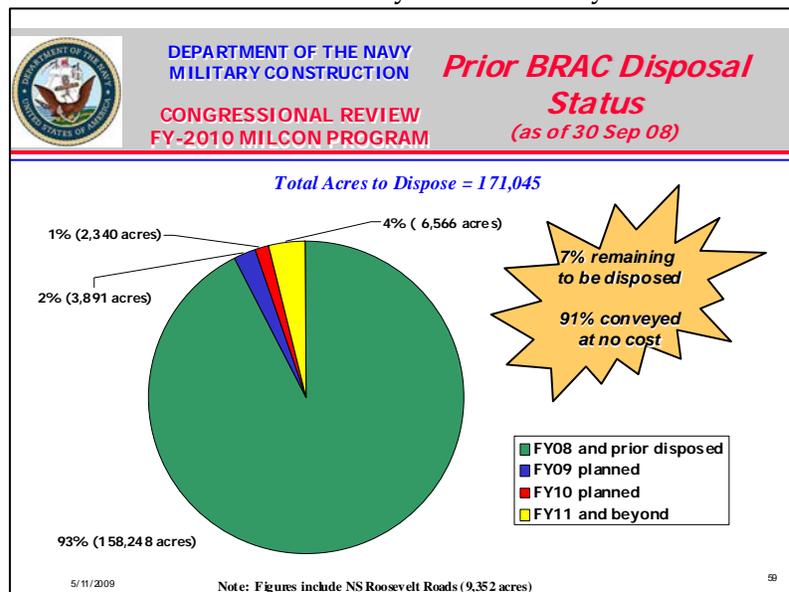
schedule that allows for construction to begin in FY2010. The target for a Record of Decision is January 2010. We realize there are significant and complicated issues that need to be addressed in this study, and the interests of the public need to be protected. This is a complex EIS, as it considers not only the relocation of the 8,000 Marines and their dependents, but also a Navy proposal for a transient nuclear-powered carrier capability at Apra Harbor, and an Army proposal to station a ballistic missile defense capability on Guam. However, we remain on an aggressive schedule to finish the final EIS by the end of 2009, with a Record of Decision following. To that end, we are holding informal discussions with regulatory agencies early and often to uncover and address issues of concern well in advance of the formal review process; we are streamlining existing internal and external review and approval processes with regulatory agencies and other external partners; and we are conducting concurrent internal DoD reviews to expedite approval of the EIS for distribution and publication. We will share with the Congress significant issues that emerge during the EIS process.

PRIOR BRAC CLEANUP & PROPERTY DISPOSAL

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The Department has achieved a steady state savings of approximately \$2.7 billion per year since FY-02. All that remains is to complete the environmental cleanup and property disposal on portions of 16 of the original 91 bases and to complete environmental cleanup on 15 installations that have been disposed.

Property Disposal

By the end of Fiscal Year 2008, we have disposed of 93% of the real property slated for closure in the first four rounds of BRAC. Throughout that time, we have used a variety of the conveyance mechanisms available for Federal



Property disposal, including the Economic Development Conveyance (EDC) that was created for BRAC properties. Ninety-one percent of the Department of the Navy real property was conveyed at no cost. From the remaining 9%, the Department of Navy

has received over \$1.1 billion in revenues via a variety of conveyance mechanisms. Nearly all of this revenue has been generated since FY-2003. Since then, we have used these funds to accelerate environmental cleanup, and to finance the entire Department of the Navy prior BRAC effort including caretaker costs from FY-2005 through FY-2008.

These funds have enabled us to continue our environmental clean-up efforts at 31 installations. We have used these funds to accelerate cleanup at Naval Shipyard Hunters Point, CA, as well as Naval Air Station Alameda, CA, enabling us to be closer to issuing Findings of Suitability to Transfer or conveyance of the property for integration of environmental cleanup with redevelopment.

Land Sale Revenue

Despite our success in using property sales to augment funding for environmental cleanup and property disposal, as well as recover value for taxpayers from the disposal of federal property, future revenues are very limited. In FY-2009, we resumed our budget requests for appropriated funding.

Prior BRAC Environmental Cleanup

The Department has spent about \$4.0 billion on environmental cleanup, environmental compliance, and program management costs at prior BRAC locations through FY-2008. We project an increase in the cost-to-complete of about \$172 million since last year. Nearly all of this cost increase is due to additional munitions cleanup at Naval Air Facility Adak, AK, Naval Shipyard Mare Island, CA, and Marine Corps Air Station El Toro, CA. The increase is also associated with additional radioactive contaminations at Naval Station Treasure Island, CA, Naval Air Station Alameda, CA, and Naval Shipyard Mare Island, CA.

BRAC 2005 IMPLEMENTATION

The Department has moved expeditiously from planning to the execution of the BRAC 05 Program. The Office of the Secretary of Defense has approved all 59 Navy-led business plans. Additionally, 24 other service-led business plans with some form of Navy equity have been approved. The Department's BRAC 05 Program is on track for full compliance with statutory requirements by the September 15, 2011 deadline. However, some significant challenges lie ahead.

Accomplishments

In total, the Department awarded 85 of 118 BRAC construction projects with a combined value of \$1.4 billion.² Eighteen FY-2009 projects worth \$256 million are on track to award this year. Some noteworthy projects include:

- In July 2008, the Department awarded a \$325 million project to co-locate Military Department Investigative Agencies at Marine Corps Base, Quantico, VA. When complete it will combine almost 3,000 personnel from the Department of Defense (DoD) and the Services' Investigative Agencies. It also includes the construction of a collocated "School House" for the Joint Counterintelligence Training Academy (JCITA) as well as nearby roadway improvements. Combined together, these actions will significantly enhance counterintelligence synchronization and collaboration across DoD.
- In less than 12 months since business plan approval, nine projects for a combined \$222M were awarded at Naval Air Weapons Station, China Lake, CA, Naval Weapons Station, Indian Head, MD, and Dahlgren, VA, in support of the Department's effort to consolidate and create a Naval Integrated Weapons & Armaments Research, Development, Acquisition, Test, and Evaluation Center. Two projects worth \$39 million are projected to award next month.

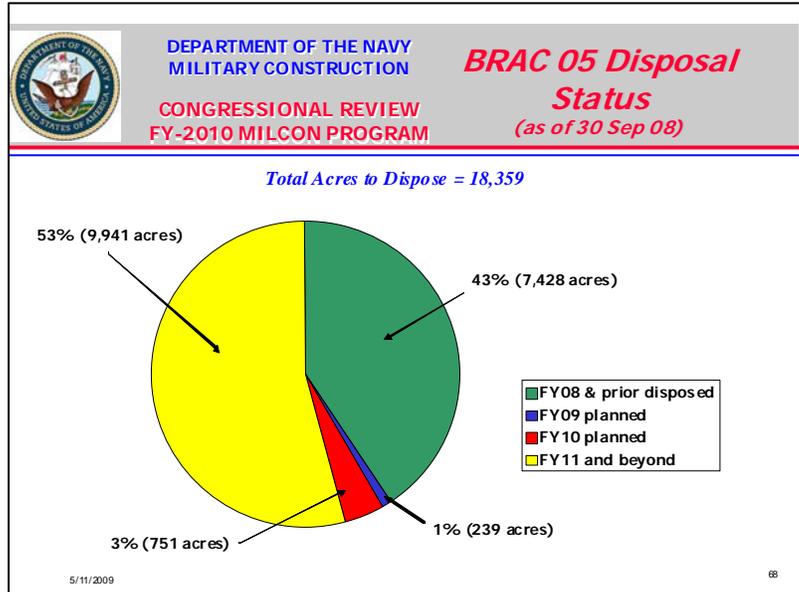
Helping Communities

Fifteen impacted communities have established a Local Redevelopment Authority (LRA) to guide local planning and redevelopment efforts. The DoD Office of Economic Adjustment has been providing financial support through grants and technical assistance to support LRA efforts. Of these 15 communities, six reuse plans have been approved by the Department of Housing and Urban Development (HUD). Three communities are still preparing their plans with submissions planned for later this year. At the installations where the reuse plans have been completed, the Department has initiated the National Environmental Policy Act documentation for disposal of those properties.

² Three FY-2008 projects valued at \$14 million remain to be awarded

Land Conveyances and Lease Terminations

By the end of FY-2008, the Department disposed of 43% of the property that was slated for closure in BRAC 2005. These disposal actions were completed via lease termination, reversions, and Federal and DoD agency transfers. Of interest is the reversion of Singing Island at Naval Station Pascagoula and the Dredge Spoil Material Area at Naval Station Ingleside, transfer of the tidal area of Naval Weapons Station Seal Beach Detachment Concord to the Department of the Army, and disposal of 78% of the reserve centers slated for closure.



The Department has also closed or realigned 38 of 49 Naval Reserve Centers, Navy Marine Corps Reserve Centers, Navy Recruiting Districts, Navy Regions, and Navy Reserve Readiness Commands. Seven of these were disposed in 2008. The 2009 Plan includes transfer of 144 acres at Naval Air Station Atlanta, Reserve Centers at Orange, TX, and Mobile, AL, and 75 acres from Naval Station Pascagoula to the Air Force.

NSA New Orleans, LA

In September 2008, the Department and the Algiers Development District (ADD) Board entered into a 75-year leasing agreement. We leased 149 acres of Naval Support Activity New Orleans West Bank to the ADD in exchange for up to \$150 million in new facilities to support Headquarters, Marine Forces Reserve.

Simultaneously, the Department finished construction, relocated from New Orleans, and formally opened the new Commander, Navy Reserve Force Command Headquarters in Norfolk, VA. In their new \$33 million, 90,000-square foot facility, the 450-man command is in very close proximity to the Department's U.S. Fleet Forces Command as well as the Joint Forces Command. This proximity means better communication between active and reserve forces, including more face-to-face meetings with local commands.

Naval Air Station Brunswick, ME

The Department's largest BRAC 05 operational action will close Naval Air Station Brunswick, Maine, and consolidate the East Coast maritime patrol operations in Jacksonville, Florida. The cornerstone of this relocation is a \$132 million aircraft hangar scheduled for completion and occupation in May 2009. This project represents the Department's largest patrol squadron hangar, and it will serve to maintain all five P-3 squadrons. It is also designed for the future transition to the P-8 Poseidon aircraft. The first relocating P-3 Squadron deployed from Naval Air Station Brunswick occurred in November 2008 and will return directly to their new home in Jacksonville.

Naval Station Ingleside/NAS Corpus Christi, TX

Significant progress was also made to prepare facilities to relocate eight Mine Counter Measure (MCM) ships from Naval Station Ingleside, TX to Naval Base San Diego, CA. The Department re-evaluated its infrastructure footprint in the greater San Diego area and elected to change from new construction to renovation of existing facilities, thereby saving more than \$25 million in construction costs. These ships will start shifting homeport this spring, with completion later in the calendar year.

Joint Basing

Two of four Joint Base Memorandums of Agreement (MOAs) where the Department is the lead component have been approved. The MOA for each joint base defines the relationships between the components, and commits the lead component to deliver installation support functions at approved common standards. Resources – including personnel, budget, and real estate – transfer from the Supported component(s) to the lead. Joint Basing has two implementation phases, with Phase I installations scheduled to reach full operational capability in October 2009, and Phase II installations in October 2010. The four Department-led joint bases are Little Creek-Fort Story (Phase I), Joint Region Marianas (Phase I), Anacostia-Bolling (Phase II), and Pearl Harbor-Hickam (Phase II).

Environmental Cost to Complete

Given the relatively few number of closures, the absence of major industrial facilities, and the extensive site characterization, analysis, and cleanup that has occurred over the last several decades, the Department's remaining environmental liabilities for BRAC 05 are substantially less than in previous rounds of BRAC. We have spent \$148 million in cleanup at BRAC 05 locations through FY-2008. The majority of this has been spent at Naval Air Station Brunswick, ME and Naval Weapons Station Seal Beach Detachment Concord,

CA. Our remaining environmental cost to complete for FY-2009 and beyond is \$99 million. This estimate is \$8 million higher than last year's estimate due to additional munitions, groundwater, and landfill cleanup and monitoring at Naval Air Station Brunswick, ME, Naval Weapons Station Seal Beach Detachment Concord, CA, and Naval Air Station Joint Reserve Base Willow Grove, PA.

Financial Execution

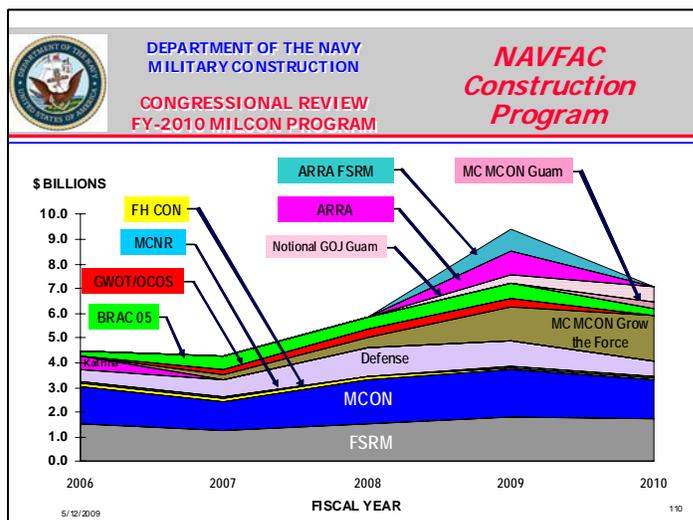
The execution of our FY-2006 – 2008 funds is now at nearly 90%. This is a significant improvement over the same period last year and further demonstrates our shift from planning to execution and accelerated implementation. We are also on track to obligate over 90% of our FY-2009 funds by the end of the fiscal year. We appreciate the efforts of Congress to provide these funds early in the fiscal year, which directly contributed to our success.

Challenges

Although we are on track to meet the September 15, 2011 deadline, we do face some significant challenges ahead. Seven major construction projects at Naval Air Weapons Station China Lake, CA and Naval Weapons Station Indian Head, MD require complex site approvals and certifications for operation from the Department of Defense Explosive Safety Board. Additionally, Correctional Facilities require certification before occupancy. The Department plans to closely manage construction so that it completes in time to conduct the necessary certifications.

Several complex move actions require close coordination with other services and agencies. While they remain on track for timely completion, we must maintain effective and continuous coordination to succeed.

MEETING THE CONSTRUCTION EXECUTION CHALLENGE

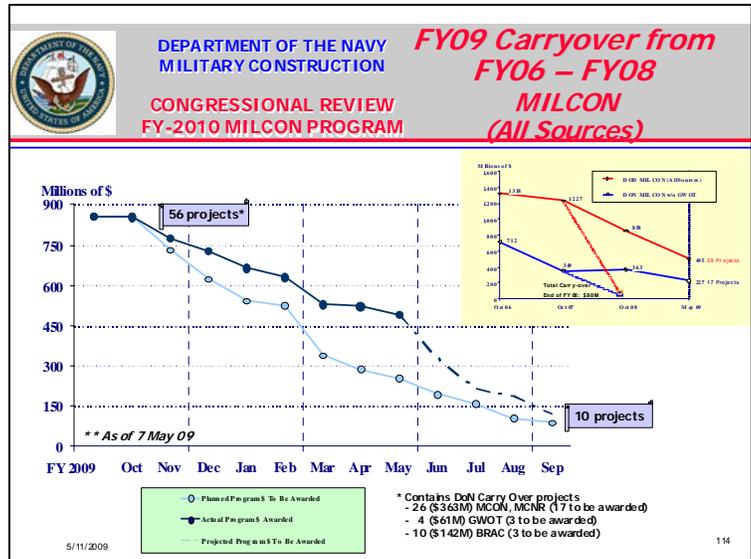


We have outlined how our facilities investment continues at a record setting pace, and the Department's execution agent, the Naval Facilities Engineering Command (NAVFAC), is ready to meet the demand.

While market conditions exacerbated by world-wide natural disasters led to lagging execution rate during FY-2006, NAVFAC has drastically reduced carryover despite a 60% increase in contract awards, as the graph depicts. Smart acquisition strategies and vigorous management in the field continue to reduce the carryover.

- Special consideration is being given to executing the construction program in Guam.

To the maximum extent possible NAVFAC will apply criteria and standards that enable offsite construction methodologies. This will not only reduce the importation of raw construction materials to the island but it also helps to minimize the socio-economic impact by reducing the off-island labor required. NAVFAC continues to make concerted efforts to reach out to Small Business enterprises, and will also utilize a variety of contracting vehicles, such as the, 8(A) Multiple Award, HUBZONE Multiple award, and the new Small Business Global Multiple Award that is pre-award status.



CONCLUSION

Our nation's maritime forces operate closely with other joint forces allies, and coalition partners, delivering the main tenets of our Cooperative Strategy for 21st Century Seapower: protecting the homeland, preventing conflicts, and when necessary, winning our Nation's conflicts. To fulfill this challenge we must ensure our Sailors and Marines have the training, education, and tools necessary to prevail in conflict and promote peace abroad. The Department of Navy's (DoN) investment in our shore infrastructure represents our deepening commitment to this goal. Our installations are where we homeport the Fleet and her Marine forces, train and equip the world's finest Sailors and Marines. Our FY-2010 budget supports a forward posture and readiness for agile, global response.

Thank you for your continued support and the opportunity to testify before you today.