

RECORD VERSION

STATEMENT BY

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(INSTALLATIONS, ENERGY, AND ENVIRONMENT)**

BEFORE THE

**SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE**

SECOND SESSION, 113TH CONGRESS

**ON THE MILITARY CONSTRUCTION, ENVIRONMENTAL, ENERGY, AND BASE
CLOSURE PROGRAMS IN REVIEW OF THE DEFENSE AUTHORIZATION
REQUEST FOR FISCAL YEAR 2015 AND THE FUTURE YEARS DEFENSE
PROGRAM**

APRIL 2, 2014

**NOT FOR PUBLICATION UNTIL RELEASED BY
THE SENATE ARMED SERVICES COMMITTEE**

INTRODUCTION

Chairman Shaheen, Ranking Member Ayotte, and Members of the Committee, on behalf of the Soldiers, Families, and Civilians of the United States Army, I want to thank you for the opportunity to present the Army's Fiscal Year (FY) 2015 Military Construction (MILCON) and Army Family Housing (AFH) budget request.

The President's FY 2015 MILCON budget request supports the strategic priorities of developing a globally-responsive and regionally-engaged Army. We ask for the Committee's continued commitment to our Soldiers, Families and Civilians and support of the Army's military construction and installations programs.

OVERVIEW

The Army's FY 2015 President's Budget includes \$13 billion for installation energy, environmental programs, facility sustainment, restoration, and modernization, base operations support, and MILCON. This funding will enable the Army to sustain, restore, and modernize facilities to support the Army's priorities. The Installation Management Community is focused on providing the facilities necessary to enable a ready and modern Army. As part of the \$13 billion, the Army is requesting \$1.3 billion for MILCON, AFH, and Base Closure Accounts (BCA). The MILCON budget request represents one percent of the total Army budget. Of this \$1.3 billion request, \$539 million is for the Active Army, \$127 million is for the Army National Guard, \$104 million is for the Army Reserve, \$429.6 million is for AFH, and \$84 million is for BCA.

The budget request reflects an overall 39 percent reduction from FY 2014 in the MILCON accounts as a result of the reductions in the Army end-strength and force structure. The Army reviewed facility investments necessary to support the force, taking into consideration the fiscal reality that we are facing as a Nation: the Budget Control Act of 2011, the Bipartisan Budget Agreement of 2013, and the department's strategic shift to realign forces toward the Asia/Pacific theater. This MILCON budget request reflects the focused investments necessary in training, maintenance, and operations

facilities to enable the future force of the All Volunteer Army in a constrained fiscal environment.

ARMY FORCE STRUCTURE

Fiscal reductions required by the current law, along with the end of ground combat operations in Iraq and Afghanistan, have put the Army on a path to shrink its active duty end strength from its peak of 570,000 to between 440,000 and 450,000. This is a reduction of 120,000 to 130,000 Soldiers, or approximately 22 percent from the active component. These reductions will affect every installation in the Army. The Army must retain our adaptability and flexibility to provide regionally-aligned and mission-tailored forces in support of national defense requirements. As the first part of the drawdown, the Army is reducing its active component from 45 Brigade Combat Teams (BCTs) to 32 by FY 2015. As part of the BCT reduction, the Army will reorganize Infantry and Armor BCTs by adding a third maneuver battalion, and additional engineer and fires capability. The Army will reduce or reorganize numerous non-BCT units as part of the drawdown.

When we evaluated our initial force structure reductions from 570,000 to 490,000 Soldiers, we conducted a Programmatic Environmental Assessment (PEA), which was prepared in accordance with the National Environmental Policy Act (NEPA).

The PEA analyzed potential environmental impacts that could result from the force reductions, including socioeconomic impacts at specified DoD personnel reduction thresholds. Following publication of the PEA, the Army conducted approximately 30 community listening sessions at all Army installations with military and civilian populations of 5,000 or more. The community listening sessions gave communities an opportunity to contribute feedback on socioeconomic impacts associated with force structure downsizing. Since the Army's active component end-strength will decline further than 490,000, the Army initiated a supplemental PEA analysis in February 2014 to analyze additional potential population loss scenarios.

We will host another round of community listening sessions associated with these deeper reductions.

FACILITY CAPACITY ANALYSIS

As the Army reduces and reorganizes over the next five to seven years, the Army must gauge the current and future installation capacity that will be required for a ready and resilient Army. The Army has begun conducting a facility capacity analysis to determine how much excess capacity will be available at the enterprise level, as the Army decrements its end strength. The Army is taking steps to ensure we do not execute MILCON projects that are in excess of documented requirements based on the Total Army Analysis (TAA) and programmatic review of all MILCON facility requirements.

While additional efforts are underway to understand changing facility requirements as our force structure declines, the Army is conducting some analyses of real property to support an end-strength of 490,000 Active Component (AC) Soldiers (and the accompanying force structure). Preliminary results indicate that the Army will have nearly 18 percent excess capacity, totaling over 167 million square feet of facilities spread across our worldwide installations. The Army estimates it costs about \$3 per square foot to maintain occupied and/or underutilized facilities, which could cost the Army over \$500 million a year in unnecessary operations and maintenance. For some facility category types, such as small unit headquarters facilities (for example Company Operations Facilities), the Army has facility shortfalls. We are reviewing our requirements with an eye towards finding practical, efficient solutions that meet Soldier needs and which we as an Army can afford.

Additional excess capacity will be created if the AC shrinks further, necessitating incremental facility capacity analyses.

Excess capacity will range between 12 and 28 percent, depending on facility category group, with an average of approximately 18 percent. We are working now to confirm our excess capacity overseas; our current focus is in the European area of responsibility.

A year ago, the Secretary of Defense directed the conduct of a European Infrastructure Consolidation (EIC) review for the specific purpose of reducing “expenses by eliminating excess capacity in Europe while ensuring our remaining base structure supports our operational requirements and strategic needs.” The Army is fully engaged in the conduct of this review. We are active participants in the steering group governing this work and employing the principles of capacity and military value analysis, developed originally for Base Realignment and Closure (BRAC), to guide our work. Our target date to complete the DoD and Army analysis and evaluation is Spring 2014. Current Army Capacity Analysis reflects 10 to 15 percent of excess capacity in Europe.

The Army’s work in this EIC review is wholly consistent with its commitment to reducing unneeded infrastructure. Consistent with changes in both the strategic and fiscal environments, we have been working aggressively to ensure we achieve the difficult balance between the cost of maintaining our infrastructure and force readiness. Our strategy is to: (a) consolidate on larger, more capable installations, (b) divest older and inadequate infrastructure, and (c) invest in the remaining footprint in order to provide adequate facilities to accomplish our mission – while meeting the needs of our Soldiers and their Families.

The Army has been downsizing our footprint in both Europe and Asia for many years in the post-Cold War era. Since 2006, Army end strength in Europe has declined 45 percent, and we are on track to shrink the supporting infrastructure, overhead, and operating budgets by over 50 percent. Similarly in Korea, the Army decreased the number of Soldiers by about a third (10,000 Soldiers) and is on pace to shrink our acreage and site footprint by about half.

Overseas, the Army has the tools and authorities we need to identify and reduce excess capacity. Inside the United States, however, the best and proven way to address excess and shortfalls in facility requirements in a cost-effective and fair manner is through the BRAC Commission process.

The Army continues to need additional BRAC authorization to reduce excess infrastructure effectively. As the Army’s end strength and force structure decline alongside its available funding, hundreds of millions of dollars will be wasted maintaining underutilized buildings and infrastructure. Trying to spread a smaller

budget over the same number of installations and facilities will inevitably result in rapid decline in the overall condition of Army facilities. Without a future round of BRAC, the Army will be constrained in closing or realigning installations to reduce overhead. This “empty space tax” of about \$3 a square foot on our warfighters will simply result in cuts to capabilities elsewhere in the budget.

As the Committee considers the President’s request to authorize another round of BRAC, I urge the Members to think about the following considerations:

First, if Congress fails to authorize another round of BRAC, this defense drawdown is likely to repeat a very unfortunate historical pattern of hollowed-out forces dispersed across hollowed-out installations.

Second, postponing BRAC does not prevent defense communities from experiencing the consequences of smaller forces and lower off-post economic activity. The Soldiers and Families at the installations will be gone, and their spending power and requirements will go with them.

Third, postponing BRAC means that excess infrastructure and civilian overhead cannot be properly addressed at sites experiencing the biggest reductions of workload. Declining budget targets must still be met. Therefore, without BRAC, communities hosting our highest military value installations are likely to see greater negative economic impacts than they would if the Army could close or realign some installations.

The Army has the authority to close and realign U.S. installations outside the BRAC process as long as the Congressional notification thresholds detailed in 10 USC §2687 are not triggered. Historically, however, the Army and Congress together have concluded that using non-BRAC authority to address excess infrastructure is not as transparent or economically advantageous to local communities.

Local communities, including those where installations have closed, have benefitted in many ways from the BRAC property disposal authorities, as described below in the “Base Closure Account” section of this testimony.

FACILITY INVESTMENT STRATEGY (FIS)

As we shape the Army of 2020 and beyond, through a series of strategic choices, the Installation Management Community looks to implement the FIS to provide quality, energy-efficient facilities in support of the Army Leadership priorities.

FIS provides a strategic framework that is synchronized with the Army Campaign Plan (ACP), TAA, and Army Leadership priorities in determining the appropriate funding to apply in the capital investment of Army facilities at Army installations and Joint Service bases across the country. FIS proposes a cost effective and efficient approach to facility investments that reduces unneeded footprint, saves energy by preserving efficient facilities, consolidates functions for effective space utilization, demolishes failing buildings, and uses appropriate excess facilities as lease alternatives in support of the Army of 2020 and beyond.

FIS uses MILCON funding to replace failing facilities and build out critical facility shortages. We apply Operations and Maintenance (O&M) funding to address existing facilities' repair and maintenance. O&M Restoration and Modernization (R&M) funding is used to improve existing facility quality. O&M Sustainment funding is used to maintain existing facilities. Demolition and disposal funding is used to eliminate failing excess facilities. Focused investments from MILCON and O&M funding will support facilities grouped in the following categories: Redeployment/Force Structure; Barracks; Revitalization; Ranges; and Training Facilities. The FY 2015 budget request implements the FIS by building out shortfalls for unmanned aerial vehicle units, the 13th Combat Aviation Brigade, initial entry training barracks, selected maintenance facilities, and reserve component facilities. Additional departmental focus areas are Organic Industrial Base and Energy/Utilities.

FISCAL YEAR 2015 BUDGET REQUEST MILITARY CONSTRUCTION, ARMY

The FY 2015 Military Construction, Army (MCA) budget requests an authorization of \$405.3 million and appropriations for \$539.4 million. The appropriations

request includes \$58 million to fund the third and final increment of the FY 2013 Cadet Barracks at the United States Military Academy and \$76.1 million for planning and design, minor military construction, and host nation support.

Barracks (\$110M): Provides 480 training barracks spaces at Fort Jackson, South Carolina and funds the previously discussed cadet barracks at the United States Military Academy, which was fully authorized in FY 2013.

Redeployment/Force Structure (\$217.7M): Invests \$124 million to construct unmanned aerial vehicle hangars at Fort Irwin, California; Fort Carson, Colorado; Fort Campbell, Kentucky; and Fort Drum, New York to support the activation of Gray Eagle requirements. Fort Carson will also receive \$60 million for an aircraft maintenance hangar to support the 13th Combat Aviation Brigade. The Military Ocean Terminal, Concord, California, will receive \$9.9 million to construct an access control point in support of ammunition shipments. The remaining \$23.8 million will support other redeployment/force structure requirements.

Revitalization (\$135.6M): The Army is requesting five projects to correct significant facility deficiencies or facility shortfalls to meet the requirements of the units and/or organization mission. Projects include a \$5.3 million general purpose maintenance shop at the Military Ocean Terminal, Concord, California, to alleviate known safety risks; a \$96 million command and control facility complex, including a sensitive compartmented information facility, at Fort Shafter, Hawaii; a \$16 million rebuild shop addition at Letterkenny Army Depot, Pennsylvania; a \$7.7 million tactical vehicle hardstand at Joint Base Langley-Eustis, Virginia; and a \$10.6 million missile magazine at Kadena Air Base, Japan supporting Patriot missile storage.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The FY 2015 Military Construction, National Guard (MCNG) budget requests an authorization of \$95.6 million and an appropriation for \$126.9 million. The request includes appropriations for \$31.3 million in planning and design and minor military construction. The MCNG program is focused on the MILCON categories of Modularity and Revitalization.

Modularity (\$38M): The FY 2015 budget request provides for a readiness center in Helena, Montana. The project is an addition and alteration to the existing readiness center, which will address critical space shortfalls created by force structure changes. The project will facilitate unit operations, enhancing unit readiness.

Revitalization (\$57.6M): The Army National Guard budget requests four projects to replace failed or failing facilities as part of the FIS. This category includes two vehicle maintenance facilities and two readiness centers. The \$10.8 million maintenance facility in Valley City, North Dakota will improve the safety and efficiency of operations by replacing the existing facility that provides only 11 percent of the authorized unit space. An unheated storage facility included in the project will preserve equipment and increase readiness. The \$4.4 million maintenance facility in North Hyde Park, Vermont combines two undersized facilities into one properly-sized facility. This new building will meet current standards to create a safe, productive work environment. In Augusta, Maine, multiple repurposed World War II era facilities will be replaced with a \$30 million readiness center. The \$12.4 million readiness center project in Havre De Grace, Maryland replaces a facility built in 1922, originally for a race track clubhouse, and subsequently acquired by the National Guard. The new readiness centers will meet existing construction standards and will be configured and sized for the current units. All four projects will provide modern facilities to enhance the Army National Guard's operational readiness.

MILITARY CONSTRUCTION, ARMY RESERVE

The FY 2015 Military Construction, Army Reserve (MCAR) budget requests an authorization of \$92 million and appropriations for \$104 million. The appropriations request includes \$12 million for planning and design, and minor military construction. The MCAR program is focused on the MILCON category of Revitalization.

Revitalization (\$92M): The FY 2015 Army Reserve budget request includes five projects that build out critical facility shortages and consolidate multiple failing and inefficient facilities into energy efficient facilities. The Army Reserve will construct new Reserve Centers in California, New Jersey, and New York (\$71M) and an addition to an

existing Reserve Center in Colorado (\$5M) that will provide modern training classrooms, simulations capabilities, and maintenance platforms that support the Army Force Generation (ARFORGEN) cycle and the ability of the Army Reserve to provide trained and ready Soldiers when called. The request also includes a Total Army School System (TASS) Training Center (TTC) in Virginia in support of the One Army School System model (\$16M).

ARMY FAMILY HOUSING

The Army's FY 2015 AFH budget request of \$429.6 million includes \$78.6 million for construction and \$351 million for housing operations worldwide. The AFH inventory includes 16,009 government-owned homes, 3,277 government-leased homes, and 86,077 privatized-end state homes. The Army has privatized over 98 percent of on-post housing assets inside the United States. All Army overseas Family housing quarters are either government-owned or government-leased units.

Operations (\$70.5M): The Operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. Within the management sub-account, Installation Housing Services Offices provide post housing, non-discriminatory listings of rental and for-sale housing, rental negotiations and lease review, property inspections, home buying counseling, landlord-tenant dispute resolution, in-and-out processing housing assistance, assistance with housing discrimination complaints, and liaison between the installation and local and state agencies. In addition, this account supports remote access to housing information from anywhere in the world with direct information or links to garrison information such as schools, relocation information, installation maps, housing floor plans, photo and housing tours, programs and services, housing wait list information, and housing entitlements.

Utilities (\$82.7M): The Utilities account includes the cost of delivering heat, air conditioning, electricity, water, and wastewater support for owned or leased (not privatized) Family housing units.

Maintenance and Repair (\$65.3M): The Maintenance and Repair account supports annual recurring projects to maintain and revitalize AFH real property assets. and is the account most affected by budget changes. This funding ensures that we appropriately maintain the 16,009 housing units so that we do not adversely impact Soldier and Family quality of life.

Leasing (\$112.5M): The Army Leasing program is another way to provide Soldiers and their Families with adequate housing. The FY 2015 budget request includes funding for 895 temporary domestic leases in the US, and 2,382 leased units overseas.

Privatization (\$20.0M): The Privatization account provides operating funds for portfolio and asset management and government oversight of privatized military Family housing. The need to provide oversight of the privatization program and projects is reinforced in the FY2013 NDAA, which requires more oversight to monitor compliance, review, and report performance of the overall privatized housing portfolio and individual projects.

In 1999, the Army began privatizing Family housing assets under the Residential Communities Initiative (RCI). The RCI program continues to provide quality housing that Soldiers and their Families and senior single Soldiers can proudly call home. All scheduled installations have been privatized through RCI. The RCI program met its goal to eliminate those houses originally identified as inadequate and built new homes where deficits existed. RCI Family housing is at 44 locations, with a projected end state of over 86,000 homes – 98% of the on-post Family housing inventory inside the US. Initial construction and renovation investment at these 44 installations is estimated at \$13.2 billion over a three-to-fourteen year initial development period (IDP), which includes an Army contribution of close to \$2 billion. All IDPs are scheduled to be completed by 2019. After all IDPs are completed, the RCI program is projecting approximately \$14 billion in future development throughout the 44 locations for the next 40 years. From 1999 through 2013, our RCI partners have constructed 31,935 new homes, and renovated another 25,834 homes.

The Privatized Army Lodging (PAL) program is the Army's primary means of revitalizing and building new transient lodging facilities and providing for their long-term

sustainment. Operations and Maintenance account funds are programmed to provide portfolio and asset management oversight for PAL. The PAL program is a natural extension of the success achieved through the RCI. The program conveyed existing transient lodging assets and executes a 50-year lease for the underlying ground to a qualified developer and hotel operator. To date, 39 installations are privatized under the PAL program, and will increase to 41 installations by 2016. PAL encompasses all current lodging operations in the continental United States, Alaska, Hawaii, and Puerto Rico, with a projected end-state of 14,135 hotel rooms.

Construction (\$77.3M): The Army's FY 2015 Family Housing Construction request is for \$77.3 million for new construction and \$1.3 million for planning and design. The Army will construct 33 single Family homes at Rock Island Arsenal, Illinois to support Senior Officer and Senior Non-Commissioned Officer and Families. These new homes will enable the Army to begin to address the housing deficit and to reduce dependency on leased housing. Additionally, the Army will construct 90 apartment-style quarters at Camp Walker in Daegu, Korea to replace aged and worn out leased units with on-post construction to consolidate Families.

BASE CLOSURE ACCOUNT

BRAC property disposal remains an Army priority. Putting excess property back into productive re-use, which can facilitate job creation, has never been more important than it is today.

The FY 2013 NDAA consolidated the Prior BRAC and BRAC 2005 accounts into a single DoD Base Closure Account (BCA). The Army's portion of the FY 2015 BCA budget request is for \$84 million. The request includes \$30 million for caretaker operations and program management of remaining properties, and \$54 million for environmental restoration efforts. In FY 2015, the Army will continue environmental compliance and remediation projects at various BRAC properties. The funds requested are needed to keep planned environmental response efforts on track, particularly at legacy BRAC installations including Fort Ord, California; Fort McClellan, Alabama; Fort

Wingate, New Mexico; Pueblo Chemical Depot, Colorado; and Savanna Army Depot, Illinois. Additionally, the funds requested support environmental projects at several BRAC 2005 installations, including Fort Gillem, Georgia; Fort Monmouth, New Jersey; Fort Monroe, Virginia; Lone Star Army Ammunition Plant, Texas; and Kansas Army Ammunition Plant, Kansas. Completing environmental cleanup is critical to transferring property back to local re-use authorities for productive re-use and job creation.

In total, the Army has disposed of almost 224,000 acres (75 percent of the total acreage disposal requirement of 297,000 acres), with approximately 73,000 acres (25 percent) remaining. The current goal is for all remaining excess property to be conveyed by 2021. Placing this property into productive reuse helps communities rebuild the local tax base, generate revenue, and, most importantly, replace lost jobs.

BRAC-impacted communities have leveraged planning grants and technical assistance from the DoD Office of Economic Assistance (OEA), as well as BRAC property disposal authorities, to adjust in ways that are often not possible outside the BRAC process.

The Newport Chemical Depot in Vermillion County, Indiana was closed during the BRAC 2005 round, and successfully completed the property transfer process for 7,236 acres in a relatively short period of time. This allowed the surrounding rural community to remain focused on redevelopment, and reduced the Army's caretaker costs. In 2013, Scott Pet Products, Inc., a pet supply manufacturer, opened a 50,000-square foot manufacturing and distribution facility on this closed installation, and plans to expand there, which will create new jobs. Newport Pallet Inc. moved into an 80,000-square foot building at the site in 2010, and the General Machine and Saw Company announced plans in February 2013 to move into facilities at the re-designated Vermillion Rise Mega Park.

At Fort Monmouth, New Jersey, another BRAC 2005 closure site, the Army has started transferring property to return it to productive re-use. Construction crews are progressing ahead of schedule on a new 275,000-square foot facility to expand the capacity of the software data storage firm, CommVault. This is the first of several planned expansions by CommVault, with the potential to create over 1,500 jobs. The Army successfully transferred the old Paterson Army Health Clinic parcel in September

2013. The Local Redevelopment Authority (LRA) will sell it to a healthcare provider (AcuteCare). Locally-stated plans will create up to 200 new jobs, invest approximately \$15 million in renovations, and will enable the LRA to avoid about \$1 million in planned demolition expenses.

ENERGY

The Army is moving forward to address the challenge of energy and sustainability on our installations. In FY 2015, the Installation Energy budget total is \$1.6 billion and includes \$48.5 million from the DoD Defense-wide MILCON appropriation for the Energy Conservation Investment Program (ECIP), \$79 million for Energy Program/Utilities Modernization program, \$1.47 billion for Utilities Services, and \$8 million for installation-related Science and Technology research and development. The Army conducts financial reviews, business case and life cycle cost analysis, and return on investment evaluations for all energy initiatives.

ECIP (\$48.5M): The Army invests in energy efficiency, on-site small scale energy production, and grid security through the DoD's appropriation for ECIP. In FY 2014, the DoD began conducting a project-by-project competition to determine ECIP funding distribution to the Services. In FY 2015, the Army requests \$48.5M for eleven projects to include seven energy conservation projects, three renewable energy projects, and one energy security project.

Energy Program/Utilities Modernization (\$79M): Reducing consumption and increasing energy efficiency are among the most cost effective ways to improve installation energy security. The Army funds many of its energy efficiency improvements through the Energy Program/Utilities Modernization program account. Included in this total are funds for energy efficiency projects, the Army's metering program, modernization of the Army's utilities, energy security projects, and planning and studies. In addition, this account funds planning and development of third-party-financed renewable energy projects at or below grid parity through the Energy Initiatives Task Force (EITF). The EITF currently has 8 large-scale renewable energy projects in the acquisition phase with a potential of over 175 MW of production capacity.

Utilities Services (\$1.47B): The Utilities Services account pays all Army utility bills including the repayment of Utilities Privatization (UP), Energy Savings Performance Contracts (ESPCs), and Utilities Energy Service Contracts (UESCs). Through the authority granted by Congress, ESPCs and UESCs allow the Army to implement energy efficiency improvements through the use of private capital, repaying the contractor for capital investments over a number of years out of the energy cost savings. The Army has the most robust ESPC program in the Federal government. The ESPC program has more than 180 Task Orders at over 75 installations, representing \$1.32 billion in private sector investments and over 360 UESC Task Orders at 45 installations, representing \$568 million in utility sector investments. We have additional ESPC projects in development, totaling over \$400 million in private investment and \$100 million in development for new UESCs. From December 2011 through December 2013, under the President's Performance Contracting Challenge, the Army executed \$498 million in contracts with third-party investment using ESPCs and UESCs, doubling historical trends.

Installation Science and Technology Research and Development (\$8M): Installation Science and Technology programs investigate and evaluate technologies and techniques to ensure sustainable, cost efficient and effective facilities to achieve resilient and sustainable installation and base operations. Facility enhancement technologies contribute to cost reductions in the Army facility life cycle process and support installation operations.

ENVIRONMENT

The Army's FY2015 budget requests \$1.149 billion for its Environmental Programs in support of current and future readiness. This budget supports legally-driven environmental requirements under applicable federal and state environmental laws, BRAC authority, binding agreements, and Executive Orders. It also promotes stewardship of the natural resources that are integral to our capacity to effectively train our land-based force for combat.

This budget maintains the Army's commitment to acknowledge the past by restoring Army lands to a usable condition and by preserving cultural, historic, and Tribal resources. It allows the Army to engage the present by meeting environmental standards that enable Army operations and protect our Soldiers, Families, and communities. Additionally, it charts the future by allowing the Army to institutionalize best practices and technologies to ensure future environmental resiliency.

SUSTAINMENT/RESTORATION & MODERNIZATION

This year's sustainment funding is \$2.4 billion or 62 percent of the OSD Facilities Sustainment Model (FSM) requirement for all the Army components. Due to this lower level of sustainment funding, we are accepting a level of risk in degraded facilities due to deferred maintenance. Our facility inventory is currently valued at \$329 billion.

In keeping with the FIS, the Army continues its investment in facility restoration through the O&M restoration and modernization account (\$358M). Our focus is to restore trainee barracks, enable progress toward energy objectives, and provide commanders with the means of restoring other critical facilities. The Army's demolition program has been reduced by 36 percent to \$22.7 million, which slows our rate of removal of failing excess facilities. Facilities are an outward and visible sign of the Army's commitment to providing a quality of life for our Soldiers, Families, and Civilians that is consistent with their commitment to our Nation's security.

BASE OPERATIONS SUPPORT

The Army's FY 2015 Base Operations Support (BOS) request is \$8.6 billion and represents a 17 percent reduction compared to FY2013 execution. Although this reduction is in accordance with the BCA, Army's FY 2015 Base Operations Support (BOS) funding will create challenges to our installations as they seek to provide a sustainable base for training and quality of life for our Military Families. The Army's FY 2015 installation funding strategy continues to prioritize Life, Health, and Safety programs and services ensuring Soldiers are trained and equipped to meet the

demands of our nation. The Army remains committed to its Family programs and continues to evaluate these services in order to maintain relevance and effectiveness. Ensuring the resiliency of our Soldiers and Families is the priority of programs such as Army Substance Abuse Program, Soldier Family Assistance Centers, and Suicide Prevention.

We continue to seek internal efficiencies/tradeoffs as sequestration is producing real-life consequences on our installations. Army continues to face challenges meeting day-to-day installation readiness requirements. Army installations and local communities felt the effects of sequestration in FY 2013. Our efforts to balance expectations and stretch funding involve a contract management review process that enables better visibility for making decisions on how to terminate/down-scope, modify, or bundle current contracts to reduce overhead rates and compete for better rates. Without a reduction in the number of installations, the Army will be forced to sacrifice quality of life programs at the expense of maintaining excess capacity. The cumulative effect of funding reductions over the years stress the overall quality of life on our installations and adjoining communities as the Army realigns its Military and Civilian population and reduces supporting service program contracts across the garrisons.

INTERGOVERNMENTAL SUPPORT AGREEMENTS

Under the authority provided in the FY 2013 NDAA, Section 331 (codified as 10 USC 2336), the Services may provide, receive, or share installation support services with their community counterparts if determined to be in the best interests of the department. Key elements include the ability to sole source to public entities; that state or local government wage grades may be used; and that the Intergovernmental Support Agreements (IGSAs) serve the best interests of the Department by enhancing mission effectiveness or creating efficiencies and economies of scale, including by reducing costs.

The Army developed an overarching strategy and is following its implementation plan to use the expanded public-public partnership authority to enter into IGSAs. An execution order was issued to Army Commands to collect, benchmark, and analyze

data for potential IGSA's. From the information gathered from the Commands, 29 IGSA's have been proposed. As of December 2013, four proposals are being developed in conjunction with local communities. Once complete, the agreements will be submitted to Army headquarters for final approval. These initial proposals will assist the Army in developing a standardized process for identifying, evaluating, and approving IGSA's.

CONCLUSION

The Army's FY 2015 installations management budget request is a balanced program that supports the Army as it transitions from combat, and supports our Soldiers, Families, and Civilians, while recognizing the current fiscal conditions.

The Army's end-strength and force structure are decreasing. At 490,000 active component Soldiers, we have initial evidence that the Army will have about 18 percent excess capacity. The Army needs the right tools to reduce excess capacity. Failure to reduce excess capacity is tantamount to an "empty space tax" diverting hundreds of millions of dollars per year away from critical training and readiness functions.

BRAC is a proven and fair means to address excess capacity. BRAC has produced net savings in every prior round. On a net \$13 billion investment, the 2005 BRAC round is producing a net stream of savings of \$1 billion a year. In this case, BRAC 2005 is producing a non-inflation adjusted 7.7 percent annual return on investment. That is a successful investment by any definition. A future round of BRAC is likely to produce even better returns on investment. We look forward to working with Congress to determine the criteria for a BRAC 2017 round.

In closing, thank you again for the opportunity to appear before you today and for your continued support for our Soldiers, Families, and Civilians.