

**RECORD VERSION**

**STATEMENT BY**

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**BEFORE THE**

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ENVIRONMENT PROGRAMS**

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THE SENATE ARMED SERVICES COMMITTEE**

## **INTRODUCTION**

Chairman Ayotte, Ranking Member Kaine, and Members of the Committee, on behalf of the Soldiers, Families, and Civilians of the United States Army, thank you for the opportunity to present the Army's Fiscal Year (FY) 2016 military construction (MILCON) and installations programs budget request.

The Army installation management community is committed to providing the facilities necessary to enable a ready and capable Army. The President's FY 2016 MILCON budget request supports a regionally-engaged Army in a fiscally-constricted environment.

We ask for the Committee's continued commitment to our Soldiers, Families, and Civilians and support for the Army's MILCON and installations programs.

## **OVERVIEW**

The President's FY 2016 budget requests \$1.6 billion for Army MILCON, Army Family Housing (AFH), and Base Closure Accounts (BCA). This request represents 1.3 percent of the total Army budget request. Of this \$1.6 billion request, \$743 million is for Military Construction, Army; \$197 million is for Military Construction, Army National Guard; \$114 million is for Military Construction, Army Reserve; \$493 million is for AFH; and \$30 million is for BCA.

The Army's facility investments are focused on supporting necessary training, maintenance, and operations facilities. These investments take into consideration the fiscal landscape we are facing as a Nation, which is influenced by the Budget Control Act of 2011, the Bipartisan Budget Agreement of 2013, and the strategic shift to realign forces toward the Asia/Pacific theater.

## **ARMY FORCE STRUCTURE**

Fiscal reductions required by current law, and outlined in the 2014 Quadrennial Defense Review, have put the Army on a path to shrink our active component end

strength and corresponding force structure a second time from a peak of 570,000 in FY 2010, to 450,000 by FY 2017. This is a total reduction of 120,000 active component Soldiers, approximately 22 percent. If sequestration level cuts are imposed in FY 2016 and beyond, the Army may have to reduce our end strength and corresponding force structure to 420,000 Soldiers by FY 2019. This is a cumulative reduction of 150,000 Soldiers, approximately 26 percent.

These reductions will affect every installation in the Army. The Army must retain our adaptability and flexibility so we can continue to provide regionally-aligned and mission-tailored forces in support of national defense requirements. Failing to maintain the proper balance between end-strength, readiness, and modernization will result in a “hollow” Army. The Army is already reducing our active component from 45 Brigade Combat Teams (BCTs) to 32 by the end of FY 2015.

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 population loss thresholds. Since the Army’s active component end-strength and corresponding force structure will decline further than 490,000 to 450,000 by FY 2017, the Army initiated a supplemental PEA (SPEA) analysis in February 2014 to analyze additional potential population loss scenarios that accounted for the impacts of full sequestration and Budget Control Act funding levels in FY 2016 and beyond. Following publication of the SPEA, the Army is in the process of conducting approximately 30 community listening sessions at all Army installations with military and civilian populations of 5,000 or more. The community listening sessions give communities an opportunity to contribute feedback that will be taken into consideration by Army leaders before decisions are made on force structure reductions for specific installations.

## FACILITY CAPACITY ANALYSIS

As the Army reorganizes to address these reductions, we must gauge the facility capacity and facility mix that we require to support a ready and resilient Army. We have begun conducting a facility capacity analysis to determine how much excess capacity will be created at the aggregate or enterprise level by the decrease in our end strength and corresponding force structure.

We have conducted programmatic analyses of real property needed to support an end-strength and corresponding force structure of 490,000 active component Soldiers. Results show that with 490,000 active component Soldiers, we will have nearly 18 percent excess capacity across our worldwide installations, totaling over 160 million square feet of facilities that could be repurposed to serve a wide variety of other uses (including satisfying other Army facility requirements). Inside the United States, excess capacity ranges between 12 and 28 percent, depending on facility category group, with an average of approximately 18 percent.

The Army estimates it costs \$3 per square foot each year to maintain underutilized facilities. Accordingly, it costs the Army over \$480 million a year to operate and sustain worldwide excess capacity. Additional excess capacity will be created when the active component shrinks further, necessitating incremental facility capacity analyses

In January 2013, the Secretary of Defense directed a thorough review of European infrastructure requirements. This effort is consistent with the Congressional direction communicated in the Fiscal Year 2014 National Defense Authorization Act. In May 2014, the first set of decisions resulting from the European Infrastructure Consolidation (EIC) analysis was released. The Secretary of Defense approved 22 actions, 13 of which were Army actions. Many of these actions had been underway prior to EIC, yet they were formally reevaluated and found to be wholly consistent with the intent of EIC: to reduce excess infrastructure and associated operating costs, without sacrificing operational capabilities.

In January 2015, the Department of Defense announced 26 additional decisions, 20 of which were Army actions, which resulted from a rigorous analytic method that

adapted elements of the Base Closure and Realignment (BRAC) process to an overseas environment. This analysis included a Capacity Analysis, a Military Value Analysis, and a structured Scenario Development and Evaluation process. The Army is now nearing completion of fully developed and coordinated business plans to ensure these decisions are implemented between 2016 and 2020, in a manner that conforms to the Secretary of Defense's guidance and achieves both the projected savings and infrastructure reductions.

The 33 Army EIC actions will significantly reduce our infrastructure in Europe at a considerably faster pace than previously envisioned. They are projected to yield Annual Recurring Savings of \$163 million by Fiscal Year 2021 after implementation costs of \$358 million are incurred between Fiscal Year 2014 and 2020.

The use of BRAC methods and tools to evaluate our European infrastructure was helpful in building expertise and proficiency that will help prepare the Army for a future BRAC Round. Moreover, the rigor of the analysis helped to demonstrate that DoD has reduced, or identified for reduction, all that it can overseas, and must now seek reductions within the United States, for which new BRAC authority is essential. This authority is needed to eliminate excess, balance infrastructure and force structure, and operate within projected fiscal constraints. DoD and the Army have the tools and authorities needed to identify and reduce our excess capacity overseas. Inside the United States, however, the best and proven method to address excess infrastructure, in a cost-effective, transparent, and equitable manner, is through the BRAC process.

Our evaluation of European infrastructure followed the BRAC analytic methods and laid the foundation for the next round of BRAC. BRAC is a proven, fair, and cost effective process; the savings have been validated by the Government Accountability Office (GAO). Similar to our EIC effort, the Army is committed to a future BRAC round that is focused on efficiency and consolidation rather than transformation.

The Army needs BRAC to achieve savings of a sufficient magnitude to prevent the deterioration of our critical infrastructure. As the Army's end-strength and force structure decline alongside available funding, hundreds of millions of scarce dollars will be wasted in maintaining underutilized buildings and infrastructure. Trying to spread a

smaller budget over the same number of installations and facilities will inevitably result in rapid declining conditions of Army facilities.

The Army has used existing authorities to vacate leased space and move from temporary buildings into permanent buildings. For example, at Fort Campbell, Kentucky, when the Fourth BCT of the 101st Airborne Division was inactivated, it resulted in 228 facility reallocation moves affecting 5 different Brigades. At the end of the process, Fort Campbell vacated and removed 91 relocatable buildings consisting of over 200,000 Square Feet.

As laudable as the Fort Campbell efficiency measures have been, however, the stark budgetary reality is that modest savings from these prudent efficiency measures cannot substitute for the significant savings of a new BRAC round. The cost of running a garrison is relatively fixed, regardless of whether the supported population is reduced by 10, 20, or 40 percent. The Army must continue to evaluate, balance, and right-size the diverse and extensive supporting infrastructure that enables our effective fighting forces. BRAC is the only proven authority that allows the Army to achieve this balance, reduce costs, and achieve the necessary savings.

For many communities near our installations, BRAC is better than proceeding with the reduction of force structure and excess capacity under current law. It provides the impacted communities a chance to conduct comprehensive redevelopment planning with federal resources to assist them. It also can provide the community additional property conveyance options. Neither the Army nor the supporting communities benefit from retaining underutilized installations that are unaffordable for the Army with diminished economic benefit to the community.

## **FACILITY INVESTMENT STRATEGY (FIS)**

As the Army shapes the Force of 2025 and Beyond through a series of strategic initiatives, the Installation Management Community continues to focus on providing quality, energy-efficient facilities in support of the Army Leadership priorities.

The FIS provides a strategic framework that is synchronized with the Army Campaign Plan (ACP); Total Army Analysis; and the Planning, Programming, Budgeting

& Execution (PPBE) to determine capital investment needed to sustain Army facilities at installations and Joint Service bases across the country. The FIS is 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 to eliminate off-post leases.

FIS uses MILCON funding to replace failing facilities and build out critical facility shortages; Operation and Maintenance (O&M) funding to address the repair and maintenance of existing facilities; O&M Restoration and Modernization (R&M) funding to improve existing facility quality; O&M Sustainment funding to maintain existing facilities; and Demolition and Disposal funding to eliminate failing excess facilities. Focused investments from MILCON and O&M funding support facilities grouped in the following categories: Redeployment/Force Structure, Barracks, Revitalization, Ranges, and Training Facilities. The FY 2016 budget request implements the FIS by building out shortfalls for unmanned aerial vehicle units, Army Cyber, initial entry training barracks, selected maintenance facilities, and reserve component facilities. Additional departmental focus areas include Organic Industrial Base and Energy/Utilities.

## **FY 2016 BUDGET REQUEST**

### **MILITARY CONSTRUCTION, ARMY**

The FY 2016 Military Construction, Army (MCA) budget requests an authorization of \$609 million and appropriations for \$743.2 million. The appropriations request includes \$134.2 million for planning and design, minor military construction, and host nation support. The MCA program is focused on the MILCON categories of Army Cyber, Barracks, Revitalization, Ranges and Training Facilities, and Other Support Programs.

Of the \$743.2 million, \$90 million will be spent on Army Cyber. The FY 2016 MCA budget requests a Command and Control Facility for the recently-established

Army Cyber Command (ARCYBER) and Joint Forces Headquarters Cyber at Fort Gordon, Georgia.

Of the \$743.2 million, \$56 million will be spent on Barracks. As part of the Army's continued investment in barracks, the FY 2016 MCA budget provides for one project to complete a Reception Barracks Complex at Fort Sill, Oklahoma, which includes 254 barracks spaces and company operations facilities for Initial Entry Training (IET) Soldiers during their in-processing.

Of the \$743.2 million, \$397.6 million will be spent on Revitalization. As part of the Army's Facility Investment Strategy, the Army is requesting eight projects to address failing facilities and/or critical facility shortfalls to meet the unit mission requirements. Projects include the \$43 million Homeland Defense Operation Center at Joint Base San Antonio, Texas; a \$70 million Waste Water Treatment Plant at West Point, New York; a \$37 million Instruction Building at Joint Base Myer-Henderson Hall, Virginia; a \$85 million Powertrain Facility (Infrastructure/Metal) at Corpus Christi Army Depot, Texas; a \$98 million replacement of Pier #2 at the Military Ocean Terminal Concord, California; a \$7.8 million Physical Readiness Training Facility at Fort Greely, Alaska; a \$5.8 million Rotary Wing Taxiway at Fort Carson, Colorado; and a \$51 million Vehicle Maintenance Shop at Grafenwoehr Training Area, Germany.

Of the \$743.2 million, \$65.4 million will be spent on Ranges and Training Facilities. These funds will be invested to construct a Non-Commissioned Officer (NCO) Academy at Fort Drum, New York (\$19 million) as well as two new Training Support Facilities. These facilities are located at Fort Sill, Oklahoma (\$13.4 million) and Fort Lee, Virginia (\$33 million) to meet Program of Instruction (POI) training requirements for Soldiers, Non-Commissioned Officers and Junior Officers undergoing Military Occupational Specialty training.

Of the \$743.2 million, \$134.2 million will be spent on Other Support Programs. This includes \$73.2 million for planning and design of MCA projects, \$36 million for the oversight of design and construction of projects funded by host nations, and \$25 million for unspecified minor construction.



## **MILITARY CONSTRUCTION, ARMY NATIONAL GUARD**

The FY 2016 Military Construction, National Guard (MCNG) budget requests an authorization of \$132.1 million and appropriations for \$197.2 million. The appropriations request includes \$35.3 million for planning and design and minor military construction and \$29.8 million for previously-authorized projects at Dagsboro, Delaware (\$10.8 million) and Yakima, Washington (\$19 million). The MCNG program is focused on the readiness centers, maintenance facilities, training facilities, ranges and barracks.

Of the \$197.2 million, \$88.3 million will be spent on Readiness Centers. The FY 2016 budget request includes five readiness centers: Palm Coast, Florida (\$18 million); Easton, Maryland (\$13.8 million); Salem, Oregon (\$16.5 million); Richmond, Virginia (\$29 million); and Camp Hartell, Connecticut (\$11 million). The readiness centers include new facilities as well as expansions/alterations to existing facilities. The projects primarily address space shortfalls and replacement of obsolete facilities. In one case, the project will eliminate the need to continue leasing a facility. The new readiness centers will enhance the Army National Guard's readiness to perform state and federal missions.

Of the \$197.2 million, \$26.7 million will be spent on Maintenance Facilities. Three National Guard maintenance shops are included in the request. The Dagsboro, Delaware facility (\$10.8 million) addresses shortfalls in interior space, privately-owned vehicle parking, and military vehicle parking. A project in North Hyde Park, Vermont (\$7.9 million) adds space to an existing facility that only has 22 percent of the required space. One final addition/alteration project is located in Reno, Nevada (\$8 million) and will address space shortfalls and modernize the existing facility.

Of the \$197.2 million, \$16 million will be spent on Training Facilities. At Fort Indiantown Gap, Pennsylvania, a new training aids center (\$16 million) replaces a deteriorated World War Two-era facility and other temporary storage.

Of the \$197.2 million, \$11.9 million will be spent on Ranges. The Army National Guard's request contains four range projects. Two range projects are located in Salina, Kansas and consist of an automated combat pistol/military police firearms qualification course (\$2.4 million) and a modified record fire range (\$4.3 million). Both of these

ranges are necessary in order to meet current training range criteria and achieve the required throughput. The range project at Camp Ravenna, Ohio, a modified record fire range (\$3.3 million), will provide needed capacity for unit training. In Sparta, Illinois a basic firing range (\$1.9 million) will address the lack of this type of facility in south central Illinois.

Of the \$197.2 million, \$19 million will be spent on Barracks facilities. At Yakima, Washington, a new transient training barracks (\$19 million) addresses a shortfall in space and quality.

Of the \$197.2 million, \$35.3 million will be spent on Other Support Programs. The FY 2016 Army National Guard budget request includes \$20.3 million for planning and design of future year projects and \$15 million for unspecified minor military construction.

### **MILITARY CONSTRUCTION, ARMY RESERVE**

The FY 2016 Military Construction, Army Reserve (MCAR) budget requests an authorization of \$88.2 million and appropriations for \$113.6 million. The appropriations request includes \$16.1 million for planning and design and minor military construction and \$9.3 million for a previously-authorized project at Starkville, Mississippi.

Of the \$113.6 million, \$97.5 million will be spent on Revitalization. The FY 2016 Army Reserve budget request includes five projects that build out critical facility shortages and replace and modernize failing infrastructure and inefficient facilities with new operations and energy efficient facilities. The Army Reserve will construct three new reserve centers in Riverside, California; MacDill AFB, Florida; and Starkville, Mississippi that will provide modern training classrooms, simulations capabilities, and maintenance platforms that support the Army force generation cycle and the ability of the Army Reserve to provide trained and ready soldiers for Army missions when called. The Starkville, Mississippi project was authorized in the FY 2015 National Defense Authorization Act, but no funds were appropriated. In Conneaut Lake, Pennsylvania the Army Reserve, through the Defense Access Road Program, will improve an access

road leading to an Army Reserve Local Training Area and maintenance facilities. The request also includes a new vehicle maintenance facility at Orangeburg, New York.

Of the \$113.6 million, \$16.1 million will be spent on Other Support Programs. The FY 2016 Army Reserve budget request includes \$9.3 million for planning and design of future year projects and \$6.8 million for unspecified minor military construction to address unforeseen critical needs.

## **ARMY FAMILY HOUSING**

The Army's FY 2016 AFH budget requests \$493.2 million for construction and housing operations worldwide. The AFH inventory includes 10,614 government-owned homes, 4,984 government-leased homes, and 86,077 privatized-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.

Of the \$493.2 million, \$85.8 million will be spent on Operations. 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, and assistance with housing discrimination complaints and act as a 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.

Of the \$493.2 million, \$65.6 million will be spent on Utilities. 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.

Of the \$493.2 million, \$75.2 million will be spent on Maintenance and Repair. 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 10,614 housing units so that we do not adversely impact Soldier and Family quality of life.

Of the \$493.2 million, \$144.9 million will be spent on Leasing. The Army Leasing program is another way to provide Soldiers and their Families with adequate housing. The FY 2016 budget request includes funding for 575 temporary domestic leases in the US, and 4,409 leased units overseas.

Of the \$493.2 million, \$22 million will be spent on Privatization. The Privatization account provides operating funds for the Army's Residential Communities Initiatives (RCI) program 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 FY 2013 National Defense Authorization Act, 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). All scheduled installations have been privatized through RCI. RCI Family housing is established at 44 locations – 98 percent of the on-post Family housing inventory inside the United States. Initial construction and renovation investment at these 44 installations is estimated at \$13.2 billion over a 3-14-year initial development period (IDP), which includes an Army contribution of approximately \$2 billion. All IDPs are scheduled to be completed by 2019. From 1999 through 2013, our RCI partners have constructed 31,935 new homes and renovated another 25,834 homes.

Of the \$493.2 million, \$99.7 million will be spent on Construction. The Army's FY 2016 Family Housing Construction request is for \$89 million for new construction, \$3.5 million for construction improvements and \$7.2 million for planning and design. The Army will construct 38 single Family homes at Rock Island Arsenal, Illinois to support Senior Officer and Senior Non-Commissioned Officer and Families. These new homes enable the Army to fully address the housing deficit and to eliminate dependency on

leased housing. The Army will construct 90 apartment quarters on Camp Walker in Daegu, Korea to replace aged and worn out leased units to consolidate Families on post.

### **BASE CLOSURE ACCOUNT (BCA)**

BRAC property disposal remains an Army priority. Putting excess property back into productive re-use, which can facilitate job creation, is important to the communities in which they are located.

The Army's portion of the FY 2016 BCA budget request totals \$29.7 million. The request includes \$14.6 million for caretaker operations and program management of remaining properties and \$15.1 million for environmental restoration efforts. In FY 2016, 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 and Pueblo Chemical Depot, Colorado. Additionally, funds requested support environmental projects at several BRAC 2005 installations including Riverbank Army Ammunition Plant, California; Fort Monmouth, New Jersey; Fort Monroe, Virginia; and Umatilla Chemical Depot, Oregon. The current estimated cost to complete all BRAC environmental cleanup requirements is \$957 million over a period of approximately 30 years.

When the Army sells excess BRAC property, proceeds go back into our Base Closure Account to fund remaining Army environmental and maintenance requirements on our BRAC sites. Sales of Army BRAC property at substantially fair market value help protect programs that support Active, Guard, and Reserve installations.

In total, the Army has disposed of almost 225,000 acres (76 percent of the total acreage disposal requirement of 297,000 acres), with approximately 72,000 acres (24 percent) remaining. The current goal is for all remaining excess property to be conveyed by 2023. Placing this property into productive reuse helps communities rebuild the local tax base, generate revenue, and, most importantly, replace lost jobs.

There is life after BRAC for defense communities. 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. There are many instances of how BRAC property has been put to new uses; below are three examples.

At Fort Monmouth, transferred property is now in productive re-use. During November 2014, CommVault, a data protection and information software company moved its global headquarters to a portion of the former Fort Monmouth. CommVault moved 500 existing employees and 400 new employees into the new 275,000 square foot facility less than two years after the Army conveyed a 55 acre parcel to the public development authority in consideration for an Economic Development Conveyance under BRAC law. CommVault officials anticipate 2,000 additional employees will be hired upon completion of a 650,000 square foot addition to the 55 acre campus. The company's decision to re-locate and expand at its new location is a major step to establish a technology hub on the former Fort Monmouth.

At Fort Gillem, Kroger, one of the world's largest grocery retailers, will open a one million square foot state-of-the-art distribution center on 253 acres at the former Fort Gillem, creating 120 new jobs and investing more than \$175 million into the former Army and Air Force Exchange Service (AAFES) distribution facility over the next five years. The new jobs will include warehouse, security, transportation management, engineering and facilities management positions. The community anticipates 1,500 new jobs over the next two years and revenues to support critical services for the residents of Forest Park. Like Ft Monmouth, the Army conveyed this property to the Local Redevelopment Authority as an Economic Development Conveyance, receiving \$15 million at closing with an additional \$15 million in structured payments over the next seven years.

The third BRAC example is the US Army Reserve Center #2 in Houston, Texas. This six acre site, including more than 15,000 square feet, was conveyed in August 2012 to the City of Houston under a Department of Justice Public Benefit Conveyance (PBC) for use as a police department. This type of re-use is common across the country whenever the Army closes a Reserve Center.

## ENERGY

The Army is improving our installation energy use and sustainability efforts. In FY 2016, the Installation Energy budget total is \$1.68 billion. This budget total includes \$45.8 million from the DoD-wide MILCON appropriation for the Energy Conservation Investment Program (ECIP), \$150.1 million for the Energy Program/Utilities Modernization Program, and \$1.48 billion for Utilities Services. The Army conducts financial reviews, business case and life cycle cost analysis, and return on investment evaluations for all energy initiatives.

Of the \$1.68 billion, \$45.8 million will be spent on the Energy Conservation Investment Program (ECIP). 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 2016, the Army received \$45.8 million for seven projects, including six energy conservation projects and one renewable energy project.

Of the \$1.68 billion, \$150.1 million will be spent on Energy Program/Utilities Modernization. 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 through the Office of Energy Initiatives (OEI). The OEI currently has 14 projects completed, under construction, in the procurement process, or in the final stages before procurement with a potential of over 400 Mega Watts (MW) of generation capacity. Power purchased in conjunction with OEI projects will be priced at or below current or projected installation utility rates.

Of the \$1.68 billion, \$1.48 billion will be spent on Utilities Services. 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 200 Task Orders at 78 installations, representing \$1.68 billion in private sector investments, and over 370 UESC Task Orders at 47 installations, representing \$583 million in utility sector investments. We have additional ESPC projects in development, totaling over \$300 million in private investment and \$60 million in development for new UESCs. From December 2011 through December 2014, under the President's Performance Contracting Challenge, the Army executed \$725 million in contracts with third-party investment using ESPCs and UESCs.

## **ENVIRONMENT**

The Army's FY 2016 budget provides \$1.1 billion for Environmental Programs in support of current and future readiness. This budget supports legally-driven environmental requirements under applicable Federal and State environmental laws, 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 useable 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 (R&M)**

This year's FY 2016 sustainment funding is \$2.9 billion or 80 percent of the DoD 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 \$299 billion.

In keeping with the FIS, the Army continues to invest in facility restoration through O&M R&M currently budgeted for \$562 million. 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 increased by 46 percent to \$42.2 million, which increases the rate at which we are removing 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 2016 Base Operations Support (BOS) request is \$9.2 billion in support of leadership's commitment to provide quality of life to our Soldiers, Civilians, and Families that is commensurate with their service. The FY 2016 BOS funding request represents a 10 percent reduction compared to FY 2014 full year execution (including OCO authorized in support of Base Budget). It should be noted that the FY 2016 BOS budget reflects a 6 percent increase above the FY 2015 BOS-enacted level (\$8.7 billion), demonstrating senior leadership's desire to address installation readiness. Although the Military and Civilian workforce is being reduced, the number of installations remains the same. Balancing the BOS funding across 154 installations world-wide stresses the Army's ability to provide a safe training environment and a respectable quality of life on our installations. The Army will continue to be fiscally challenged to meet the demands of our installation communities.

The Army remains committed to our 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.

Given fiscal realities, the Army continues to evaluate programs to fully optimize resources by eliminating redundant or poorly performing programs and making tough decisions to adjust service levels and then manage expectations. We continue to seek internal efficiencies/tradeoffs as our fiscal environment forces the internal realignment of BOS funds to support these Army priorities.

Budget uncertainties are producing real life consequences in training and installation readiness, as well as the local community. Current funding requires installations to scale back or cancel service contracts that employ people in local communities and requiring installations to work with commanders to use special duty assignments to support installation services and programs (e.g., installation security, transportation, vehicle and range maintenance, POL and Ammo handling).

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 harm the overall quality of life on our installations and adjoining communities as the Army realigns our Military and Civilian population and reduces supporting service program contracts across the garrisons.

## **INTERGOVERNMENTAL SUPPORT AGREEMENTS**

The Army is implementing an overarching strategy to incorporate Intergovernmental Support Agreements (IGSAs) as authorized in the FY2013 NDAA, Section 331 (codified as 10 U.S.C. § 2336). The clarification included in the FY 2015 NDAA facilitates the Army's ability to enter and participate in public-public partnerships. The Department of the Army issued an Execution Order to Army Commands in August of 2013 with initial guidance. Installations have identified 96 IGSA concepts, three of which have been submitted to Army headquarters for approval. These initial proposals

will assist the Army to develop a standardized process for identifying, evaluating and approving IGSA's. Further guidance is being developed from the clarifications provided last year.

## **CONCLUSION**

The Army's FY 2016 installations management budget request is a balanced program that supports the Army as we transition 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 consistent with the 2014 QDR. At 450,000 active component Soldiers, we have evidence that the Army will have well over 18 percent excess capacity. The Army needs the right tools to right size our capacity. Failure to reduce excess capacity will divert hundreds of millions of dollars per year away from critical training and readiness functions.

The European Infrastructure Consolidation Assessment (EIC) has been extremely successful. It shows that the combination of our Army BRAC-based Infrastructure Analysis and the already robust strategic plans effort of the U.S. Army in Europe prepare us to meet the challenges of the future. The European Infrastructure Consolidation results demonstrate the Army's commitment to seek greater efficiencies and ensure we are focusing resources where they can have the greatest effect. The resulting actions ensure, even in the context of a challenging fiscal environment, that we are ready and able to defend U.S. interests and meet our commitment to our Allies now and in the future.

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 BRAC 2005 round is producing a net stream of savings of \$1 billion a year. In this case, BRAC 2005 is producing a 7.7 percent annual yield. 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.

Thank you for the opportunity to appear before you today and for your continued support for our Soldiers, Families, and Civilians.