

## PRESS RELEASE

# U.S. Senate Committee on Armed Services

Carl Levin, Chairman  
James M. Inhofe, Ranking Member

<http://armed-services.senate.gov>



### FOR IMMEDIATE RELEASE

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## Senate Armed Services Committee report finds lack of oversight, rising U.S. costs at overseas bases

WASHINGTON – A Senate Armed Services Committee [review of the Defense Department’s annual \\$10 billion overseas spending](#) has found construction projects lacking congressional or Pentagon oversight, and allied contributions failing to keep up with rapidly rising U.S. costs.

The year-long review of spending in Japan, South Korea and Germany, where nearly 70 percent of spending to support our permanent overseas facilities takes place, suggests that changes to the management of such spending are necessary and that closer scrutiny is warranted to avoid future commitments that may be inefficient or unaffordable.

“Japan, South Korea and Germany are critical allies. In order to better sustain our presence in these important locations, we need to understand and control our costs. Federal dollars should always be spent with utmost care, but at a time when the Pentagon and the entire federal government face enormous fiscal challenges, the questionable projects and lack of oversight identified in this review are simply unacceptable,” said Sen. Carl Levin, D-Mich., the committee chairman. “Every dollar spent on unnecessary or unsustainable projects is a dollar unavailable to care for our troops and their families, to maintain and modernize equipment, and to pay for necessary investments in base infrastructure.”

“This report reaffirms the committee’s commitment to ensure that the resources we provide to the armed forces, as well as contributions provided by our allies, are directed towards the most critical core defense requirements of our U.S. Military stationed overseas,” said Sen. James Inhofe, R-Okla., the committee’s ranking member. “In an unprecedented era of rapidly decreasing defense funds, we will continue to extend oversight to each and every taxpayer dollar spent for our national defense.”

Among the review’s findings:

- In Germany, force reductions will result in the return of a large number of U.S. facilities to the German government. These returns will generate payments from Germany for the “residual value” of

U.S. investments in those facilities. The committee's review of recent residual value settlements found that in-kind payments have replaced cash in such settlements despite Congress's intent that in-kind settlements be a last resort. In-kind refers to non-cash payments, such as the provision of services or facilities that have cash value. The committee found that the Army's Installation Management Command-Europe directed in-kind contributions to questionable projects such as planning for a \$6 million furniture warehouse and \$200,000 for sun-room additions to senior officer housing. The committee also found that the Department has failed to notify Congress about negotiations for in-kind payments as required by law.

- U.S. Forces Korea's (USFK) use of hundreds of millions of dollars of in-kind contributions from South Korea is subject to little oversight by the Department of the Army, U.S. Pacific Command or the Defense Department. Congress is not even notified about projects built by USFK with in-kind contributions. The committee's review identified plans to use in-kind contributions for a \$10 million museum and a fiscally ill-conceived dining hall project rather than mission-critical facilities.
- A U.S. Army proposal for a public-private partnership to build military family housing in South Korea would increase the rental portion of the overseas housing allowance paid to military families housed in the development from the current standard \$1,600 per month to \$3,900 per month. The Army's justification for the proposed increase relies on an unprecedented interpretation of overseas housing allowance regulations. The committee's analysis indicates that, if approved, the proposal would cost U.S. taxpayers hundreds of millions of dollars more than the standard overseas housing allowance for military families.
- The committee's findings raise issues associated with cost of the planned realignment of U.S. forces in the Asia Pacific. The committee has declined to authorize spending for some of these realignment initiatives until detailed plans and cost estimates are produced.
- U.S. contributions to the cost of maintaining forces in South Korea grew by more than \$500 million between 2008 and 2012. By comparison, South Korea's contributions under the U.S. – Korea Special Measures Agreement grew by about \$42 million during that same period.
- In Japan, host-nation burden-sharing payments have failed to keep pace with U.S. costs. For example, Japan's contributions to a voluntary cost-sharing program have fallen more than 80 percent since 1992 from more than \$1 billion to about \$200 million.

In response to the findings, Levin has asked Armed Services Committee staff to look into what changes in law may be required to reform how foreign government payments are negotiated and spent. Levin has previously communicated to the department his opposition to the large proposed increase in rental rates to support the construction of family housing in South Korea. Already, Congress has precluded the Department from spending funds to support Marine realignment in the Pacific until the Pentagon produces detailed plans and cost estimates and meets other requirements.

The full report is available for download [here](#).

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