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BY THE COMMITTEE

Statement of
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(Installations and Environment)

Before the Senate Armed Services Committee
Subcommittee on Readiness and Management Support

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Introduction

Chairwoman Shaheen, Ranking Member Ayotte and distinguished members of the subcommittee: Thank you for the opportunity to present the President's Fiscal Year (FY) 2014 budget request for the Department of Defense programs supporting installations, facilities energy and the environment.

It would be an understatement to say these are challenging times for the DoD budget. The impact of sequestration on our installations budgets in FY 2013, combined with the uncertain budget context it poses for the next decade, requires us to change the way we think about our installations and the funds we will allocate to maintain them. We are still evaluating the impact the FY2013 cuts have had and will have on our various installations accounts, but we must consider every day how we can drive efficiencies and do more with less.

While budgets are constrained and force structure shrinks, our infrastructure is being held constant. Our portfolio of approximately 550,000 buildings and structures, 2.3 billion square feet, and a replacement value of \$848 billion will be recapitalized and maintained in FY 2014 through our request of \$11 billion for military construction and family housing and \$10.85 billion in operations and maintenance (O&M) for sustainment, restoration and modernization.

This budget request represents a prudent investment in recapitalizing and maintaining our facilities. Installations are critical components of our ability to fight and win wars. Whether that installation is a forward operating location or a training center in the United States, our warfighters cannot do their job without bases from which to fight, on which to train, or in which to live when they are not deployed. The bottom line is that installations support our military readiness, and we must ensure they continue to do so.

Moreover, the environment in which our forces and their families live has an impact on their ability to do their job, and the Department's ability to retain those troops. Quality of life – to include not only the physical condition of the facilities in which our servicemen and servicewomen and their families live and work, but whether or not there is a safe, healthy environment around and within those facilities – is also critical to the readiness of the force. This request reflects that priority.

Still, while we prioritize readiness and protect quality of life, we must be constantly seeking efficiencies in the budget. We are exploring ways to lower the cost of military construction as well as the cost of operating our facilities into the future. We are also cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs – from depot maintenance to training to bullets and bombs. That is why the President's Budget Request for Fiscal Year 2014 also requests authority to conduct a round of Base Realignment and Closure in 2015.

My testimony will outline the FY 2014 budget request and highlight a handful of top priority issues – namely, the Administration's request for BRAC authority, European consolidation efforts, status of the plan to move Marines from Okinawa to Guam, an overview of our energy

programs, and the request to renew or expand our land withdrawals at several critical installations.

Fiscal Year 2014 Budget Request – Military Construction and Family Housing

The President's FY 2014 Military Construction (MilCon) and Family Housing Appropriation request totals \$11.0 billion, a decrease of approximately \$211.1 million from the FY 2013 budget request. Our MilCon and Family Housing budget will allow the Department to respond rapidly to warfighter requirements, enhance mission readiness, and provide essential services for its personnel and their families, while better balancing available resources and our security needs.

Table 1. MilCon and Family Housing Budget Request, FY 2013 vs. FY 2014

(\$ Millions)	FY 2013 Request	FY 2014 Request	Change from FY 2013	
			Funding	Percent
Military Construction	8,540.7	8,505.3	(35.3)	(0.4%)
Base Realignment and Closure	476.0	451.4	(24.7)	(5.2%)
Family Housing	1,650.8	1,542.7	(108.0)	(6.5%)
Chemical Demilitarization	151.0	122.5	(28.5)	(18.9%)
Energy Conservation Investment Program	150.0	150.0	0.0	0.0%
NATO Security Investment Program	254.2	239.7	(14.5)	(5.7%)
TOTAL	11,222.7	11,011.6	(211.7)	(1.9%)

Numbers may not add due to rounding

Military Construction

We are requesting \$9.0 billion for military construction (Military Construction, Chemical Demilitarization, Energy Conservation Investment Program and NATO Security Investment Program). This request addresses routine needs for construction at enduring installations stateside and overseas, and for specific programs such as the NATO Security Investment Program and the Energy Conservation Investment Program. In addition, we are targeting MilCon investments in three key areas:

First and foremost, our MilCon request supports the Department's operational missions. MilCon is key to initiatives such as the Nuclear Weapon Security Deviation Elimination Initiative and the Army Stationing Initiative, as well as the President's timeline for the European Phased Adaptive Approach (EPAA), and for projects that support enhanced homeland defense capabilities. Our FY 2014 budget includes \$3.26 billion to support operations and training requirements, including: range and training facilities for ground forces at several Army and USMC installations; a third increment of the Naval Explosives Handling Wharf at Kitsap, Washington; Air Force infrastructure to bed-down the initial delivery of the KC-46A tankers; communications facilities in California and Japan to support operations in the Pacific region; and training and support facilities for Special Operations Forces.

Second, our FY 2014 budget request includes \$797.8 million to replace or modernize 17 DoD Education Activity (DoDEA) schools that are in poor or failing physical condition. These projects, most of which are at enduring locations overseas, support the Department's plan to replace or recapitalize more than half of DoDEA's 194 schools over the next several years. The recapitalized or renovated facilities, intended to be models of sustainability, will provide a modern teaching environment for the children of our military members.

Third, the FY 2014 budget request includes \$1.2 billion for 11 projects to upgrade our medical infrastructure, including \$151.5 million for the third increment of funding to replace the Landstuhl Regional Medical Center at the Rhine Ordnance Barracks in Germany, a critical facility supporting our wounded warriors. Our budget addresses medical infrastructure projects that directly impact patient care, and enhance our efforts to recruit and retain personnel. These projects are crucial for ensuring that we can deliver the quality healthcare our service members and their families deserve, especially during overseas tours.

Family Housing and Unaccompanied Housing

A principal priority of the Department is to support military personnel and their families and improve their quality of life by ensuring access to suitable, affordable housing. Service Members are engaged in the front lines of protecting our national security and they deserve the best possible living and working conditions. Sustaining the quality of life of our people is crucial to recruitment, retention, readiness and morale.

Our \$11.0 billion MilCon request includes \$1.5 billion to fund construction, operation, and maintenance of government-owned family housing worldwide. Most government-owned family housing is on enduring bases in foreign countries, since the Department has privatized the vast majority of its family housing in the continental United States. The requested funding will ensure that we can continue to provide quality, affordable housing to U.S. military personnel and their families.

The Department is committed to improving housing for our unaccompanied personnel as well. In recent years, we have invested heavily in unaccompanied personnel housing to support initiatives such as BRAC, global re-stationing, force structure modernization and Homeport Ashore—a Navy program to move Sailors from their ships to shore-based housing when they are at their homeport. The FY 2014 MilCon budget request includes \$423 million for 11 construction and renovation projects that will improve living conditions for more than 2,000 unaccompanied personnel.

The Services rely largely on privatization to provide family housing on U.S. installations. As you've heard from my predecessors, privatization of family housing—where the Services partner with the private sector to generate housing built to market standards—is the single most effective reform my office has carried out. Prior to privatization, the Services' chronic underinvestment in their facilities had created a crisis, with almost 200,000 of the Department's family housing units rated "inadequate." Privatization leverages the power of the commercial market to serve our

needs. With an investment of approximately \$3.6 billion, the Services have generated \$29.7 billion in construction to build new and renovate existing family housing units. The Services also transferred responsibility for maintenance, operation and recapitalization for 50 years to private entities that have an incentive to maintain the housing so as to attract and retain military tenants.

Table 2. Family Housing Budget Request, FY 2013 vs. FY 2014

			Change from FY 2013	
(\$ Millions)	FY 2013 Request	FY 2014 Request	Funding	Percent
Family Housing Construction/Improvements	190.6	193.8	3.1	1.6%
Family Housing Operations & Maintenance	1,458.3	1,347.2	(111.2)	(7.6%)
Family Housing Improvement Fund	1.8	1.8	0	(0.3)
TOTAL	1,650.8	1,542.7	(108.1)	(6.5%)

Numbers may not add due to rounding

Facilities Sustainment, Restoration and Modernization

In addition to investing in new construction, we must maintain, repair, and recapitalize our existing facilities. The Department's Sustainment and Recapitalization programs strive to keep our inventory of facilities mission capable and in good working order. Facility recapitalization is the funding that is used to improve a facility's condition through repair (restoration and modernization) or replacement [Military Construction (MilCon)]. Sustainment represents the Department's single most important investment in the health of its facilities. It includes regularly scheduled maintenance and repair or replacement of facility components—the periodic, predictable investments an owner should make across the service life of a facility to slow its deterioration and optimize the owner's investment. Sustainment prevents deterioration, maintains safety, and preserves performance over the life of a facility, and helps improve the productivity and quality of life of our personnel.

For FY 2014, the Department's Operations and Maintenance (O&M) request for Facility Sustainment, Restoration and Modernization (FSRM) includes \$8.0 billion for sustainment, \$2.7 billion for restoration and modernization (recapitalization), and \$145 million for demolition. The total FSRM O&M funding (\$10.85 billion) reflects a 0.3 percent increase from the FY 2013 President's Budget (PB) request (\$10.81 billion). While the Department's goal is to fund sustainment at 90% of modeled requirements, due to budget challenges, the Army, Navy, and Air Force have taken risk in maintaining and recapitalizing existing facilities. These Services continue to budget to fund sustainment at between 80% and 85% of the modeled requirement, whereas the Marine Corps and most Defense Agencies achieve or exceed the 90% goal.

Continued deferred sustainment of existing facilities will present the Department with larger bills in the outyears to replace facilities that deteriorate prematurely due to underfunding.

Table 3. Facility Sustainment, Restoration and Modernization Budget Request,
FY 2013 vs. FY 2014

(\$ Millions)	FY 2013 Request	FY 2014 Request	Change from FY 2013	
			Funding	Percent
Sustainment	7,895.0	8,040.0	145.0	1.8%
Restoration and Modernization	2,794.0	2,666.0	(128.0)	(4.6%)
Demolition	125.0	145.0	20.0	16.0%
TOTAL FSRM	10,814.0	10,851.0	37.0	0.3%

Our FY 2014 budget also includes \$2.7 billion in O&M funds for recapitalization, reflecting a decrease of 4.6% from the FY 2013 PB request. This decrease largely results from the Services' decision to defer renovations at locations that may be impacted by changes in force structure. This constrained funding follows significant reductions in energy conservation investments from Sequestration reductions in FY 2013, which will make achievement of DOD's statutory energy intensity goals impossible to attain for the foreseeable future.

A final category of investment is demolition, which allows the Services to eliminate facilities that are excess to need or no longer cost effective to operate. Our FY 2014 budget request includes \$145 million in operations and maintenance funding, a net increase of \$20 million (16%) over the FY 2013 request. This funding will allow us to demolish approximately 5 million square feet of facilities. Demolition is also accomplished as part of many of our military construction projects, and with both sources of funding, we anticipate eliminating over 62 million square feet of space between FY 2008 and FY 2014. Demolition is an important task in completing an asset's life cycle. In most of cases, it removes eyesores and hazards from our installations and opens land for other uses.

Ongoing Initiatives to Reduce Costs and Improve Value

Finally, I would like to mention several ongoing initiatives designed to improve the Department's management of our infrastructure.

Clarifying Anti-terrorism/force protection (AT) standards: On December 7, 2012, the Deputy Secretary issued policy for DoD to begin using the antiterrorism standards developed by the Federal Interagency Security Committee (ISC) for DoD leased space in buildings, in lieu of continuing the use of DoD-developed standards. The revised policy will put DoD in line with other Federal agencies when determining security requirements for leased facilities, thereby

promoting efficiencies with leasing arrangements through General Services Administration, particularly in buildings with multiple federal tenants, as commonly found in urban areas. Additionally, because the ISC standards will allow DoD to better align organization missions to threats and risk mitigation, the Department can realize cost savings through decreased relocation, rent, and retrofit costs. We will also be reviewing our on-base processes for applying antiterrorism standards to determine if the ISC or similar processes and standards are more appropriate given the vast spectrum of missions that occur on military installations.

Improving Facility Assessments: In order to understand the effect of investments on our infrastructure, we need a reliable process for measuring the condition of those assets. Accurate and consistent Facility Condition Index (FCI) data, expressed in terms of the relationship between what it would cost to repair a facility to a like-new condition and what it would cost to replace that facility, are essential for leadership to make informed decisions that target scarce resources to those facilities in most need of recapitalization, or to identify those assets that should be demolished. The Department is developing policy to reinvigorate and standardize our inspection and reporting processes, to include qualified professionals conducting the inspections. To make the results of these inspections relevant, we intend on using the FCIs as a centerpiece for a new recapitalization program that better considers facility conditions when prioritizing asset investments.

Improving Asset Investments Planning & Programming: Budgets associated with sustaining, renovating and modernizing DoD facilities are dropping at a disproportional rate compared to the size of our existing inventory. The facility investments made over the last decade, as a result of Grow the Forces, BRAC 2005, and Army Modularity initiatives, can easily be undermined with sharp reductions in future maintenance budgets. The Department is nearing completion on establishing a facility recapitalization program that focuses on the use of FCIs, which makes having an accurate and consistent facility inspection program essential. The recapitalization program will contain elements that look broadly across DoD's facility inventory as well as target specific facilities that fall below a minimum FCI. The former element provides the DoD Components with flexibility in prioritizing which assets best support their operational priorities and maintaining appropriate levels for quality of life. For assets that fall below an acceptable FCI, the DoD Components will be charged with determining whether that asset should be repaired, replaced or demolished. The concept is to only retain and sustain those facilities that contribute to our military readiness and are in a condition that will not jeopardize life, health, and safety of DoD personnel, weapon systems, or equipment.

Reducing the Federal Premium: My office continues to interact with industry and academia to explore innovation and efficiency in military construction projects, as part of our focus on Better Buying Power initiatives. We are completing a study on military construction unit costs compared with commercial unit costs for similar facilities. We are evaluating medical facilities, unaccompanied housing, administrative buildings, child care centers, and schools for differences in constructed features and costs, as well as other process-based differences and their impacts on costs. The insight gained from this study should allow us to identify potential cost-saving measures in DoD-based processes or requirements, as well as cost-saving opportunities in statutory requirements that we will work with Congress to address.

Reducing Life Cycle Costs While Minimizing Impacts to First Costs: In March, the Department published its new construction standard (Unified Facilities Criteria), governing the construction of all new buildings and major renovations. The new standard incorporates the most cost-effective elements of consensus-based green building standards like those managed by the American Society of Heating Refrigeration and Air Conditioning Engineers (ASHRAE) to help accelerate DoD's move toward more efficient, sustainable facilities that cost less to own and operate. This new standard is consistent with recommendations made by the National Research Council following their evaluation of the cost effectiveness of commercial green building standards and rating systems.

Fiscal Year 2014 Budget Request – Environmental Programs

The Department has long made it a priority to protect the environment on our installations, not only to preserve irreplaceable resources for future generations, but to ensure that we have the land, water and airspace we need to sustain military readiness. To achieve this objective, the Department has made a commitment to continuous improvement, pursuit of greater efficiency and adoption of new technology. In the President's FY14 budget, we are requesting \$3.83 billion to continue the legacy of excellence in our environmental programs. While this is below the FY13 request, the reduction reflects improved technologies and processes rather than any decline in effort.

The table below outlines the entirety of the DoD's environmental program, but I would like to highlight a few key elements where we are demonstrating significant progress – specifically, our environmental restoration program, our efforts to leverage technology to reduce the cost of cleanup, and the Readiness and Environmental Protection Initiative (REPI).

Table 4: Environmental Program Budget Request, FY2014 vs. FY2013

			Change from FY13	
(\$ Millions)	FY13 Request	FY14 Request	Funding	Percent
Environmental Restoration	\$1,424	\$1,303	-\$121	-8.5%
Environmental Compliance	\$1,449	\$1,460	+\$11	+0.8%
Environmental Conservation	\$378	\$363	-\$15	-4.0%
Pollution Prevention	\$111	\$106	-\$5	-4.5%
Environmental Technology	\$220	\$214	-\$6	-2.7%
Legacy BRAC Environmental	\$318	\$379*	-\$12	-3.1%
BRAC 2005 Environmental	\$73			

TOTAL	\$3,974	\$3,826	-\$148	-3.7%
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* BRAC accounts were combined in FY13 NDAA

Environmental Restoration

We are requesting \$1.7 billion to continue cleanup efforts at remaining Installation Restoration Program (IRP – focused on cleanup of hazardous substances, pollutants and contaminants) and Military Munitions Response Program (MMRP – focused on the removal of unexploded ordnance and discarded munitions) sites. This includes \$1.3 billion for "Environmental Restoration," which encompasses active installations and Formerly Used Defense Sites (FUDS) locations and \$379 million for "BRAC Environmental." DoD is making steady progress, moving sites through the cleanup process towards achieving program goals. While the FY2014 request for environmental restoration is down 8.5%, that reduction is because DoD has nearly finished investigating our sites and is bounding the problem.

Table 5: Progress Toward Cleanup Goals

Goal: Achieve Response Complete at 90% and 95% of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by FY2018 and FY2021, respectively			
	Status as of the end of FY2012	Projected Status at the end of FY2018	Projected Status at the end of FY2021
Army	88%	97%	98%
Navy	72%	89%	95%
Air Force	68%	89%	94%
DLA	88%	91%	91%
FUDS	75%	90%	94%
Total	77%	92%	96%

By the end of 2012, the Department, in cooperation with state agencies and the Environmental Protection Agency, completed cleanup activities at 77 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, and is now monitoring the results. During Fiscal Year 2012 alone, the Department completed cleanup at over 900 sites. Of the more than 38,000 restoration sites, over 29,000 are now in monitoring status or cleanup completed. We are currently on track to exceed our program goals – anticipating complete cleanup at 96% of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by the end of 2021.

Our focus remains on continuous improvement in the restoration program: minimizing overhead; developing new technologies to reduce cost and accelerate cleanup; and refining and standardizing our cost estimating. All of these initiatives help ensure that we make the best use of our available resources to complete cleanup.

Note in particular that we are cleaning up sites on our active installations in parallel with those on bases closed in previous BRAC rounds – cleanup is not something that DoD pursues only

when a base is closed. In fact, the significant progress we have made over the last 20 years cleaning up contaminated sites on active DoD installations is expected to reduce the residual environmental liability.

Environmental Technology

A key part of DoD's approach to meeting its environmental management obligations and improving its performance is its pursuit of advances in science and technology. The Department has a long record of success when it comes to developing innovative environmental technologies and getting them transferred out of the laboratory and into actual use on our remediation sites, installations, ranges, depots and other industrial facilities. These same technologies are also now widely used at non-Defense sites helping the nation as a whole.

While the FY2014 budget request for Environmental Technology overall is \$214 million, our core efforts are conducted and coordinated through two key programs—the Strategic Environmental Research and Development Program (SERDP – focused on basic research) and the Environmental Security Technology Certification Program (ESTCP – which validates more mature technologies to transition them to widespread use). The FY14 budget request includes \$72.3 million for SERDP and \$39.5 million for ESTCP for environmental technology demonstrations. (The budget request for ESTCP includes an additional \$32.0 million for energy technology demonstrations.)

These programs have already achieved demonstrable results and have the potential to reduce the environmental liability and costs of the Department – developing new ways of treating groundwater contamination, reducing the life-cycle costs of multiple weapons systems, and most recently, developing technology that allows us to discriminate between hazardous unexploded ordnance and harmless scrap metal without digging up an object. This last development promises to reduce the liability of the MMRP program by billions of dollars and accelerate the current cleanup timelines for sites within the program – without it, we experience a 99.99% false positive rate and are compelled to dig up hundreds of thousands of harmless objects on every MMRP site. We are proceeding deliberately and extremely successfully with a testing and outreach program designed to validate the technology while ensuring cleanup contractors, state and Federal regulators, and local communities are comfortable with the new approach. We are already beginning to use this new tool at a few locations, but hope to achieve more widespread use within the next few years.

Environmental Conservation and Compatible Development

In order to maintain access to the land, water and airspace needed to support our mission needs, the Department continues to manage successfully the natural resources entrusted to us – including protection of the many threatened and endangered species found on our lands. DoD manages over 28 million acres containing some 420 federally listed threatened or endangered species, more than 520 species-at-risk, and many high-quality habitats. A surprising number of these species are endemic to military lands – that is, they are found nowhere else in the world – including more than ten listed species and at least 75 species-at-risk.

While we make investments across our enterprise focused on threatened or endangered species, wetland protection, or protection of other natural, cultural and historical resources, I wanted to highlight one particularly successful and innovative program – the Readiness and Environmental Protection Initiative (REPI) – for which we are requesting \$50.6 million in FY 2014.

REPI is a key tool for combating the encroachment that can limit or restrict military test and training. Under REPI, DoD partners with conservation organizations and state and local governments to preserve buffer land near installations and ranges. Preserving these areas allows DoD to avoid much more costly alternatives, such as workarounds, segmentation or investments to replace existing test and training capability, while securing habitat off of our installations and taking pressure off of the base to restrict activities. REPI supports the warfighter and protects the taxpayer because it multiplies the Department's investments with its unique cost-sharing agreements. Even in these difficult economic times for states, local governments and private land trusts, REPI partners continue to directly leverage the Department's investments one-to-one. In other words, we are securing this buffer around our installations for half-price.

In ten years of the program, REPI partnerships have protected more than 270,000 acres of land around 64 installations in 24 states. This land protection has resulted in tangible benefits to test and training, and also significant contribution to biodiversity and endangered species recovery actions. For example, the U.S. Fish and Wildlife Service recently found it was not warranted to list a butterfly species as endangered in Washington State, citing the “high level of protection against further losses of habitat or populations” from Joint Base Lewis-McChord's REPI investment on private prairie lands in the region. In California, the U.S. Fish and Wildlife Service exempted Marine Corps Base Camp Pendleton populations of Riverside fairy shrimp from critical habitat designation because of ongoing base management activities and also off-post buffer protection. Both of these actions allow significant maneuver areas to remain available and unconstrained for active and intense military use at both locations.

Highlighted Issues

In addition to the budget request, there are several legislative requests and other initiatives that have received interest from Congress. In the sections that follow, I highlight five specific items of interest – 1) Base Realignment and Closure, 2) European Basing Consolidation, 3) Rebasing of Marines from Okinawa to Guam, 4) DoD Facilities Energy Programs, and 5) Request for Legislative Land Withdrawals.

1. Base Realignment and Closure (BRAC)

The Administration is requesting authority from Congress to conduct a BRAC round in 2015.

The Department is facing a serious problem created by the tension caused by declining budgets, reductions in force structure, and limited flexibility to adapt our infrastructure accordingly. We need to find a way to strike the right balance, so infrastructure does not drain resources from the warfighter. Without question, installations are critical components of our ability to fight and win wars. Whether that installation is a forward operating location or a training center in the United

States, our warfighters can't do their job without bases from which to fight, on which to train, or in which to live when they are not deployed. However, we need to be cognizant that maintaining more infrastructure than we need taxes other resources that the warfighter needs – from depot maintenance to training to bullets and bombs.

While the primary function of BRAC is to match infrastructure to missions, it is also about trimming excess so that resources otherwise wasted on unnecessary facilities can be reapplied to higher priorities. Savings from BRAC are substantial. The first four rounds of BRAC (1988, 1991, 1993 and 1995) are producing a total of about \$8 billion in annual, recurring savings, and BRAC 2005 is producing an additional \$4 billion in annual, recurring savings. This \$12 billion total represents the savings that the Department realizes each and every year as a result of the avoided costs for base operating support, personnel and leasing costs that BRAC actions have made possible.

An additional savings benefit of BRAC is that it enables the Department to execute the civilian workforce efficiencies plan required by the FY 2013 National Defense Authorization Act. BRAC 2005 eliminated 13,000 civilian positions associated with closed installations and reorganized common business oriented support functions. The BRAC 1993/95 rounds averaged 36,000 eliminations per round. Congress has already demanded these civilian personnel cuts, and if they are not made through BRAC, they will need to be made elsewhere.

We believe the opportunity for greater efficiencies is clear, based on three basic facts:

- In 2004, DoD conducted a capacity assessment that indicated it had 24% aggregate excess capacity;
- In BRAC 2005, the Department reduced only 3.4% of its infrastructure, as measured in Plant Replacement Value – far short of the aggregate excess indicated in the 2004 study;
- Force structure reductions – particularly Army personnel (from 570,000 to 490,000), Marine Corps personnel (from 202,000 to 182,000) and Air Force force structure (reduced by 500 aircraft) – subsequent to that analysis point to additional excess.

The fundamental rationale for using the BRAC process to achieve these efficiencies is to enable DoD, an independent commission, the public, and Congress to engage in a comprehensive and transparent process to facilitate the proper alignment of our infrastructure with our mission. As we witnessed last year, piecemeal attempts to improve the alignment of installations to mission are generally met with skepticism and resistance from Congress and state and local officials who question DoD's rationale to the extent that the proposed changes are effectively stopped. Indeed, recent statutory changes have further restricted the Department's ability to realign its installations. Absent BRAC, the Department is effectively locked into a status quo configuration. BRAC, therefore, should be an essential part of any overall reshaping strategy.

BRAC provides us with a sound analytical process that is proven. It has at its foundation a 20-year force structure plan developed by the Joint Staff; a comprehensive installation inventory to ensure a thorough capacity analysis; and defined selection criteria that place priority on military value (with the flexibility to express that in both a quantitative and qualitative way).

The BRAC process is comprehensive and thorough. Examining all installations and conducting thorough capacity and military value analyses using certified data enable rationalization of our infrastructure in alignment with the strategic imperatives detailed in the 20-year force structure plan. The merits of such an approach are twofold. First, a comprehensive analysis ensures that the Department considers a broad spectrum of approaches beyond the existing configuration to increase military value and align with our strategy. Second, the process is auditable and logical which enables independent review by the commission and affected communities. In its 2013 report GAO stated,- "We have reported that DoD's process for conducting its BRAC 2005 analysis was generally logical, reasoned and well documented and we continue to believe the process remains fundamentally sound."

Additionally, and of primary importance, is the BRAC requirement for an "All or None" review by the President and Congress, which prevents either from picking and choosing between the Commission's recommendations. Together with the provision for an independent commission, this all-or-none element is what insulates BRAC from politics, removing both partisan and parochial influence, and demonstrating that all installations were treated equally and fairly. It is worth noting that the process validates the importance of those bases that remain and are then deserving of continued investment of scarce taxpayer resources.

The Department's legal obligation to close and realign installations as recommended by the Commission by a date certain, ensures that all actions will be carried out instead of being endlessly reconsidered. That certainty also facilitates economic reuse planning by impacted communities.

Finally, after closure, the Department has a sophisticated and collaborative process to transition the property for reuse. The Department is mindful of the significant toll BRAC has on our host locations. Our Office of Economic Adjustment (OEA) provides technical and financial support to help these communities through closure, disposal, and redevelopment with a program tailored to their specific planning and implementation requirements. The former installation is often the single greatest asset for impacted communities to redevelop and restore a lessened tax base and the lost jobs from closure. One of the most important disposal authorities available to help impacted communities with job creation is the Economic Development Conveyance (EDC). The Department is using the full breadth of this authority to structure conveyances into win-win agreements wherein communities can create jobs and bolster their local tax base, and the Department sees increased savings through reduced property maintenance costs and participation in the cash flows from successful local redevelopment efforts.

The Department anticipates approximately 13,000 jobs will be generated by eight EDCs for real and related personal property at the following BRAC 2005 locations: Kansas Army Ammunition Plant, KS; Lone Star/Red River Army Depot, TX; Naval Air Station Brunswick, ME; Newport Chemical Depot, IN; Buckley Annex, CO; Fort Monmouth, NJ; Pascagoula Naval Station, MS; and Ingleside Naval Station, TX. The Department anticipates approving additional EDCs in Fiscal Years 2013 and 2014.

2. European Basing Consolidation

In response to last year's request for BRAC authority, many in Congress asserted that we should look first at our overseas infrastructure for reductions. Even though we have already made substantial reductions over the last several years in our European-based personnel and infrastructure, upcoming force structure changes and a focus on greater joint utilization of assets should produce additional opportunities for reducing infrastructure while preserving required capabilities.

To that end, on January 25, then Secretary Panetta directed the Department to initiate a review of our European footprint, stating: "Consolidation of our footprint in Europe will take into account the shift in strategic focus to the Pacific; the planned inactivation of two Brigade Combat Teams and associated support forces; reductions in Air Force units; and decreasing requirements for support to the ongoing conflict in Afghanistan."

In response, we have initiated a comprehensive infrastructure analysis effort that will identify potential closure/consolidation scenarios. We are developing business case analyses for this task, taking operational impacts, return on investment, and military value into consideration. By the end of this year we plan to conclude with a fully vetted list of options from which the Secretary can make strategic investment decisions.

Through this process we seek to create long-term savings by eliminating excess infrastructure, recapitalizing astutely to create excess for elimination, and closing and/or consolidating sites. The results will ultimately validate our enduring European infrastructure requirements, providing an analytical basis to support sustainment funding and future recapitalization.

3. Rebasing of Marines to Guam

One important rebasing initiative that has received continued attention from Congress is our plan to realign several thousand marines from Okinawa to Guam. The Government of Japan has welcomed the U.S. strategy to rebalance defense priorities toward the Asia-Pacific region and U.S. efforts to advance its diplomatic engagement in the region. To achieve the goals of the shared partnership between the two countries, the U.S.-Japan Security Consultative Committee (SCC) decided to adjust the plans outlined in the original 2006 "Realignment Roadmap".

On April 27, 2012, the SCC issued a joint statement detailing changes to the plans. Specifically, the U.S. and Japan separated the requirement of tangible progress on the construction of the Futenma Replacement Facility (FRF) before the movement of Marines to Guam, from other Marine restationing efforts on Okinawa to return lands to local communities. Also, while the overall number of Marines planned to leave Okinawa remained essentially the same (approximately 9,000), the new distributed laydown will result in fewer Marines (and accompanying family members) being re-stationed to Guam (approximately 5,000) with the remainder of the forces moving to Hawaii and the continental United States.

The revised laydown, commonly referred to as the "distributed laydown" establishes fully capable MAGTFs (maritime, air, ground, logistics, and associated lift) in Okinawa, Guam (~5,000), Australia (~2,500 through a rotational deployment) and Hawaii (~2,700) and ensures that individual MAGTFs can respond rapidly to low-end contingencies (e.g., humanitarian

assistance/disaster relief, counter-piracy, etc.) while also ensuring that the force can aggregate quickly to respond to high-end contingencies. Additionally, the revised laydown increases our ability over time to train and exercise with allies and partners throughout the region.

The President's FY14 budget request includes \$85 million for construction of an aircraft hangar at the north ramp of Andersen Air Force Base. In addition to supporting the Marine Corps Aviation Combat Element relocation to Guam, this facility can also be utilized to meet current operational requirements of Marine units in the Pacific. Our request includes another \$273.3 million for non-military assistance to address Guam water and wastewater improvements. As a result of the fragile state of Guam's water and wastewater infrastructure, remedies and new infrastructure are required to support existing military missions, as well as potential growth associated with the Department's rebalance to the Asia-Pacific region. Numerous Federal agencies, including the Environmental Protection Agency (EPA), worked with the Department and validated these water and wastewater requirements, concluding significant capital improvements were necessary.

Finally, as a result of the adjustments to the laydown of Marines on Guam, the Department must conduct a Supplemental Environmental Impact Study (SEIS). This SEIS supersedes and expands on the previously initiated Live Fire Training Range Complex (LFTRC) SEIS by incorporating the requirement for a new Marine Corps cantonment area on Guam. With the reduction in the size of future Marine forces in Guam, the National Environmental Policy Act requirements are being combined in order to determine the optimal locations for the range complex, cantonment and housing relative to each other and the Record of Decision is anticipated in Feb 2015.

4. DoD Facilities Energy Programs

The Department has focused on facilities energy for -three key reasons: to reduce costs; improve the energy security of our fixed installations; and achieve DoD's statutory energy goals. Energy bills are the largest single cost in our facilities operations accounts, and any effort to reduce the cost of installations must include efforts to reduce them. Moreover, given the reach of our installations to provide direct support to operational forces, we must reduce the vulnerability of our installations to possible outages of the electric grid. DoD has statutory energy goals for energy intensity and renewable energy among other statutory goals.

Our approach to achieving these goals has four elements: reduce the demand for traditional energy through conservation and improved energy efficiency; expand the supply of renewable and other distributed (on-site) generation sources; enhance the energy security of our installations directly (as well as indirectly, through the first two elements); and leverage advanced technology.

Reduce Demand

From DOD's new energy budget data system within the Department's FY14 budget request, there are approximately \$1 billion in energy conservation investments, mostly for investments in repair and upgrading systems in existing buildings. The preponderance of these investments are

within the Facilities Sustainment, Restoration and Modernization accounts along with other necessary investments in maintaining our existing real property. As mentioned in that section above, this constrained funding follows significant reductions in energy conservation investments from Sequestration reductions in FY 2013, which will make achievement of DOD's statutory energy intensity goals impossible to attain for the foreseeable future. One account that is singled out is the Energy Conservation Investment Program (ECIP), a Military Construction appropriation for which we are requesting \$150 million. DOD also is investing more than \$2 billion in energy conservation projects for Operational Energy, including aviation and other transportation fuels that are used on DOD bases.

The Services also use third-party financing tools, such as Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), to improve the energy efficiency of their existing buildings. While such performance-based contracts have long been part of the Department's energy strategy, in FY2012 the DoD committed to award nearly \$1.2 billion in performance-based contracts by the end of 2013, or soon thereafter, in response to the President's Dec. 2, 2011 commitment (\$2 billion in such contracts Federal Government-wide). To date, the Department has awarded 39 contracts worth \$362 million with another ~\$930 million in contracts under development.

In addition to retrofitting existing buildings, we are taking advantage of new construction to incorporate more energy-efficient designs, material and equipment into our inventory. This past March, I issued a new construction standard for high-performance, sustainable buildings, which will govern all new construction, major renovations and leased space acquisition. This new standard, which incorporates the most cost effective elements of commercial standards like ASHRAE 189.1, will accelerate DoD's move toward efficient, sustainable facilities that cost less to own and operate, leave a smaller environmental footprint and improve employee productivity.

Collection of accurate, real-time facility energy information remains a priority. My office continues to lead the development of an Enterprise Energy Information Management system (EEIM) that will collect facility energy data in a systematic way. The EEIM will also provide advanced analytical tools that allow energy professionals at all levels of the Department both to improve existing operations and to identify cost-effective investments. In order to make EEIM a reality, the Department must vastly increase the deployment of advanced energy meters, capable of automatically collecting energy use information.

Expand Supply of On-Site Energy

DoD is increasing the supply of renewable and other distributed (on-site) sources of energy on our installations. On-site energy is critical to making our bases more energy secure. The Military Departments have each established a goal to develop 1 gigawatt (GW) of renewable energy (RE) by 2025. Almost all projects will be third-party financed, using existing authorities (e.g., 10 U.S.C. Sec. 2922a and enhanced use leases).

The Army issued a Multiple Award Task Order Contract (MATOC) Request for Proposal for \$7B in total contract capacity for RE. Army projects currently underway include Fort Bliss, TX (1 MW Solar PV), White Sands Missile Range, NM (4.5 MW Solar PV), and Fort Carson, CO (2

MW Solar PV). The Navy has a goal to produce at least 50 percent of the Navy's shore-based energy requirements from renewable sources by 2020. Projects currently underway include Marine Corps Air Station, Miramar, CA (3 MW Landfill Gas), Marine Corps Logistics Base, Barstow, CA (1.5MW Solar PV), Naval Air Weapons Station China Lake, CA (13.8 MW Solar PV) and Marine Corps Air Ground Combat Center Twentynine Palms, CA (1.2 MW Solar PV). Air Force is using existing authority to lease non-excess land for the development of large-scale RE projects, the first of which is under negotiation at Edwards AFB, CA (200 MW Solar PV projected to come on line in 2016).

Where renewable energy development is compatible with the military mission, certain public lands that have been withdrawn for military purposes offer a significant opportunity to improve our energy security while lowering the cost of energy. My office continues to work closely with the Department of the Interior (DOI) to identify and overcome impediments to the execution of renewable energy projects on such lands.

Enhance Security

The DoD is focusing on a diverse set of solutions to enhance facility energy security. These include prioritization agreements with utilities, addressing operations and maintenance of current back-up generators, microgrids, fuel supply and storage, and ensuring reliable access to fuel in the case of emergencies (e.g., Hurricane Sandy – DLA-Energy and FEMA interagency partnership). Multiple demonstration projects are currently underway to assess the benefits and risks of alternative advanced microgrid and storage technologies.

Leverage Advanced Technology

DoD's Installation Energy Test Bed Program was established to demonstrate new energy technologies in a real-world, integrated building environment so as to reduce risk, overcome barriers to deployment and facilitate widespread commercialization. DoD is partnering with the DOE and reaching out directly to the private sector to identify those energy technologies that meet DoD's needs. The FY14 budget request includes \$32M for the Test Bed under the Environmental Security Technology Certification Program (ESTCP).

The Test Bed has >85 projects underway in five broad areas: advanced microgrid and storage technologies; advanced component technologies to improve building energy efficiency, such as advanced lighting controls, high performance cooling systems and technologies for waste heat recovery; advanced building energy management and control technologies; tools and processes for design, assessment and decision-making on energy use and management; and on-site energy generation, including waste-to-energy and building integrated systems. The rigorous Installation Energy Test Bed Program provides an opportunity for domestic manufacturers to demonstrate the technical and economic feasibility of implementing their innovative products. These demonstrations provide the credible evidence needed by investors to commercialize emerging technologies to serve the DoD and broader markets.

A Note on Renewable Energy Siting

While the DoD has embraced renewable energy projects that improve energy security and reduce cost, and each service has established ~1 gigawatt goals for the production of renewable energy on their installations, we are also responsible for evaluating the impact of these projects on our mission and objecting where there is unacceptable risk to national security. While most transmission and renewable energy projects are compatible, some can interfere with test, training and operational activities. The DoD created the Siting Clearinghouse to serve as the single point of contact for energy and transmission infrastructure issues at the DoD level. The goal of this body is to facilitate timely, consistent and transparent energy siting decisions, while protecting test, training, and operational assets vital to the national defense.

During 2012, the Clearinghouse oversaw the evaluation by technical experts of 1,769 proposed energy projects; 1,730 of these commercial projects, or 98 percent, were cleared (assessed to have little or no impact to DoD test, training or operational missions). These 1,730 projects represent 38 gigawatts of potential renewable energy generation. The 39 projects that have not been cleared are undergoing further study, and the Clearinghouse is working with industry, State, tribal and local governments, and Federal permitting and regulatory agencies to identify and implement mitigation measures wherever possible.

In addition to reviewing projects, the Clearinghouse has conducted aggressive outreach to energy developers, environmental and conservation groups, state and local governments, and other federal agencies. By encouraging developers to share project information, we hope to avert potential problems early in the process. We are being proactive as well by looking at regions where renewable projects could threaten valuable test and training ranges.¹ The Clearinghouse is working with DOE, DHS, and the Federal Aviation Administration to model the impact of turbines on surveillance radars, evaluate alternative mitigation technologies, and expedite fielding of validated solutions.

Finally, the Clearinghouse is taking advantage of Section 358 of the FY11 NDAA, which allows DoD to accept voluntary contributions from developers to pay for mitigation. For example, the Clearinghouse and the Navy have negotiated two agreements that provide for developer contributions for mitigation measures to protect the precision approach radar at the Naval Air Station (NAS) Kingsville, TX, from wind turbine impacts. The agreements facilitate the continued growth of wind energy generation along the Texas Coastal Plain while providing for the safety of student pilots at NAS Kingsville and NAS Corpus Christi. We believe there will be other situations where developers will wish to contribute funds toward mitigation measures in order to realize a much larger return on a project; Section 358 is an extremely useful, market-based tool that allows us to negotiate these win-win deals.

5. BLM Land Withdrawals

¹ DoD is conducting a study to identify areas of likely adverse mission impact in the region that is home to China Lake and Edwards Air Force Base in California, and Nellis Air Force Base and the Nevada Test and Training Range in Nevada. These installations are the Department's premier sites for test and evaluation and require a pristine environment clear of interference. The results of the study can be used by developers as a risk-management tool.

The Department has a number of installations, training areas and ranges that are located partially or wholly on public lands temporarily or permanently withdrawn from public use. Public lands are managed by the Department of the Interior through the Bureau of Land Management (BLM). Withdrawals of public lands for military use require joint actions by the Department of Defense and the Department of the Interior. Withdrawals exceeding 5,000 acres must be authorized by Congressional legislation. Depending on the terms of the prior legislation, some withdrawals must be renewed by legislative action every 20 – 25 years.

Presently, withdrawals for Naval Air Weapons Station (NAWS), China Lake, California and the Chocolate Mountain Aerial Gunnery Range (CMAGR), California expire on October 31, 2014. Additionally, the Army needs to convert its use of public lands at the Montana Army National Guard, Limestone Hills Training Area, from a BLM issued right-of-way to a legislative withdrawal. Finally, the Marine Corps seeks a new withdrawal of public lands at Marine Corps Air Ground Combat Center (MCAGCC) Twentynine Palms, California to expand its training areas to support increased requirements.

NAWS China Lake - NAWS China Lake consists of over 1.1 million acres of land of which 92% are withdrawn public lands. The current legislative withdrawal, expiring in 2014, is for a twenty-year term. Under a Memorandum of Understanding between the Department of the Navy and the Department of the Interior, the Commanding Officer of NAWS China Lake is responsible for managing the withdrawn land. The installation is home to approximately 4,300 DoD personnel and its primary tenant is the Naval Air Warfare Center Weapons Division.

Chocolate Mountain AGR - The Chocolate Mountain range was established in 1941. The range consists of about 459,000 acres of which approximately 227,000 acres are withdrawn public lands under the co-management of the Marine Corps and Bureau of Land Management. The current twenty-year withdrawal is set to expire on October 31, 2014. Its primary uses are aviation weapons training, including, precision guided munitions, and Naval Special Warfare (SEAL) training ranges. It is the only Marine Corps aviation range that is capable of accommodating training with precision guided munitions. Failure to renew the legislative withdrawal will have the practical effect of shutting the entire range down because it is an unusual checkerboard configuration of several hundred parcels of alternating fee owned DoD land and withdrawn public lands.

Limestone Hills Training Area - The Limestone Hills Training Area consists of 18,644 acres of land in Broadwater County, Montana that has been used for military training since the 1950's. In 1984 the BLM issued the Army a right-of-way formally permitting use of the training area for military purposes. The current right-of-way expires on March 26, 2014. The Montana Army National Guard is the primary DoD user of the training area but it is also used by reserve and active components from all branches of the military services for live fire, mounted and dismounted maneuver training and aviation training. The legislative withdrawal of the Limestone Hills Training area is necessary because the BLM has determined that it no longer has the authority to permit the use of the property for military use under a right-of way instrument. If the legislative withdrawal is not enacted, the use of the training area will be suspended and the Department will lose access to valuable training areas, operational readiness will be negatively impacted and training costs will increase.

MCAGCC Twentynine Palms - At MCAGCC Twentynine Palms, the Department proposes to withdraw approximately 154,000 acres of public lands adjacent to the Combat Center. The added training lands would create a training area of sufficient size with characteristics suitable for the Marine Corps to conduct Marine Expeditionary Brigade (MEB) level training. MEB training requires sustained, combined-arms, live-fire and maneuver training of three Marine battalions with all of their associated equipment moving simultaneously towards a single objective over a 72-hour period. The Department has no other training area within its inventory, including the National Training Center at Fort Irwin, California, where it can conduct such training.

The Department has worked since 2007 with the Department of the Interior, the BLM and the Federal Aviation Administration in preparation for the withdrawal. During that period, the Department of the Navy has received numerous comments concerning the potential loss of use of the proposed withdrawal property to off-road recreational vehicle use. The Department's proposed withdrawal provides for continued access by off-road recreational vehicles to just under half of the Johnson Valley Off-Highway Vehicle (OHV) area. About 43,000 acres of the withdrawn lands will be open to year round OHV use and an additional 43,000 acres of the withdrawn lands will be available to OHV use for 10 months out of the year provided there is no active military training. Without the legislative withdrawal of these lands, the Marine Corps will be unable to train its premier forcible entry force, Marine Expeditionary Brigades, to deploy and perform the missions and operations that the Department requires of them.

Because of the looming expiration dates of the current withdrawals for NAWS China Lake and CMAGR and the BLM issued right-of-way for the Limestone Hills Training Area, as well as the continuing Marine Corps training requirement shortfalls, DoD, with DOI's concurrence and cooperation, is leading the renewal process and proposes that the withdrawals be enacted with the FY 14 National Defense Authorization Act. This is somewhat different, in that in past withdrawals, the Department of the Interior typically introduced the withdrawal proposals to its Congressional committees. However, the Department opted to combine these four withdrawals into a single legislative proposal. Unlike prior legislative withdrawals which were uncodified, stand-alone provisions of law, DoD is proposing that these withdrawals be made in a new chapter of title 10, United States Code. This would allow commonality among the withdrawal provisions, place them in a location that is easy to find and refer to, and, if used for future withdrawals, reduce the need to reconsider and revise provisions on responsibilities, rights and requirements with each proposal. An important objective of the consolidated approach is to make the withdrawal process substantially more efficient.

The need to enact legislation and authorize these four withdrawals is urgent. The consequences of failing to enact withdrawal legislation could, in some of these instances, cause severe impacts on the Department if it is forced to stop training and operations. In all cases, the Department has a compelling need for the withdrawn land in order for it to successfully conduct its training, missions and operations with the capabilities and competence that it must maintain.

