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BY THE COMMITTEE

**Statement of
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**Before the House Armed Services Committee
Subcommittee on Readiness**

March 8, 2012

Chairman Forbes, Representative Bordallo and distinguished members of the subcommittee: I appreciate the opportunity to appear before you today to discuss the Department's request for authorization of two more rounds of Base Realignment and Closure (BRAC) and how that request relates to the Department's ongoing efforts to reduce its overseas infrastructure. My testimony will cover three topics: the strategic and fiscal imperatives that compel the closure and realignment of military installations, both here and overseas; the elements of the statutory BRAC process that make it the only fair, objective and proven process for doing so in the United States; and the financial benefits of BRAC to the Department and U.S taxpayers.

I. The Department Needs to Close and Realign Bases to Meet Strategic and Fiscal Imperatives

The United States is at a strategic turning point after a decade of war. With changes in strategy come changes—in this case reductions—in force structure. Simply stated, the cuts in force structure that we are implementing must be accompanied by cuts in supporting infrastructure, including military bases. Absent a process for closing and realigning bases, the Department will be locked in a status quo configuration that does not match its evolving force structure, doctrine and technology. Moreover, given the expense of our installation infrastructure, if we retain bases that are excess to strategic and mission requirements we will be forced to cut spending on forces, training and modernization.

A. Strategic Imperatives

The global security environment presents an increasingly complex set of challenges and opportunities. In his testimony before the House Armed Services Committee to support the Defense budget request, the Secretary outlined new strategic guidance that consists of five key elements:

1. The military will be smaller and leaner, but it will be agile, flexible, ready and technologically advanced.
2. The Department will rebalance our global posture and presence to emphasize the Asia-Pacific and the Middle East.
3. The Department will build innovative partnerships and strengthen key alliances and partnerships elsewhere in the world.
4. The Department will ensure that it can quickly confront and defeat aggression from any adversary-anytime, anywhere.
5. The Department will protect and prioritize key investments in technology and new capabilities, as well as our capacity to grow, adapt and mobilize as needed.

Our posture shifts can be described in terms of where we are reducing our presence and where we are focusing it. The United States and its coalition partners have successfully ended the military mission in Iraq. We will be reducing our troop presence in Afghanistan and transitioning security responsibilities to the Afghan forces. At the same time we are shifting and decreasing our presence in Europe. Specifically, we are removing two brigades and their supporting units, an Air Force squadron and an air control squadron. These shifts will be

matched by an increased emphasis in the Asia-Pacific and the Middle East as well as a concerted effort to build innovative partnerships and strengthen key alliances around the world.

In addition to the global posture shifts, we are shaping a joint force for the future that will be smaller and leaner across the board. Most significant, the Army is reducing force levels by 72,000, the Marine Corp is resizing to 182,000 active Marines and the Air Force is eliminating nearly 300 aircraft over five years. Related to these changes and the fiscal environment are the delay, restructuring and cancellation of modernization programs about which the Secretary spoke when he appeared before the full committee last month.

To adjust to these strategic changes, and to eliminate the excess capacity that results from reductions in force structure, the Department will need to close and realign installations in Europe and the United States. Examples from the 1990's illustrate how cuts in force structure, which reflected post-Cold War changes in strategy, created excess installation capacity. BRAC 1993 closed Naval Stations Mobile, Alabama, Staten Island, New York, and Treasure Island, California, because the Commission found "the capacity to homeport ships was excess to that required to support the DoD Force Structure." At the time the number of ships was projected to decrease from 466 in 1992 to 425 in 1997, and one aircraft carrier was to be removed from the inventory. As another example, the Commission closed K. I. Sawyer Air Force Base, Michigan, because of the decrease in the large-aircraft force structure. The same logic prevailed in BRAC 1995 when the Commission closed Fort Chafee, Arkansas, and Fort Pickett, Virginia (except for minimal reserve enclaves for training) because the Army was reducing its active duty strength from 12 divisions to 10. These and the scores of other BRAC actions implemented since 1988 have left our military far better prepared to take on changing strategic challenges than it would have been had Congress and the Department not had the courage to undertake them.

B. Fiscal Imperatives

The Department's request for additional BRAC rounds reflects fiscal as well as strategic imperatives. The Fiscal Year (FY) 2013 President's Budget provides \$525.4 billion for the Department, which is \$5.2 billion below the FY12 enacted level (\$530.6 billion). Adjusted for inflation, that is a reduction of 2.5 percent, and—as a result of congressional reductions to the Department's requests for FY11 and FY12—it represents the third consecutive year of real decline in the Defense budget. Consistent with the Budget Control Act (BCA), the FY13 budget is down by \$45.3 billion from what last year's budget had planned for FY13. Overall, DoD will shrink its budget by \$259 billion over five years and \$487 billion over 10 years to comply with the BCA. Needless to say, a reduction of this magnitude represents a change in the Department's fiscal environment.

The overhead cost to maintain, sustain and protect bases is substantial. In recent years, we have spent about \$40 billion a year on facilities construction, sustainment and recapitalization. Other costs associated with operating military installations (e.g., air traffic control, religious services and programs, payroll support, personnel management, morale, welfare and recreation services, and physical security) have averaged about \$15 billion a year.

Given the cost of our installation infrastructure, we cannot afford to maintain excess capacity. Parametric techniques used to analyze various capacity measures in 2004 indicated that the Department had 24 percent excess capacity overall relative to force structure plans developed by the Joint Staff.¹ As discussed below, the 2005 BRAC round focused principally on reconfiguring capacity to maximize war fighting capability and efficiency as opposed to eliminating excess capacity. Because BRAC 2005 eliminated only about three percent of the Department's capacity, we believe we have significant excess capacity today.

By moving forward quickly to eliminate excess infrastructure, the Department can reap savings and adjust to force structure changes quickly and effectively. While some may view our request for a round in 2013 as aggressive, the magnitude of the cuts we are making in force structure means we simply can't wait. Leading U.S. corporations retain their vitality and market position by being able to adapt quickly to changed circumstances, and the U.S. military is no different.

Senator McCain recognized this logic in 2001 when he expressed disapproval of Congress's decision to give the Department only one BRAC round, in 2005, instead of the two BRAC rounds commencing in 2003 it had requested:

Delaying the BRAC process, as we have done in this Conference Report, only harms force modernization and hurts the pocket book of service members, their families and military retirees. We can continue to maintain a military infrastructure that we do not need, or we can provide the necessary funds to ensure our military can fight and win future wars. Every dollar we spend on unnecessary bases precludes our military leaders from spending scarce resources on training our troops, keeping personnel quality of life at an appropriate level, maintaining force structure, replacing old weapons systems, and advancing our military technology.²

With the 2013 timeline in mind, we have started the initial preparatory work regarding internal governance for a BRAC process—inventorying our property and evaluating the extent to which we need to update our analytical tools. These efforts will allow us to proceed expeditiously once Congress authorizes BRAC.

C. Overseas Basing Review

The Department's request for additional rounds of BRAC comes at a time when we are looking aggressively at where we can close bases overseas—particularly in Europe. (Although domestic closures require legislative authority, overseas closures do not.)

We have already made significant reductions in our European footprint. Since 2003, the Department has returned more than 100 sites in Europe to their respective host nations, and we have reduced our personnel by one-third. Between FY12 and FY15 the Army alone will close 23 additional sites as previously announced (6 projected in FY12, 10 in FY13, and 7 in FY14 and FY15).

¹ DEPARTMENT OF DEFENSE, Report Required by Section 2912 of the Defense Base Closure and Realignment Act of 1990, as amended through the National Defense Authorization Act for Fiscal Year 2003 (March 2004).

² 147 CONG. REC. 173, S13135 (December 13, 2001).

With the recently announced force structure changes in Europe, we can do more to consolidate our infrastructure with the goal of reducing long-term costs while still supporting our operational requirements and strategic commitments. First, we can reduce the number of discrete installation sites we maintain in Europe. We have more than 300 such sites—ranging from small communications posts to robust Main Operating Bases—of which about 200 house most of our activities. Second, we can eliminate excess support infrastructure such as warehouses, administrative space and housing. The infrastructure located off-base presents a particularly attractive target for consolidation. Third, we can take advantage of the capacity made excess by force structure changes to accommodate new functions.

My office has undertaken the first step in this process: we are working with the EUCOM theater commander, his component commanders and Service leadership here in Washington to measure the capacity of all of our European installations. This inventory will allow us to analyze how much capacity can be shed and where. With the goal of long-term cost reduction, we will assess the costs and savings of each proposed action and identify those with the highest payback. We anticipate having preliminary options for the Secretary to review by the Fall.

Even a significant reduction of our footprint overseas will not achieve the needed cuts to overall infrastructure—hence our request for a parallel, BRAC process. It makes sense to look at our domestic and overseas bases at the same time, moreover, so that the two reviews can inform one another. The Department took this approach in 2004-2005, and it would be no less useful now given the major strategic realignment underway.

II. BRAC is the Only Fair, Objective, and Proven Process for Closing and Realigning Bases in the United States

A. History – How it Worked (or Didn't) Before BRAC

Prior to 1977 the Secretary of Defense had unlimited authority to close military bases. That is not to say, however, that the legal and political landscape facilitated carrying out those actions in a manner that best suited the national security needs of the country. On the contrary, base closures were met with significant opposition from Members of Congress from areas affected by the actions and often resulted in appropriations act restrictions preventing the closures. As then House Armed Services Committee Chairman Les Aspin reflected, “[p]rior to the late 1970s, base closing had the look of a partisan process. The bases being closed were predominantly those in districts of members of Congress not of the party holding the White House.”

In 1977, Congress enacted section 2687 of title 10, United States Code, which limited the Secretary's plenary authority to close all but the smallest bases. Section 2687 specifies that the Secretary may not close “any military installation at which at least 300 civilian personnel are authorized to be employed” unless it first complies with the procedural requirements of the statute. Specifically, the Secretary must notify the Congressional defense committees as part of an annual request for authorization of appropriations of the proposed actions and submit an evaluation of the fiscal, local economic, budgetary, environmental, strategic and operational

consequences of such action. After submission of such detailed information, no action may be taken before the expiration of 30 legislative days, or 60 calendar days, whichever is longer. Absent authorization of a BRAC round, section 2687 controls how the Department must close and realign military installations.

While the requirements of section 2687 may seem nothing more than procedural, as then Chairman Aspin observed, “[t]wo things happened. First, the process of closing bases became a lengthy one subject to lawsuits and other delays. Second, Congress directly intervened by prohibiting certain base closures with provisions hidden away in continuing resolutions. The combined result was no base closures in the decade that followed the new procedures. Defense secretaries had a right to feel frustrated.”

The BRAC process, explained in greater detail below, emerged from this history to become accepted as the only fair, objective and proven process for closing and realigning bases in the United States. In October of 1988, Rep Dick Arme (R-Texas) introduced a bill that established the basic methodology for BRAC that has endured to this day.

B. BRAC “101”

BRAC is the statutory process by which the Department can close or realign military installations within the United States and its territories. The first step is for Congress to pass legislation authorizing the Department to carry out a BRAC round. Although the specifics depend on the legislation, Congress has provided the same basic authority since 1990. The description below is based on that now-standard authority, as Congress authorized it for the 2005 round of BRAC. The Department’s request for additional BRAC rounds proposes to use that same statutory process.

The BRAC process begins with a certification that it is needed and will produce savings. Specifically, the Department prepares a 20-year force structure plan and a comprehensive installation inventory. Using those documents, the Department prepares a report for Congress in which it describes the infrastructure necessary to support the force structure, identifies areas of excess, conducts an economic analysis of the effect of closures and realignments on the excess capacity, and certifies that BRAC is needed and will generate savings. Only then is the Secretary authorized to proceed.

Once the Secretary certifies the need for a BRAC round, the Department develops recommendations for closures and realignments based on the 20-year force structure plan and statutory selection criteria.³ Military value must be the primary consideration. The Department

³ Congress specified the following criteria for use in the 2005 BRAC round, and the Department has proposed to use the same criteria for the requested rounds in 2013 and 2015.

Military Value Criteria:

1. The current and future mission capabilities and the impact on operational readiness of the total force of the Department of Defense, including the impact on joint warfighting, training and readiness.
2. The availability and condition of land, facilities, and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.

must consider all installations equally, and each person submitting data for the BRAC analysis must certify that the information is accurate and complete to the best of his or her knowledge and belief. The DoD Inspector General, the Service audit agencies and the Government Accountability Office oversee the Department's procedures.

The Secretary submits his recommendations to an independent Commission of nine members nominated by the President with the advice and consent of the Senate. The President must consult with the Speaker and the Senate majority leader concerning two commissioners each and the minority leaders of the House and Senate on one each. The President nominates the remaining three commissioners without consultation and designates the Chair. The Commission reviews the Secretary's recommendations for consistency with the force structure plan and selection criteria. The Commission has the power to add to, alter, or reject the Secretary's recommendations if it finds that he deviated substantially from either the force structure plan or selection criteria. The Commission's authority to add to or expand the Secretary's recommendations is subject to specific requirements regarding in-person visits to installations, public notice, and super-majority votes. The Commission must also hold regional meetings to solicit public input prior to making its recommendations.

The Commission forwards its recommendations to the President for review and approval. The President can accept or reject the Commission's recommendations on an all-or-none basis (i.e., he cannot make any modifications). If he accepts them, the President sends the recommendations and his approval to the Congress. If he rejects them, the Commission has one opportunity to present revised recommendations. If the President rejects the revised recommendations, the process ends.

The Congress has 45 days to enact a joint resolution disapproving the Commission's recommendations, also on an all-or-none basis. If Congress fails to enact such a resolution within that timeframe, the Department has a legal obligation to close and realign the installations as recommended by the Commission. The Department must initiate all closures and realignments within two years of the date the President transmits the recommendations to Congress and complete all closures and realignments within six years of that same date.

C. Key Elements That Make BRAC Fair and Objective

The statutory commission process created by past BRAC legislation (and which the Department's request proposes to continue) is a fair, objective and proven method for

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3. The ability to accommodate contingency, mobilization, surge and future total force requirements at both existing and potential receiving locations to support operations and training.
 4. The cost of operations and the manpower implications.

Other Criteria:

5. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.
6. The economic impact on existing communities in the vicinity of military installations.
7. The ability of the infrastructure of both the existing and potential receiving communities to support forces, missions and personnel.
8. The environmental impact, including the impact of costs related to potential environmental restoration, waste management and environmental compliance activities.

eliminating excess domestic infrastructure and realigning what remains. First, BRAC provides for a sound analytical process. 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 a qualitative as well as a quantitative way).

Second, the BRAC process is comprehensive, thorough and transparent. By examining all installations and conducting thorough analyses of capacity and military value using certified data, the Department is able to align its infrastructure with the strategic imperatives detailed in the 20-year force structure plan. Such an approach has two additional merits. The requirement to look at every installation means the Department must consider a broad spectrum of approaches, not just the existing configuration. The requirement that the process be both logical and auditable facilitates independent review by the commission and affected communities. Third and most important is the BRAC requirement for an “All or None” review by the President and Congress, which prevents either one from taking individual recommendations off of the Commission’s list. Together with the provision for an independent commission, this all-or-none element is what insulates BRAC from politics, making it bi-partisan in the end.

Finally, the legal obligation on the Department 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.

D. Local Communities Would be Disadvantaged by Infrastructure Reductions Without BRAC Authority

The Department is mindful of the significant impact a BRAC decision can have on a host community. In many places, a military base is an economic engine, and the closure of the base can lead to reduced local tax revenues, decreased student impact aid, falling housing prices and loss of retail and business revenue. Most important, a base closure can mean the loss of jobs.

As my testimony spells out, strategic and fiscal imperatives leave the Department no alternative—we must close and realign military bases here in the United States. Thus, if Congress does not authorize additional BRAC rounds for this purpose, the Department will be forced to use its existing authorities to begin to support our new defense strategy. One reason we want to avoid that approach is that, if it acts outside of the BRAC process, the Department is severely constrained in what it can do to help local communities.

To elaborate, when the Department closes and realigns bases within the statutory BRAC process, the local community is a key participant. Using the authorities provided in the BRAC Act, the Department works hard to help communities respond following a base closure. Candidly, this was not always the case. Following the 1988 and 1991 BRAC rounds, the Department was largely indifferent to the fate of communities that had hosted its bases for decades. Under the policy guidance in effect at the time, the Services stripped the property of assets that would have made it more valuable to the community (e.g., removing underground sprinkler systems); environmental cleanup took forever; and the process for disposing of property—the key asset

around which the community could build its reuse plan—was slow, bureaucratic and penny-pinching.

Currently serving DoD officials were instrumental in bringing about a change in that flawed approach. As a member of President Clinton’s White House economic team, I led the Administration’s effort in 1993 to transform the way DoD and the rest of the federal government dealt with BRAC’d bases and the surrounding communities in an effort to promote job creation and economic development. I had strong support from then-OMB Director Leon Panetta, who had represented the California district that was home to Fort Ord when that base was closed as part of the 1991 BRAC round. A key element of our effort was the Economic Development Conveyance (EDC), a mechanism that Congress created to facilitate the transfer of property at closed bases that would be used to create jobs.

In recent years, the Department has transferred 358,283 acres to communities at legacy BRAC sites (bases closed in the 1988-1995 rounds) as well as at BRAC 2005 locations, using an EDC or other transfer mechanism. By getting this property into productive reuse, the Department has helped communities rebuild the local tax base, generate revenue and most importantly replace lost jobs. In addition, the Department’s Office of Economic Adjustment (OEA) offers base closure communities a program of financial and technical assistance. OEA helps a community establish a reuse organization that can speak with a single voice on behalf of affected stakeholders, and OEA serves as the single point of contact to help the community access other Federal agencies that can provide assistance.⁴

If the Department were forced to begin the closure and realignment process using its existing authorities, communities would have to fend for themselves to a much greater degree. Under that scenario, the Department would not have a date certain by which it had to complete a closure or realignment; this would leave communities on edge, not knowing whether or when their base would face a closure or reduction in its mission. Moreover, local communities would have no role in the process for disposing of installation property—land disposal outside of BRAC is done on a parcel-by-parcel basis with no mechanism for taking "big picture" considerations into account. Moreover, there would be no requirement for the Services to dispose of the property in accordance with the local community's plans for redevelopment of the closing installation or to solicit local community planning input. Finally, there would be no special property disposal preference for the local community—by law, the local community would have to stand in line for the property behind (in order) other Federal agencies, the homeless and potential public benefit recipients. Moreover, the community would have to pay fair market value for the property, and there would be no provision for the kind of profit-sharing approach that we are using more and more to avoid lengthy debates over the value of pieces of property for which there often are no market comparables.

⁴ I just attended the Winter Forum of the Association of Defense Communities, which represents base closure communities. I heard a number of complaints from the heads of local reuse authorities (LRAs)—a reminder that the Department still needs to do better when it comes to providing caretaker funds, getting environmental cleanup underway expeditiously and disposing of property in a speedy and transparent way. However, I was gratified to hear from one LRA head after another, “OEA is a godsend.”

In sum, as part of a formal BRAC process, there is much that the Department can and will do to help communities. If we are forced to undertake closures and realignments outside of BRAC, however, the local communities will face a much more difficult process on the road to redevelopment.

III. BRAC Savings are Real and Substantial

Of all the efficiency measures that the Department has undertaken over the years, BRAC is perhaps the most successful and significant. As Table 1 shows, the first four rounds of BRAC (1988, 1991, 1993 and 1995) are producing a total of about \$8 billion in annual recurring savings, and the comparable figure for BRAC 2005 is \$4 billion. This amount (\$12 billion) represents the additional costs that the Department would incur every year for base operating support, personnel and leasing costs had we not had BRAC. These annual savings, or avoided costs, are equivalent to what the Department would spend to buy 300 Apache attack helicopters, 124 F/A-18E/F Super Hornets, or four Virginia class submarines.

SAVINGS FROM BRAC

(TY \$B)	Major Base Closures	Major Base Realignments	Minor Closures and Realignments	One-Time Costs ¹ (\$B)	Annual Recurring Savings ² (\$B)
BRAC 88	16	4	23	2.7	1.0
BRAC 91	26	17	32	5.2	2.3
BRAC 93	28	12	123	7.5	2.7
BRAC 95	27	22	57	6.6	1.9
BRAC 05	24	24	765	35.1	4.0
Total	121	79	1000	57.1	12.0³

Note 1: Through FY01 for prior BRAC Rounds and through FY11 for BRAC 2005.

Note 2: Annual recurring savings (ARS) begin in the year following each round's 6-year implementation period: FY96 for BRAC 1988; FY98 for BRAC 1991; FY00 for BRAC 1993; FY02 for BRAC 1995, and FY12 for BRAC 2005. These numbers reflect the ARS for each round starting in 2002.

Note 3: Does not add due to rounding

Understandably, some have questioned the savings from BRAC, and critics portray BRAC 2005 as an unexpectedly costly undertaking that did little in the end to eliminate excess capacity. It is important to examine the facts. By way of background, BRAC 2005 was by far the largest round undertaken by the Department. The BRAC Commission made 222 recommendations, resulting in 24 major closures, 24 major realignments and 765 lesser actions. These actions affected some

125,000 military personnel at more than 800 locations across the United States. The cost of implementation totaled \$35.1 billion, including \$24.7 billion for military construction and another \$10.4 billion to move personnel and equipment, outfit facilities and carry out environmental clean-up. Although the implementation cost far exceeded that of any prior round, so too do the savings (\$4 billion a year).

It is true that the 2005 round did little to eliminate excess capacity. However, that was largely by design. Congress approved the 2005 BRAC round just months after September 11, 2001, and the objectives were set out the following year. Although elimination of excess capacity was an objective, the focus of the 2005 BRAC round was on aligning our infrastructure with our military strategy so as to maximize war fighting capacity and efficiency. BRAC 2005 enabled the Department to reset its infrastructure to accommodate the return of forces from Europe and Korea; restructure its medical platforms; markedly increase joint basing and other cross-Service efforts; accommodate the Army's modularization; and revitalize the Army's reserve and guard infrastructure. These efforts were needed, and they have contributed significantly to the Department's effectiveness. However, they necessarily required substantial investments.

Likewise, the cost of the 2005 round was far more than expected: the up-front investment costs (\$35.1 billion) exceeded the Department's original estimate by fully 67 percent. However, that increase was largely due to deliberate decisions by the Department (principally the Army) to expand the originally envisioned scope of construction and recapitalization—either to address deficiencies in our enduring facilities or to expand the capabilities they provide. In one case—namely, the reconfiguration of medical facilities in the National Capital Region—Congress added requirements that, while meritorious, increased the cost of construction and outfitting by \$1 billion. In sum, BRAC 2005 served as a needed engine of recapitalization for our enduring military facilities (military construction accounted for 70 percent of BRAC 2005 up-front investment costs in contrast to only 33 percent of those costs in prior rounds).⁵

In short, the 2005 round took place during a period of growth in the military, and it reflected the goals and needs of that time. Because the focus was on transforming installations to better support forces—as opposed to saving money and space—it is a poor gauge of the savings that the Department can achieve through another BRAC round. The prior BRAC rounds—which reduced capacity and paid off in two to three years—represent a better gauge of such savings.

Another criticism of BRAC savings is the treatment of environmental cleanup costs. The argument is that, because we do not consider the cost of environmental remediation at a base to be closed by BRAC, we understate the up-front investment cost of that BRAC round. However, DoD is responsible for cleaning its facilities whether or not we close the base; BRAC only impacts the timing of the remediation. Treating the cleanup costs as a cost of the closure action

⁵ There are two other significant and related reasons for the increase in projected implementation costs. The Department decided to delay the implementation of BRAC 2005 because of competing budgetary priorities (in prior rounds, the implementation had always occurred early in the six-year window). That decision was expensive in and of itself because delay adds to the cost of inflation. In addition, delay meant that many of the large military construction contracts were competed in 2007 and early 2008, just when construction costs spiked because of the rise in construction activity following Hurricane Katrina and because of an increase in the global demand for critical construction materials such as steel and concrete.

would create a perverse incentive to close the cleanest bases and retain those with the highest cleanup costs.⁶

GAO has criticized DoD for failing to track and validate the cost savings that it cites as a result of BRAC.⁷ The savings from BRAC are avoided costs, however. The Department's accounting system, like that of private firms, does not track avoided costs. Thus, we can only estimate them. The Congressional Budget Office (CBO) said as much in a 1998 letter, "...the firm measures of BRAC savings that were requested by the Congress do not—and indeed cannot—exist. BRAC savings are really avoided costs—costs that DoD would have incurred if BRAC actions had not taken place. Because those avoided costs are not actual expenditures, DoD cannot observe them and record them in its financial records." CBO further observed that "[i]t is not possible for DoD to establish an information system to track actual savings."

Despite its criticisms, GAO recognizes that the savings do exist. GAO has written in reference to the 1990's BRAC rounds that in "addition to our analyses, studies by other federal agencies, such as CBO, the DoD Inspector General, and the Army Audit Agency, have shown that BRAC savings are real and substantial and are related to cost reductions in key operational areas as a result of BRAC actions."⁸

An example from the 2005 round illustrates why the savings we claim from BRAC are real and how in some cases they understate the real benefit. As part of its BRAC 2005 analysis, DoD conducted a comprehensive analysis of its medical infrastructure in the National Capital Region and concluded that it did not make sense to continue to operate four large inpatient hospitals in close proximity to one another when the physical assets were aging and the mode of treatment was shifting to outpatient care. This led to the BRAC recommendation to close the aging Walter Reed Army Medical Center and the inpatient facilities at Joint Base Andrews, recapitalize Fort Belvoir's hospital and expand the medical facilities at Bethesda. Over the long term, these changes will allow DoD to avoid the costs of recapitalizing and operating four inpatient hospitals: estimates at the time indicated that it would cost \$600-700 million to replace or renovate Walter Reed and that, under reasonable budget assumptions, the work would take years to complete (6-8 years for replacement or 10-15 years for renovation). Rather than take credit for that major cost avoidance, we have elected to be conservative in our savings estimates, instead counting just the reduction in net facility overhead costs (i.e., the sum of the support personnel, base operating support and sustainment and modernization costs saved at the closing location less the sum of the incremental increases in those costs at the new location). For the Walter Reed closure, those avoided costs total around \$170 million a year.

⁶ Although we do not include the cost of cleanup in the analysis of which bases to close or realign, we do include them in the subsequent, more comprehensive itemization of all BRAC implementation costs. Hence, the implementation cost for the 2005 round cited earlier (\$35.1 billion) includes environmental cleanup.

⁷ GOVERNMENT ACCOUNTABILITY OFFICE, MILITARY BASE REALIGNMENT AND CLOSURES: Estimated Costs Have Increased While Savings Estimates Have Decreased Since Fiscal Year 2009 GAO-10-98R (November 13, 2009)

⁸ GOVERNMENT ACCOUNTABILITY OFFICE, MILITARY BASE CLOSURES, Progress in Completing Actions from Prior Realignments and Closures, GAO-02-433 (April 2002).

IV. Conclusion

I want to thank you for the opportunity to explain the strategic and fiscal imperatives for closing and realigning military installations, including what the Department is already doing overseas in furtherance of those same ends; the elements of the statutory BRAC process that make it the only fair, objective and proven process for doing so in the United States; and the financial benefits of BRAC. The Department's leadership recognizes that a request for BRAC is a major step—and one that will be met with considerable opposition in the Congress. We believe it is a necessary step, however. The math is straightforward: force reductions produce excess capacity; excess capacity is a drain on resources. Only through BRAC can we align our infrastructure with our strategy.