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CONTACT: Maureen Cragin

Ryan Vaart

(202) 225-2539

**STATEMENT OF THE HONORABLE JOEL HEFLEY  
CHAIRMAN, SUBCOMMITTEE ON MILITARY INSTALLATIONS AND FACILITIES**

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This afternoon, the Subcommittee on Military Installations and Facilities meets to conduct an oversight hearing on the implementation of the Military Housing Privatization Initiative and the privatization of defense utility systems. I believe the efficient and effective implementation of these two important facilities initiatives are critical to the long-term viability of the infrastructure supporting the Nation's military installations.

Since the Military Housing Privatization Initiative was authorized in the National Defense Authorization Act for Fiscal Year 1996, this subcommittee has carefully monitored its implementation. I think it is fair to say that the Congress to this point has been disappointed in the scope of implementation. The members of this subcommittee, on a bipartisan basis, view this program as critical given that roughly two-thirds – over 200,000 units – of the military family housing inventory is classified as substandard or inadequate. There were a number of factors impeding progress in this program, but, as the expiration date of February 10, 2001, for the five-year test period for these authorities approaches, I believe we have worked through many, but not all, of the major challenges which initially confronted DOD and the military services. In that context, I am especially gratified to see that the Department is requesting an appropriate amount of funding for the Family Housing Improvement Fund to support programmed privatization projects – one of the few bright spots in an otherwise disappointing budget request.

Nevertheless, there are a number of serious policy issues in the Department's current approach to the implementation of its military family housing privatization program. I continue to remain deeply concerned about the rush of the military departments, particularly the Department of the Army and the Department of the Navy, to place all hopes for recapitalizing and improving military family housing on privatization without being certain that it will work in all locations.

Earlier in this hearing cycle, I expressed my deep concern about the Army's budget request for military family housing construction. In the budget projections accompanying the budget request for fiscal year 1999, the Army indicated that \$132.6 million would be programmed in fiscal year 2000 for military family housing construction. Regrettably, the FY2000 budget request contains a program value of \$57.9 million for that account and, owing to incremental funding, a mere \$14 million in funding for the coming fiscal year. Those funds would be dedicated to support personnel stationed in Germany and Korea.

While I strongly support MILCON funding for overseas military family housing construction, I question the Army's policy of defunding its MILCON construction program at all U.S.-based installations in the expectation that privatization will provide adequately for housing at each of those locations. Military family housing privatization was intended as a supplement to – not a substitute for – the limited construction dollars available to the services.

I am similarly concerned about the program of the Department of the Navy. Although the FY2000 budget request for Navy military family housing construction has a program value of \$235.8 million – with \$64.6 million requested in FY2000 appropriations – the budget justification documents indicate that there are only three new construction projects in the proposed program. Each of the projects – two benefiting the Navy and one benefiting the Marine Corps – are located in the extremely high-cost area of Hawaii.

In the area of construction improvements, 57 percent of the Navy's program is dedicated to OCONUS housing. In the United States, the Navy proposes to revitalize eight officer houses in San Diego, demolish 104 units at NAWC China Lake, improve 72 officer housing units in Hawaii, and improve 406 units for enlisted personnel and their families in Hawaii and Puerto Rico. No stateside improvements for enlisted personnel are programmed. Again, I support projects of this kind, but I question the wisdom of pinning the entirety of the Navy's CONUS military family housing program effort on the privatization option.

While I want to be hopeful, we simply do not know enough about this program to justify the policy decisions which appear to have been made by both the Army and the Navy. I hope we discuss this in greater detail today. I also hope we can clarify issues surrounding proposals for military family housing privatization projects which imply commercial development that may adversely harm the Morale, Welfare, and Recreation programs of the Department upon which military personnel and their families rely.

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