DCN: 12212

Kinápi

Base Realignment and Closure Commission

May 3rd, 2005
1:30 PM Hearing

Good Afternoon,

And welcome to the second hearing of the 2005 Base Realignment and Closure Commission.

As I noted this morning, in less than two weeks the Secretary of Defense will publish his proposal for realigning or closing the military bases he believes are no longer needed to support the men and women of our armed forces. The Congress established this Commission to provide an independent assessment of that DoD proposal.

The Defense Department proposal will lay out a roadmap defining the infrastructure it believes the services will need over decades to come.

But, bases are not an ends, they are a means.

Bases support the divisions, wings, fleets, and expeditionary forces, and their supporting elements, fielded to meet threats to our security. And those formations must in turn be tailored to deter or defeat the threats they are expected to face.

Since it's difficult to know when you've arrived if you don't know where you are going, this Commission must have an understanding of the anticipated future threats to our Nation if we are to intelligently evaluate the appropriateness of the base establishment the Department of Defense proposes for supporting the force structure we anticipate to field in order to meet those threats.

This afternoon, Mr. David Gordon, from the new Office of the Director of National Intelligence, will testify. Mr. Gordon is Chairman of the National Intelligence Council, the senior analyst position in the Intelligence Community. He is accompanied by Mr. Earl Sheck from the Defense Intelligence Agency and by Ms. Carol Rodley from the State Department's Bureau of Intelligence and Research. They will provide the Commission with the foundation for an independent assessment of the threats to our national security over the next twenty years.

This assessment should serve as the basis for Defense Department's Force Structure and the infrastructure to support that structure.

Mr. Gordon, I understand that you will make an opening statement and that Mr. Sheck and Ms. Rodley will assist you in responding to our questions.

Mr. Gordon.

2005 BRAC Commission Schedule

Base Realignment and Closure Commission
2521 South Clark Street, Suite 600 - Arlington, Virginia 22202
Telephone: (703) 699-2950

Schedule for May 3rd and 4th, 2005

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3 May

Swearing in of Commissioners by Chairman Anthony Principi
& Hearings at the Cannon House Office Building Room 334

Time: 9:30 – 12:30AM – OPEN Session
Witnesses:
Congressional Research Service
Dan Else, Specialist in National Defense
Government Accountability Office
Barry Holman - Director of Defense Capabilities and Management
Subject::
Presentation on the 2005 BRAC Schedule, Base Closure and Realignment Act of 1990 (as amended thru FY 05 Authorization Act), Review of BRAC Criteria, Lessons learned and previous BRAC results.

Time: 1:30 – 4:30PM - OPEN Session
Witnesses:
Office of the Director of National Intelligence
David Gordon, Chairman of the National Intelligence Committee
Defense Intelligence Agency
Earl Scheck - Director, Analysis and Production
Department of State
Carol Rodley - Principal Deputy Asst. Secretary, Bureau of Intelligence and Research
Subject:
Current and Long Term Threat Confronting U.S. National Security

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4 May

Hearings at the Cannon House Office Building Room 334

Time: 9:30 – 12:30AM - OPEN Session ***NOTE: Hearing will CLOSED for the classified portions of their testimony.***
Witnesses:
Pentagon
Rear Admiral Evan Clark, Director of Programming Division
Office of the Secretary of Defense Policy
Honorable Ryan Henry - Principal Deputy Under Secretary of Defense for Policy
Subject::
Force Structure Plan, Global Posture Review and SECDEF Guidance on the Quadrennial Review

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RELAIS & CHATEAUX

116 South Alfred Street, Alexandria, Virginia 22314

Morrison House

How would you Assess the viability today, of Intelligence estimates made twenty years ago of the projected situation in 2005?

- In your experience as an intelligence analyst, Do our potential adversaries adjust their force structures, Strategies and tactics based on what they observe in changes to our Strategies and force structure?

What does that say for the relative benefits of flexability compared to strength?

How the intelligence community played a role in DoD's 20 yrs that assessment upon which the force structure appropriate forces

- In your view, is this commission in a position to 2nd guess the Secretary's (and the Service's) assessment of the force structure appropriate to face the threats projected by the intelligence community?

What use do you suggest we make of the information you provide today?

If these forces were fielded 3 yrs ago the intelligence community's assessment would have predicted in good faith based on the best available evidence that they possessed WMD. How confident are you today

DCN: 12212

United States Government Accountability Office

GAO

Statement
Before the Defense Base Closure and Realignment Commission

For Release on Delivery
Expected at 9:30 a.m. EDT
Tuesday, May 3, 2005

Military Base Closures

Observations on Prior and Current BRAC Rounds

Statement of Barry W. Holman, Director
Defense Capabilities and Management

GAO
Accountability * Integrity • Reliability

GAO-05-614

May 3, 2005

GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-05-614, a statement before the Defense Base Closure and Realignment Commission

MILITARY BASE CLOSURES

Observations of Prior and Current BRAC Rounds

Why GAO Did This Study

The Defense Base Closure and Realignment Act of 1990, as amended, authorized a new round of base realignment and closures (BRAC) in 2005, the fifth such round in recent years but the first since 1995. The legislation requires the Secretary of Defense to submit his list of bases recommended for closure and realignment to an independent BRAC commission by May 16, 2005. The Commission is charged with reviewing these recommendations and submitting its report with recommendations to the President for his acceptance or rejection of them in their entirety by September 8, 2005. Subsequently, Congress has final action to accept or reject the recommendations in their entirety later this year. By law, GAO is mandated to review the Department of Defense's (DOD) process and recommendations and to report its findings by July 1, 2005.

For the inaugural hearing of the 2005 BRAC Commission GAO was asked to address: (1) the status of implementing recommendations from previous BRAC rounds, (2) DOD's expectations for the 2005 BRAC round, and (3) the analytical framework for the 2005 BRAC round. GAO offers some suggestions for the Commission to consider as it prepares for the 2005 BRAC round.

www.gao.gov/cgi-bin/getrpt?GAO-05-614.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry Holman at (202) 512-5581 or holmanb@gao.gov.

What GAO Found

DOD indicates that recommendations from the previous BRAC rounds were implemented within the 6-year period mandated by law. As a result, DOD estimated that it reduced its domestic infrastructure by about 20 percent; about 90 percent of unneeded BRAC property is now available for reuse. Substantial net savings of approximately $29 billion have been realized over time. Most communities surrounding closed bases are continuing to recover from the impact of BRAC and faring well compared with average U.S. rates for unemployment and income growth. In examining DOD's proposed closures and realignments, the Commission may want to ensure that all proposed closure and realignment actions can be implemented within the mandated 6-year period recognizing property transfers may take longer.

DOD's expectations for the 2005 BRAC round include the traditional emphasis on eliminating unneeded infrastructure and achieving savings. It also expects to use BRAC to further transformation and related efforts such as restationing of troops from overseas as well as efforts to further joint basing among the military services. DOD's preliminary assessment of excess capacity completed outside the BRAC process in 2004 to help justify the 2005 round has led to much speculation about the percentage of bases likely to close. While DOD's assessment gave some indication of excess capacity across certain functional areas, GAO's assessment showed the methodology had significant limitations, such as use of varying capacity metrics among the military services for similar type facilities. As a result, it is difficult to use that data to make a reliable projection of total excess capacity across DOD, or projections of number of bases likely to close. Further, the methodology neither fully considered the potential impact of major force structuring and other rebasing changes nor the impact of analyzing facilities or functions on a joint or cross-service basis, a priority for the 2005 round. As a result, we await the results of DOD's proposed closures and realignments to see the extent of potential capacity reduction and how the results of this round compare with prior rounds. The Commission may want to look at such measures as projected net reduction in plant replacement value or square footage of space as reduction indicators.

The 2005 BRAC round process follows a historical analytical framework with many elements of the process being carried forward or building upon lessons learned from the past. A key part of that framework is the selection criteria which essentially follow a framework similar to that employed in prior BRAC rounds, with more specificity in selected areas mandated by Congress. The Commission may want to be aware of changes for the 2005 round based on lessons learned from the past related to such issues as privatizing functions in place as a closure option, considering total cost to the government in evaluating closure and realignment recommendations, clarifying the size of reserve enclaves that may be created, and strengthening the emphasis on cross-servicing of selected functions and increased jointness in basing decisions.

Mr. Chairman and Members of the Commission:

I am pleased to have the opportunity today to provide you with an overview of our work involving the Department of Defense's (DOD) base realignment and closure (BRAC) process and give some context for the challenging task before you through a retrospective view of prior rounds and some perspectives on the unfolding 2005 round that the BRAC Commission may want to consider. My testimony today addresses the (1) status of implementing the recommendations from the four prior BRAC rounds; (2) Secretary of Defense's expectations for BRAC 2005 and the difficulty in getting a handle on the amount of excess capacity that may be reduced; and (3) analytical framework for the previous and current BRAC process, and how changes related to the 2005 round could affect the work of this year's Commission.

GAO has played a long-standing role in the BRAC process. As requested by congressional committees (1988 BRAC round) or mandated by law since 1990, we have served as an independent and objective observer of the BRAC process and have assessed and reported on DOD's decision-making processes leading up to proposed realignment and closure recommendations in each of the four prior rounds. To make informed and timely assessments, we have consistently operated in a real-time setting since the 1991 BRAC round and have had access to portions of the process as it has evolved, thus affording the department an opportunity to address any concerns we raised on a timely basis. We have been observing the 2005 BRAC process since DOD's initial work began on the 2005 round. Because of our ongoing monitoring of DOD's BRAC 2005 process, and some access to the internal workings of that process, any comments by me today regarding specifics of the 2005 round must of necessity be somewhat limited because of nondisclosure requirements that remain in place until DOD releases its list of recommended closures and realignments later this month.

In preparing this testimony, we relied largely on our prior work related to assessing BRAC decision-making processes and implementation of the previous four rounds. Appendix I has a listing of our previous reports on the base realignment and closure process. Our previous work was performed in accordance with generally accepted government auditing standards.

Summary

DOD reported that as of September 30, 2001, it had taken all necessary actions to implement the recommendations of the BRAC Commissions for the four prior rounds. As a result, DOD estimated that it had reduced its domestic infrastructure by about 20 percent measured in terms of facilities plant replacement value.[1] The following summarize the status of recommendations with respect to property transfer, savings, and economic recovery of communities affected by the last four rounds.

- BRAC recommendations were implemented within the 6-year period mandated by law. As of September 2004, DOD data show that about 72 percent (about 364,000 acres) of the approximately 504,000 acres of unneeded BRAC property from the previous four rounds had been transferred to other federal and nonfederal entities.[2] When leased acreage is added to property that has already been transferred, the amount of unneeded BRAC property that is available for reuse rises to 90 percent. About 140,000 acres have not yet been transferred, primarily because of delays resulting from environmental cleanup requirements that DOD is obligated to address to ensure that former base property is cleaned up to a level sufficiently safe for its intended reuse. In looking at the Secretary of Defense's recommendations for the 2005 BRAC round, the Commission may want to assure itself that all proposed closure and realignment actions can be implemented within the mandated 6-year period. Property transfers are not subject to the 6-year implementation period.

- Based on our analysis of DOD data, the department generated substantial net estimated savings (estimated total savings minus costs) of about $29 billion through fiscal year 2003 from the previous four BRAC rounds, and it expects to save about $7 billion annually thereafter. Our work has shown that these savings actually reflect cost avoidances, that is, money that DOD would likely have needed to operate BRAC bases had they remained open. At the same time, our reviews have found that DOD's savings estimates are not precise but instead rough approximations of the likely savings, in part because the military services have not regularly updated their estimates over time and

[1] DOD defines plant replacement value as the cost to replace an existing facility with a facility of the same size at the same location, using today's building standards.

[2] In this statement, "transferred property" refers to property that has been deeded to another user; it does not include leased property.

because DOD's accounting systems are not oriented toward identifying and tracking savings. From the BRAC Commission perspective, it is important to note that historically most reported DOD savings result from reductions in operation and maintenance and military personnel costs.

- Most communities surrounding closed bases are continuing to recover from the impact of BRAC. DOD data show that almost 85 percent of local DOD civilian jobs that were lost on bases as a result of realignments and closures have been replaced through development of the properties. Two key economic indicators—the unemployment rate and the average annual real per capita income growth rate—show that BRAC communities are generally doing well when compared with average U.S. rates. As we have reported in the past, the recovery process has not necessarily been easy with the strength of the national economy and the diversity of local economies having a significant bearing on the recovery of any particular community facing a BRAC closure. From the BRAC Commission perspective, few bases were eliminated from closure or realignment in prior rounds due to economic impact, but this is an issue the Commission will hear much about as it engages communities affected by the Secretary's proposed closures and realignments.

DOD's expectations for the 2005 BRAC round include the traditional emphasis on eliminating unneeded infrastructure and achieving savings, but they also extend to using BRAC to further transformation efforts such as restationing of troops from overseas as well as improving joint basing among the military services. Nevertheless, much emphasis has been given to estimating the amount of excess capacity in advance of the BRAC round and that has led to much speculation about the number or percentage of bases that are likely to close. That is a tougher issue to deal with than it might seem on the surface as evidenced by an earlier assessment of excess capacity that DOD was required to complete in advance of the BRAC round. The results of that analysis were included in a 2004 report to Congress[3] in justifying the need for the 2005 BRAC round. While that report did give indications of excess capacity, our work shows the analysis did not give a well-grounded assessment of total excess capacity across DOD or the potential for achieving greater efficiencies in use of that capacity. It has also led to much speculation on the number of bases likely to be closed in this BRAC round. Our analysis indicated that DOD's methodology for that

[3] Report required by Section 2912 of the Defense Base Closure and Realignment Act of 1990.

report had limitations, such as use of varying capacity metrics among the military services for similar type facilities, that made it difficult to get a precise reading on excess capacity across various functional areas, and made it even more difficult to credibly project a total amount of excess capacity across DOD. Moreover, in completing its analysis, the military services assessed their bases as though they were being used for a single function, and did not consider either the existing or the potential for increased multi-functional/joint use that was identified as an objective of the 2005 BRAC round—and which provides the potential for better identifying excess capacity or opportunities to use existing capacity more efficiently for multiple purposes. As a result, we must await the results of DOD's proposed closures and realignments to see the extent of capacity reductions and to determine how this round compares with prior rounds in that regard. The Commission may want to look at such measures as projected net reduction in plant replacement value or square footage of space as meaningful indicators of the magnitude of reductions in BRAC 2005.

The BRAC process follows a historical analytical framework with many elements of the process being carried forward or building upon lessons learned from previous rounds. First, the selection criteria essentially follow a framework that is similar to that employed in previous BRAC rounds, with more specificity in selected areas—especially in those that speak to military value. In this regard, the criteria give priority to military value and incorporate such factors as joint warfighting, training, readiness, and the ability to accommodate contingency and mobilization requirements, as is called for in the fiscal year 2002 legislation.[4] In addition, the 2005 round is expected to incorporate several lessons learned from the previous rounds, such as privatizing functions in place rather than closing facilities and moving affected work to other locations, not always considering total cost to the government when examining individual closure or realignment decisions, clarifying the size of reserve enclaves that may be created when bases are closed or realigned, and strengthening the role of the joint cross-service teams.

[4] P.L. 107-107, section 3002 (Dec. 28, 2001).

Background

To enable DOD to close unneeded bases and realign other bases, Congress enacted legislation that instituted BRAC rounds in 1988, 1991, 1993, and 1995.[5] A special commission established for the 1988 round made realignment and closure recommendations to the Senate and House Committees on Armed Services. For the 1991, 1993, and 1995 rounds, special BRAC Commissions were set up, as required by legislation, to make specific recommendations to the President for his approval, who in turn sent the Commissions' recommendations to Congress. The four Commissions generated 499 recommendations—97 major closures and hundreds of smaller base realignments, closures, and other actions.[6] Of the 499 recommendations, 451 required action; the other 48 were modified in some way by a later commission. DOD was required to complete BRAC realignment and closure actions for the 1988 round by September 30, 1995, and for the 1991, 1993, and 1995 rounds within 6 years from the date the President forwarded the recommended actions to Congress.

Legislation authorizing the BRAC rounds has also stipulated that closure and realignment decisions must be based upon selection criteria, a current force structure plan, and infrastructure inventory developed by the Secretary of Defense. Further, the selection criteria were required to be publicized in the *Federal Register* to solicit public comments on the criteria before they were finalized. The criteria historically have included four related to military value, one related to return on investment, and three related to community impacts. However, the National Defense Authorization Act of 2002[7] required DOD to give priority to the criteria dealing with military value for the 2005 BRAC round.

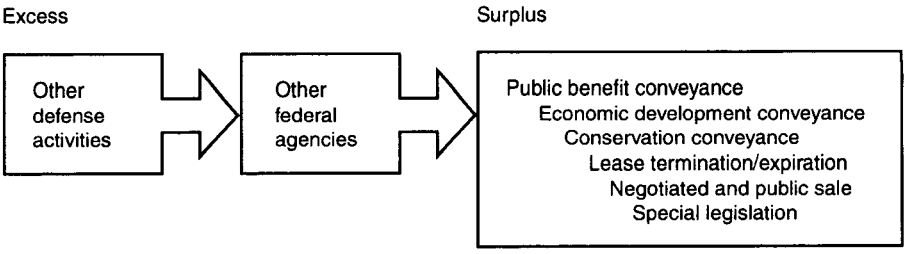
[5] The 1988 round was completed under the Defense Authorization Amendments and Base Closure and Realignment Act (P.L. 100-526, Title II (Oct. 24, 1988), as amended). The last three rounds were completed under the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510, Title XXIX (Nov. 5, 1990), as amended).

[6] The number of recommendations may vary depending on how they are categorized. In this report, the recommendations include closures, realignments, disestablishments, relocations, and redirections. In a closure, all missions that are carried out at a base either cease or relocate, while in a realignment, a base remains open but loses and sometimes gains missions. "Disestablishments" and "relocations" refer to missions; those disestablished cease operations, while those relocated are moved to another base. "Redirections" refer to cases in which a BRAC Commission changes the recommendation of a previous commission.

[7] P.L. 107-107, Section 3002 (Dec. 28, 2001).

While DOD has closed or realigned bases as recommended by the various BRAC Commissions, other actions, such as the cleanup of environmentally contaminated property and the subsequent transfer of unneeded property to other users, have extended beyond the 6-year implementation period for each round. Once DOD no longer needs BRAC property, the property is considered excess and is offered to other federal agencies. As shown in figure 1, any property that is not taken by other federal agencies is then considered surplus and is disposed of through a variety of means to state and local governments, local redevelopment authorities,[8] or private parties.

Figure 1: DOD's Usual Procedures for Transferring Property



Source: GAO.

The various methods noted in figure 1 to convey unneeded property to parties external to the U.S. government are targeted, in many cases, to a particular end use for the property. For example, under a public benefit conveyance, state and local governments and local redevelopment authorities acquire surplus DOD property for such purposes as schools, parks, and airports for little or no cost. Under an economic development conveyance, property is transferred for uses that promote economic recovery and job creation. Conservation conveyances, which were introduced in the Bob Stump National Defense Authorization Act for Fiscal Year 2003,[9] provide for the transfer of property to a state or political subdivision of a state or qualified not-for-profit groups for natural resource

[8] A local redevelopment authority is any authority or instrumentality established by a state or local government and recognized by the Secretary of Defense, through the Office of Economic Adjustment, as the entity responsible for developing the redevelopment plan with respect to an installation or for directing implementation of the (land reuse) plan.

[9] P.L. 107-314, § 2811, 2812 (Dec. 2, 2002).

and conservation purposes. Property can, in other cases, also be conveyed to nonfederal parties through the other cited methods as shown in figure 1 without regard, in many cases, to a particular end use. For example, property can be sold or special congressional legislation can dictate transfer to a particular entity.

The National Defense Authorization Act for Fiscal Year 2002[10] extended the authority of the Defense Base Closure and Realignment Act of 1990, with some modifications, to authorize an additional BRAC round in 2005. The 2002 legislation also required the Secretary of Defense to publish in the *Federal Register* the selection criteria proposed for use in the BRAC 2005 round and to provide an opportunity for public comment. The proposed selection criteria were published on December 23, 2003, with a public comment period ending January 30, 2004. The final criteria were published on February 12, 2004. The criteria for the 2005 BRAC round continue the tradition of having four criteria related to military value that are to be given priority consideration, and four others that require consideration. As discussed more fully later in this statement, while the eight criteria essentially follow a framework similar to that employed in previous BRAC rounds, greater specificity was added to selected criterion as mandated by Congress for the 2005 round.

Status of Prior BRAC Recommendations

Following the adoption of the previous BRAC recommendations, DOD declared 504,000 acres of property as unneeded and available for transfer to other federal or nonfederal entities. As of September 30, 2004, DOD had transferred about 72 percent of that property while 28 percent had not been transferred, due primarily to the need for environmental cleanup. According to DOD data, the BRAC recommendations have generated substantial savings—an estimated $29 billion in savings or cost avoidances through fiscal year 2003, with expectations of an additional $7 billion in annual net recurring savings thereafter. Finally, while BRAC can have a traumatic short-term effect on communities in the vicinity of closing or realigning bases, most nearby communities continue to recover from BRAC actions. Our analysis of key economic indicators shows that most communities are generally faring well in terms of national averages for unemployment and income growth rates.

[10] P.L. 107-107, Title XXX (Dec. 28, 2001).

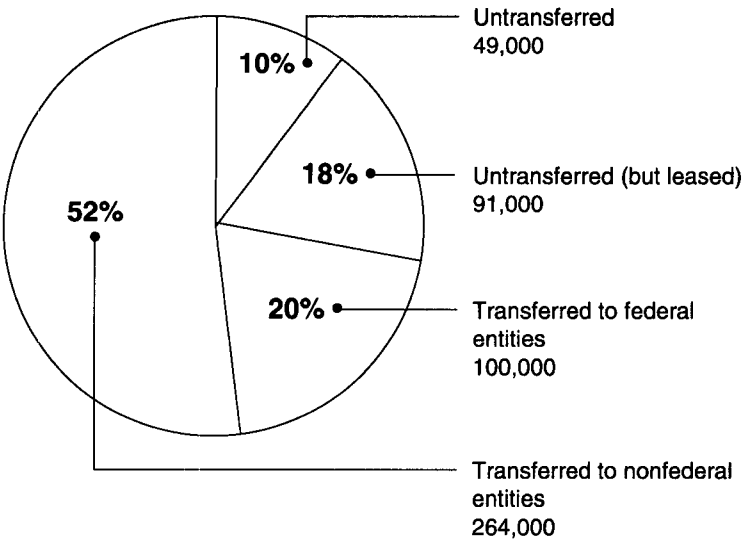
Implementation of Previous Recommendations and Status of Property Transfers

DOD reported that as of September 30, 2001, it had taken all required actions to implement the recommendations of the BRAC Commissions for the four rounds.[11] Currently, of the approximately 504,000 unneeded acres available for disposal external to DOD, 72 percent have been transferred either to other federal or nonfederal entities, while 28 percent, including leased acreage, remain in DOD's inventory. A breakdown of the current status of unneeded BRAC property shows that as of September 30, 2004 (1) 52 percent had been transferred to nonfederal entities, (2) 20 percent had been transferred to other federal agencies, (3) 18 percent had been leased but not transferred, and (4) 10 percent was untransferred and is awaiting future disposition (see fig. 2).

[11] The 1995 BRAC round recommendation to close family housing units on Fort Buchanan, Puerto Rico, was not implemented because the National Defense Appropriations Act for Fiscal Year 1999 (P.L. 105-262, Section 8142 (Oct. 17, 1998), authorized the Secretary of Defense to retain all or a portion of the units to support the U.S. Army South's (USARSO) relocation from Panama to Fort Buchanan. On September 30, 2003, USARSO officially completed a further restationing from Puerto Rico to Texas.

Figure 2: Disposition of Unneeded BRAC Acreage

Total acreage = 504,000



Source: GAO's analysis of DOD data.

Note: As part of the BRAC process, DOD retained approximately 350,000 acres for reserve component use.

Even though DOD has 140,000 acres of its BRAC property remaining to be transferred, much of this land is in long-term lease with other users. Altogether, the services have nearly 91,000 acres (65 percent) of their untransferred property under lease, leaving 49,000 acres (35 percent) that has not been transferred and is not in reuse. The department expects that this property will eventually be transferred to nonfederal users. Leased property, while not transferred to the user, can afford the user and DOD some benefits. Communities, for example, can opt for leasing while awaiting final environmental cleanup as an interim measure to promote property reuse and job creation. By adding leased acres to the number of transferred acres, the amount of unneeded BRAC property that is in reuse rises to 90 percent.

What may be different for this BRAC round is that Congress, in authorizing the 2005 BRAC round, gave renewed emphasis to seeking fair market value in disposing of BRAC property[12] and we have seen evidence of this in recent land sales by the Navy for some remaining property disposals from prior BRAC rounds. It is too soon for us to know to what extent land sales will occur in implementing results of the 2005 round in comparison with other forms of property disposal such as no-cost economic development conveyances, or transfers to other federal agencies. While this is not an issue that bears directly on the Commission's task of assessing the Secretary's recommendations, it could be an issue that will arise in your contacts with communities as you complete your task.

While DOD has closed or realigned bases as recommended by the various BRAC Commissions, other actions, such as the cleanup of environmentally contaminated property and the subsequent transfer of unneeded property to other users, continue beyond the 6-year implementation period for each round. As we have reported in the past, environmental cleanup constraints have delayed the military services from rapidly transferring unneeded BRAC property. Army data show that about 82 percent of the Army's approximately 101,000 untransferred acres have some kind of environmental impediment, such as unexploded ordnance (UXO)[13] or some level of chemical contamination that requires cleanup before transfer can take place. Navy data show that about 65 percent of the Navy's almost 13,000 untransferred acres could not be transferred because of environmental reasons. Likewise, about 98 percent of the Air Force's approximately 24,000 untransferred acres is attributable to environmental cleanup issues. While the Commission is likely to be confronted with the issue of environmental cleanup in examining the Secretary's recommendations, complete information is not always fully available during the time frame for the Commission's work since cleanup costs are affected by yet-to-be-developed reuse plans.

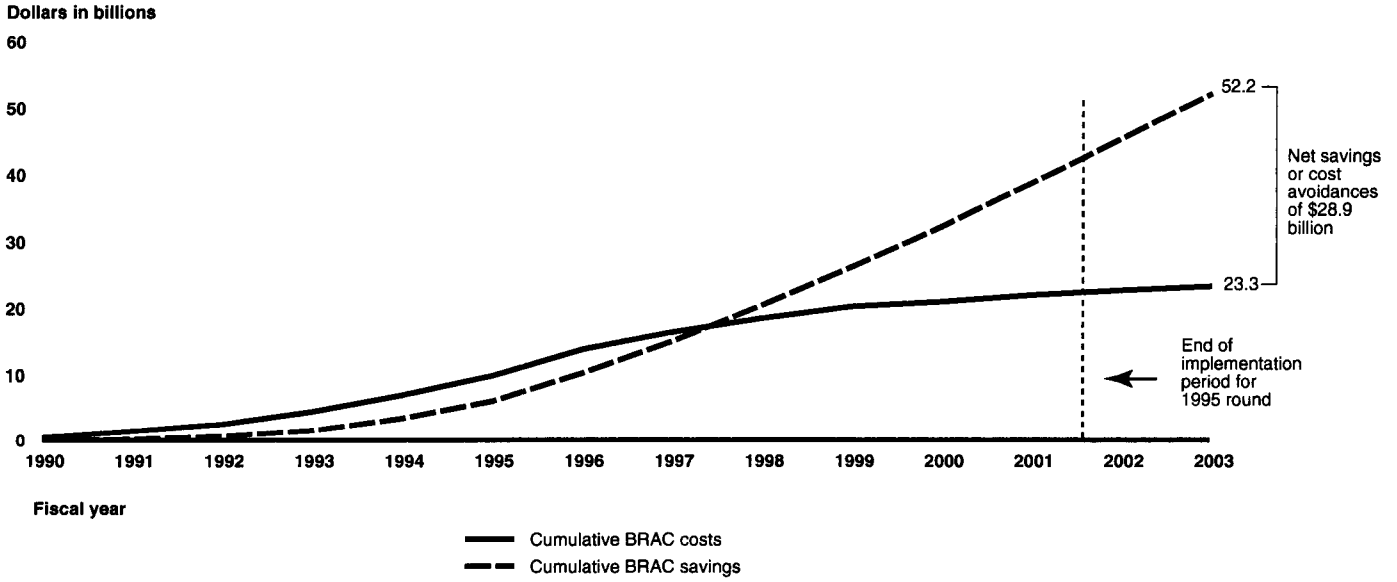
[12] P.L. 107-107, Section 3006 (Dec. 28, 2001).

[13] UXO is ordnance that remains unexploded either through malfunction or design and can injure personnel or damage material. Types of UXO include bombs, missiles, rockets, artillery rounds, ammunition, or mines. DOD, *Defense Environmental Restoration Program Annual Report to Congress—Fiscal Year 2003* (Washington, D.C., April 2004), Appendix F, page F-21. In this report UXO also refers to munitions and explosives of concern.

Net Savings Estimates for the Prior BRAC Rounds Remain Substantial

Our analysis of DOD data shows that the department had accrued an estimated $29 billion in net savings or cost avoidances through fiscal year 2003 for the four previous BRAC rounds.[14] In calculating net savings, DOD deducts the costs of implementing BRAC actions for the four closure rounds from the estimated savings. As figure 3 shows, the cumulative estimated savings surpassed the cumulative costs to implement BRAC actions in 1998, and the net savings have grown and will continue to grow from that point, even though some costs (e.g., environmental cleanup) have been incurred after that time and some costs will continue for a number of years until cleanup or required monitoring is completed.

Figure 3: Cumulative BRAC Cost and Savings Estimates for the Previous Rounds through Fiscal Year 2003



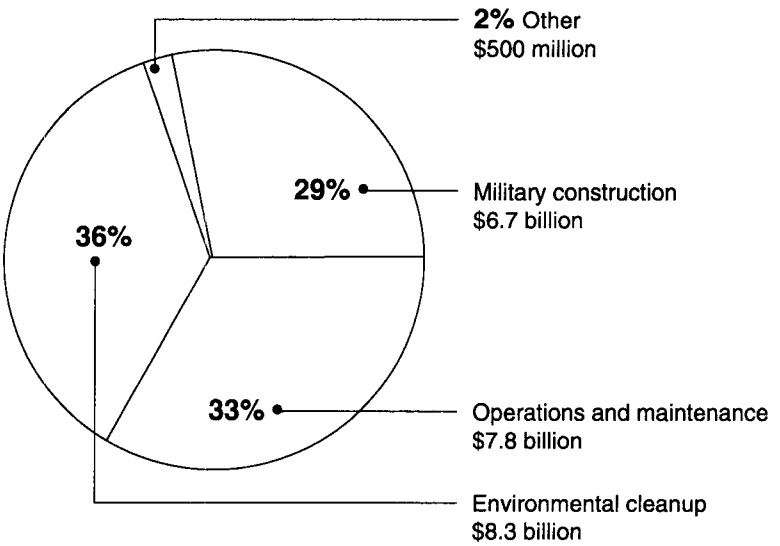
Source: GAO's analysis of DOD data.

[14] This does not include about $1.9 billion in costs incurred by other DOD and federal agencies to provide assistance to communities and individuals impacted by BRAC. DOD estimates of annual recurring savings beyond fiscal year 2003 do not take into account the estimated $3.6 billion in costs that are needed to complete environmental cleanup at BRAC bases.

Our analysis shows that the rate of net savings accumulation has increased over time because the cumulative BRAC costs flattened out just before the 6-year implementation period for the last round ending in fiscal year 2001.

Most expenses associated with closures and realignments were incurred through fiscal year 2001; most of the expenses beyond fiscal year 2001 were primarily incurred for environmental cleanup. Through fiscal year 2003, the cumulative costs to implement the four previous round actions amounted to about $23.3 billion. As shown in figure 4, approximately one-third ($7.8 billion) of this amount was spent for operations and maintenance, such as the maintenance and repair needed to keep facilities and equipment in good working order, as well as civilian severance and relocation costs. A little more than one-third ($8.3 billion) was spent on environmental cleanup and compliance activities, for example, to reduce, remove, and recycle hazardous wastes and to remove unsafe buildings and debris from closed bases. Finally, a little less than one-third ($6.7 billion) was used for military construction at bases that were not closed, including renovating existing facilities and constructing new buildings to accommodate relocating military units and various functions.

Figure 4: Costs Incurred for Prior BRAC Rounds through Fiscal Year 2003
Total = $23.3 billion

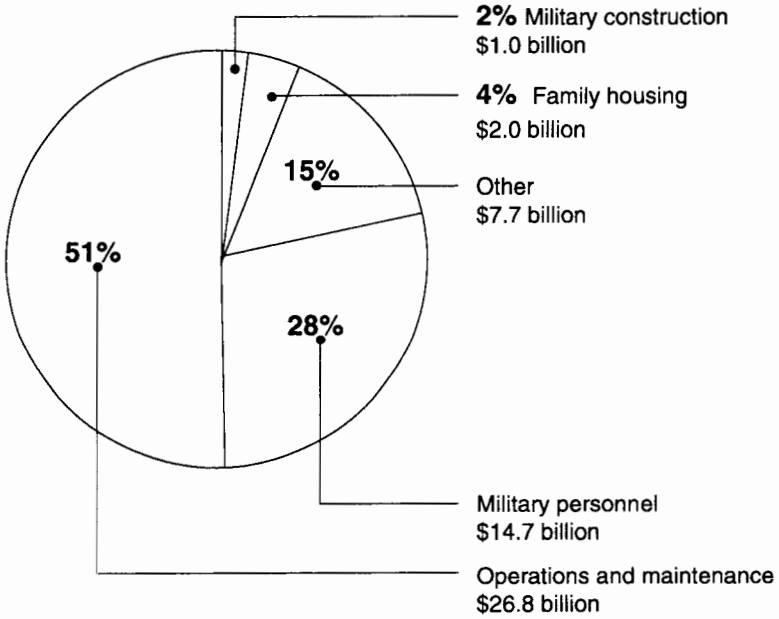


Source: GAO's analysis of DOD data.

As figure 5 shows, DOD estimates that it accrued BRAC savings of $52.2 billion through fiscal year 2003 as a result of eliminating or reducing operation and maintenance costs, including base support costs, and eliminating or reducing military and civilian personnel costs. Of this amount, about half ($26.8 billion) can be attributed to savings from operation and maintenance activities, such as terminating or reducing physical security, fire protection, utilities, property maintenance, accounting, civilian payroll, and a variety of other services that have associated costs. An additional $14.7 billion in estimated savings resulted from military personnel reductions.

Figure 5: Estimated Savings Breakout for Prior BRAC Rounds through Fiscal Year 2003

Total: $52.2 billion (exclusive of implementation costs)



Source: GAO's analysis of DOD data.

Based on the previous rounds, the Commission should expect that the majority of the savings from the 2005 recommendations will result from reductions in operation and maintenance and military personnel costs.

Most Affected Communities Are Recovering from Prior BRAC Rounds

While the short-term impact can be very traumatic, several factors, such as the strength of the national, regional, and local economies, play a role in determining the long-term economic impact of the base realignment or closure process on communities. Our work has shown that recovery for some communities remains a challenge, while other communities surrounding a base closure are faring better. As DOD last reported, as of September 30, 2004, almost 85 percent (110,086) of the 129,649 DOD civilian jobs lost on military bases as a result of realignments or closures in the previous BRAC rounds had been replaced at these locations as the properties were redeveloped. I want to emphasize that this recovery figure does not include other jobs created off the bases. Appendix II gives a detailed listing of jobs lost and created at major BRAC locations during the

last four rounds. In addition, two key economic indicators—the unemployment rate and the average annual real per capita income growth rate—show that BRAC communities are generally doing well when compared with average U.S. rates. Since 1997 (after completion of the implementation periods for the first two rounds, in 1988 and 1991) and through the implementation periods of the past two rounds (1993 and 1995), about 70 percent of the 62 BRAC-affected communities have consistently been at or below the national unemployment rate. Appendix III provides more information on the average unemployment rates and on the average annual real per capita income growth rates for 62 communities affected by previous BRAC actions.

Our previous reports have pointed out a number of factors that can affect economic recovery including the robustness of the national economy, diversity of the local economy, and assistance from various federal agencies to facilitate recovery efforts. By way of comparison, I would note that the national unemployment rate at the time of the 1995 round was 5.4 percent; today it is 5.2 percent.

We have previously reported that as of September 30, 2004, federal agencies reported that they had spent about $1.9 billion for such purposes as base reuse planning, airport planning, job training, infrastructure improvements, and community economic development. These activities include the following:

- About $611 million was provided by the Department of Commerce's Economic Development Administration to assist communities with infrastructure improvements, building demolition, and revolving fund loans.
- About $760 million was provided by the Federal Aviation Administration to assist with converting former military airfields to civilian use.
- About $223 million was provided by the Department of Labor to help communities retrain workers who lost their jobs.
- About $280 million was provided by DOD's Office of Economic Adjustment to help communities plan and implement the reuse of BRAC bases.

While economic impact is one of the selection criteria used in BRAC decision making, few bases were eliminated from closure or realignment

consideration in previous rounds because of potential economic impact. Having said that, I would point out that while, from an economic impact standpoint, BRAC is most known for the losses suffered by communities, some communities gained missions and personnel as the result of BRAC decisions. The 2005 BRAC round could potentially have a greater impact on gaining communities than in past rounds since this round is expected to be used to inform decisions on placement of units and thousands of personnel returning from overseas in implementing the results of the department's separate overseas basing study. Also, there are major force structure changes underway in the Army with the creation of new units of action which expand on existing brigade sizes. Each of these could impact community infrastructure in many areas such as housing and schools. However, we will not have a clear indication of any such expanded impacts until the Secretary's BRAC recommendations are made public in a few days.

DOD's Expectations for BRAC 2005

DOD recognized at the time it was completing its recommendations for the 1995 BRAC round that excess infrastructure would remain and that additional closures and realignments would be needed in the future. The BRAC 2005 round continues the goal of previous rounds of reducing excess infrastructure within the department and achieving savings that could be applied to other priorities. However, DOD expanded the focus of BRAC 2005 to include transformation issues, to accommodate restationing of forces from overseas, and to improve jointness efforts among the military services.

In a memorandum dated November 15, 2002, the Secretary of Defense issued initial guidance outlining goals for the 2005 BRAC round. He noted that, at a minimum, BRAC 2005 must eliminate excess physical capacity—the operation, sustainment, and recapitalization of which diverts scarce resources from defense capability. At the same time, the Secretary's guidance depicted the round as focusing on more than simply reducing excess capacity. He stated that the round could make an even more profound contribution to transforming the department by rationalizing its infrastructure and defense strategy. He further noted that another primary objective of the round was to examine opportunities for greater joint activity.

While the broader goals of BRAC 2005 have increased traditional interest in the potential outcome of this BRAC round, great public attention has been devoted to the issue of excess capacity and how many bases are likely to be

closed in this round. While we await the Secretary's announcement of proposed closures and realignments in a few days, the Commission may want to review an earlier assessment of excess infrastructure capacity that DOD was required to complete in advance of the BRAC round which has led to much public speculation about what could result from this round. The result of that analysis was included in a 2004 report to Congress in justifying the need for the 2005 BRAC round. Although that report did give indications of excess capacity, our work shows the analysis on which it was based did not provide a well-grounded assessment of total excess capacity across DOD or the potential for achieving greater efficiencies in use of that capacity. It also led to much speculation on the number of bases likely to be closed in this BRAC round.

DOD's analysis of its infrastructure capacity for the 2004 report, which was completed outside the 2005 BRAC process, indicates the presence of excess capacity across certain functional areas through fiscal year 2009. However, the limitations of the methodology used for that analysis, such as use of varying capacity metrics among the military services for similar type facilities, prevented it from giving a precise indication of excess capacity across all classes of facilities. This raises questions about the appropriateness of its use to project a total amount of excess capacity across DOD. Furthermore, DOD's methodology did not analyze facilities or functions on a joint or cross-service basis to determine any additional excess capacity, but such a cross-service analysis is a priority for the 2005 round. Moreover, it did not fully consider the impact of force structure changes underway and the planned restationing of thousands of forces from overseas bases. Based on this, it is problematic for anyone to try to add up these diverse measures and point to a single cumulative figure of excess capacity. Even more problematic are efforts to translate this figure to a set percentage of bases that are likely to be closed.

While previous BRAC rounds have focused primarily on reducing excess capacity, DOD officials have stated that in addition to that goal, the 2005 BRAC round aims to further transform the military by correlating base infrastructure to the force structure, and enhancing joint capabilities by improving joint utilization. That approach takes you past the point of simply focusing efforts on reducing excess infrastructure and generating savings. As a result, we must await the results of the Secretary of Defense's closure and realignment recommendations to see how the extent of capacity reduction proposed in this round compares to that in prior rounds. If you are looking for indicators of capacity reduction in BRAC 2005, the Commission may want to focus on such measures as net reduction in plant

replacement value or square footage of space. While these are not all-inclusive indicators, they should give you some sense of the potential impact of the 2005 round.

2005 BRAC Analytical Framework Builds on Historic Structure

The framework used in the 2005 BRAC round continues the historical framework used in previous rounds. The Defense Base Closure and Realignment Act of 1990 led to the creation of what has become a structured process for making BRAC recommendations and one that gives the public insight into the basis for recommendations made by the Secretary of Defense. Selection criteria for the 2005 BRAC round preserve a framework similar to that used in earlier BRAC rounds, with specificity added in several areas that pertain to military value. In addition, the framework for the 2005 round is expected to incorporate several lessons learned from the previous rounds, related to privatization in place, total cost to the government, reserve enclaves, and cross-service issues.

Requirements to Ensure Fairness of BRAC Process

Closing unneeded defense facilities has historically been difficult because of public concern about the economic effects of closures on communities and the perceived lack of impartiality in the decision-making process. A variety of requirements or procedures have been either mandated by the 1990 act, as amended, or adopted by DOD over time to ensure the fairness and objectivity of the base closing process. Some of these requirements or procedures include:

- All installations must be compared equally against selection criteria and a current force structure plan must be developed by the Secretary of Defense.
- Decisions to close military installations with authorization for at least 300 civilian personnel must be made under the BRAC process. Decisions to realign military installations authorized for at least 300 civilian personnel that involve a reduction of more than 1,000—or 50 percent or more of the civilian personnel authorized—also must undergo the BRAC process. DOD components retain the option of including facilities/activities that fall below the threshold.
- Selection criteria for identifying candidates for closure and realignment must be made available for public comment before being finalized.

- All components must use specific models for assessing (1) the cost and savings associated with BRAC actions and (2) the potential economic impact on communities affected by those actions.

- Information submitted for use by the Secretary of Defense or the Commission in the BRAC decision-making process must be certified—that is, certified as accurate and complete to the best of the originator's knowledge and belief. This requirement was designed to overcome concerns about the consistency and reliability of data used in the process.

- An independent commission is required to review DOD's proposed closures and realignments and to finalize a list of proposed closures and realignments to be presented to the President for his review and subsequent submission to Congress.

- The BRAC Commission is required to hold public hearings.

- The BRAC process imposes specific time frames for completing specific portions of the process.

- The President and Congress are required to accept or reject the Commission's recommendations in their entirety.

- In addition to GAO's legislatively mandated role in reporting on the BRAC process, the military service audit agencies and DOD Inspector General personnel are extensively involved in auditing the process to better ensure the accuracy of data used in decision making and enhance the overall integrity of the process.

An important tool used in the BRAC process for analyzing estimates of costs and savings for potential recommendations is the Cost of Base Realignment Actions (COBRA) model. This model has been used in the base closure process since 1988, with improvements made to the model in the intervening years. We noted in 1995 that two of the more significant actions affecting BRAC 1995 were the validation of the COBRA model by the Army Audit Agency and a greater emphasis on using standard cost factors. Refinements to the model historically have been initiated and controlled by a COBRA Joint Process Action Team. We will be reporting on recent efforts to update the model in our upcoming report on the BRAC 2005 process.

In the interim, it is important to distinguish between the use of the COBRA model for evaluating alternative closure and realignment scenarios and use of other efforts to produce more refined cost and budget data for implementing BRAC decisions. Differences between COBRA and budget quality data used in implementing BRAC decisions include the following. First, COBRA estimates, particularly those based on standard cost factors, are averages, which are later refined for budget purposes. Further, COBRA costs are expressed in constant-year dollars; budgets are expressed in then-year (inflated) dollars.

Our work in examining lessons learned from previous BRAC rounds found general agreement that the previous legislation and the framework it established served the process well, and general agreement that this framework would be useful for a future round.[15] That is not to say that the previous process was perfect or entirely devoid of concerns over the role of politics in the process. As we have previously noted, we recognize that no public policy process, especially none as open as BRAC, can be completely removed from the U.S. political system. However, the elements of the process noted above provide several checks and balances to hold political influences at a minimum. That said, the success of these provisions requires that all participants of the process adhere to the rules and procedures.

[15] See GAO/NSIAD-97-151.

Selection Criteria for 2005 Round Continue Sound Framework Used in Prior Rounds

The department's final selection criteria for the 2005 BRAC round essentially follow a framework similar to that employed in previous BRAC rounds, with specificity added in selected areas in response to requirements mandated by Congress. The 2002 legislation authorizing the 2005 BRAC round required that DOD give priority to military value and consider (1) the impact on joint warfighting, training, and readiness; (2) the availability and condition of training areas suitable for maneuver by ground, naval, or air forces throughout diverse climates and terrains, and staging areas for use by the armed forces in homeland defense missions; and (3) the ability to accommodate contingency, mobilization, and future force requirements. The legislation also required DOD to give consideration to other factors, many of which replicated criteria used in previous BRAC rounds. Further, the legislation required DOD to consider cost impacts to other federal entities as well as to DOD in its BRAC decision making. Additionally, the National Defense Authorization Act for Fiscal Year 2004[16] required DOD to consider surge requirements in the 2005 BRAC process. Table 1 compares the 1995 BRAC criteria with those adopted for 2005, with changes highlighted in bold.

[16] P.L. 108-136, section 2822, (Nov. 24, 2003).

Table 1: BRAC Criteria from 1995 and Those Adopted for 2005

Criteria for 1995 round	Criteria for 2005 round
Military value 1. The current and future mission requirements and the impact on operational readiness of DOD's total force. 2. The availability and condition of land, facilities, and associated airspace at both the existing and potential receiving locations. 3. The ability to accommodate contingency, mobilization, and future total force requirements at both the existing and potential receiving locations. 4. Cost and manpower implications.	Military value 1. The current and future mission capabilities and the impact on operational readiness of the Defense Department's total force, **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 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. 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.
Return on investment 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.	**Other considerations** 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.
Community impacts 6. The economic impact on communities. 7. The ability of both the existing and potential receiving communities' infrastructures to support forces, missions, and personnel. 8. The environment impact.	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**.

Source: GAO based on information from DOD and legislation (emphasis bolding added by GAO to denote changes from 1995).

I want to note that the National Defense Authorization Act for Fiscal Year 2005 codified these criteria in its entirety.[17]

Our analysis of lessons learned from previous BRAC rounds affirmed the soundness of these basic criteria and generally endorsed their retention for the future, while recognizing the potential for improving the process by which the criteria are used in decision making.[18] Adoption of these criteria adds to the approach an element of consistency and continuity with those of the past three BRAC rounds.

[17] P.L. 108-375, Section 2832 (Oct. 28, 2004).

[18] See GAO/NSIAD-97-151.

Apart from changes to DOD's criteria required by legislation, DOD received a variety of comments on the draft criteria once they were published for comment in the *Federal Register* in December 2003, but did not make any changes before issuing the final criteria in February 2004. Most of these comments were on the four military value criteria and centered on the maintenance of adequate surge capacity; the roles military installations fulfill in homeland defense missions; the unique features of research, development, test, and evaluation facilities; and the preservation of vital human capital in various support functions. In responding to those comments, DOD expressed the view that the draft criteria adequately addressed these issues and DOD did not see the need to make any changes to its draft criteria. For example, DOD said that surge requirements will be addressed under criterion one, which requires the department to consider "current and future mission capabilities," and criterion three, which requires DOD to consider an installation's ability to "accommodate contingency, mobilization, and future total force requirements" to support operations and training.

Collectively, in our view, many of the public comments on DOD's criteria expressed concern that the criteria for the 2005 BRAC round focused more on assessing military value based on military missions and operational capabilities without recognizing important support capabilities such as research, development, test, and evaluation. Although modifications to the criteria might have been made to address some of these concerns, the absence of such changes did not indicate that these issues would not be considered in applying the criteria during the BRAC process. For example, the department has established a variety of joint cross-service groups[19] to analyze various support functions during the upcoming round and each group has had to adapt the selection criteria to assess military value related to each functional area. Historically, in assessing military value DOD components typically identify multiple attributes, facets, or evaluative components related to each military value criteria, then identify a number of qualitative metrics and numerous questions to collect data to support the overall military value analysis. Our July report on the 2005 process will highlight the use of military value criteria by each service and cross-service group.

[19] DOD has established seven joint cross-service groups to examine the following defense functional support areas—industrial, technical, medical, headquarters and support activities, supply and storage, education and training, and intelligence—during the 2005 BRAC process.

Lessons Learned from Previous Rounds Have Implications for 2005 BRAC Round

Our prior work has identified several lessons learned from the conduct of the prior BRAC rounds that we believe you should be aware of in reviewing DOD's proposed closure and realignment recommendations for the 2005 round and finalizing your decisions on the merits of those recommendations. These lessons learned relate directly to the development of individual recommendations and include issues related to (1) the privatization-in-place of specific DOD facilities; (2) the consideration of total costs to the government in implementing specific recommendations; (3) the retention of property and facilities, typically referred to as enclaves, on closing bases; and (4) the consideration of cross-servicing in fostering jointness in the decision-making process.

Privatization-in-place

The 1993 and 1995 BRAC rounds were notable for a few recommendations that resulted in functions being privatized-in-place rather than being closed with the work moved to another location. In December 1999,[20] we reported that privatization-in-place had not optimized reductions in excess capacity in DOD's infrastructure, but that it can allow for some cost savings in the overall public-private defense infrastructure. Rather than closing facilities to reduce excess capacity, privatization-in-place enables the workload to remain at those sites. As a result, DOD continues to support costs associated with maintaining that facility infrastructure through rates charged by the contractors for the work performed. We concluded that privatization-in-place would only be a more cost-effective alternative if contractors can achieve savings that are significant enough to offset the savings lost by not relocating workloads to DOD's underutilized facilities. In enacting authority for the 2005 BRAC round, Congress stipulated that privatization-in-place can occur only if it is specified in the Commission recommendations and determined by the Commission to be the most cost-effective method of implementing the recommendation.[21] I am not in a position today to say to what extent this will be a factor in the 2005 round, but I did want to bring this to your attention in case it does become an issue during your deliberations.

[20] GAO, *Military Base Closures: Lack of Data Inhibits Cost-Effectiveness Analyses of Privatization-in-Place Initiatives*, GAO/NSIAD-00-23 (Washington, D.C.: Dec. 20, 1999).

[21] P.L. 107-107, Section 3004 (Dec. 28, 2001).

Total cost to the government

Our report on the 1995 BRAC process noted that although the proposed closure of one Air Force base would decrease the Air Force's overhead, it could result in an increase in operational costs to the Department of Energy. We reiterated a concern we had made in an earlier BRAC round that some DOD BRAC decisions excluded consideration of costs that may be incurred by other federal agencies, and we recommended that DOD at least disclose such costs. In enacting authority for the 2005 BRAC round, Congress stipulated that the selection criteria related to cost or savings of proposed closures would have to take into account the effect of the proposed action on the costs of any other DOD activity or any other federal agency.[22] I am not in a position today to say to what extent this may be an issue in the 2005 BRAC round but did want to bring it to your attention for its potential consideration.

Reserve enclaves

The four previous BRAC Commissions recommended 27 actions in which either a reserve enclave or similar reserve presence was to be formed at a base that was to be closed or realigned. In June 2003,[23] we reported that the specific infrastructure needed for many reserve enclaves was generally not identified until after the base closure and realignment commission for a closure round had rendered its recommendations. According to Army officials, while the Army had generally decided it wanted to retain much of the available training land for its enclaves prior to completion of commission decision making during the 1995 round, time constraints precluded the Army from fully identifying the specific training acreages and facilities needed until after the commission made its recommendations. Consequently, while some of the commission's recommendation language[24] for the 1995 closure round suggested that many Army reserve enclaves would retain minimum essential facilities, the language was nevertheless sufficiently general to allow the Army wide flexibility in creating such enclaves. Subsequently, several enclaves were created by the Army that were nearly as large as the closing bases on which they were located. In contrast, the infrastructure needed for Air Force enclaves was more clearly

[22] P.L. 107-107, Section 3002 (Dec. 28, 2001).

[23] GAO, *Military Base Closures: Better Planning Needed for Future Reserve Enclaves*, GAO-03-723 (Washington, D.C.: June 27, 2003).

[24] See Defense Base Closure and Realignment Commission, *1995 Report to the President* (Washington, D.C.: July 1, 1995). The report recommendation language generally provided that the Army bases be closed or realigned, except that minimum essential ranges, facilities, and training areas be retained for reserve component use.

defined during the decision-making process and subsequent commission recommendations were more specific than those provided for the Army. Table 2 provides a comparison of the reported size and number of facilities of pre-BRAC bases with those of post-BRAC enclaves for DOD's 10 major enclaves.

Table 2: DOD Pre-BRAC and Post-BRAC Base Acreage and Facilities for Bases Where Major Reserve Enclaves Were Created

		Number of acres			Square footage of facilities		
Service	**Base**	**Pre-BRAC**	**Post-BRAC**	**Percent retained**	**Pre-BRAC**	**Post-BRAC**	**Percent retained**
Army	Fort Hunter Liggett	164,762	164,272	100	836,420	832,906	100
	Fort Chaffee	71,381	64,272	90	4,839,241	1,695,132	35
	Fort Pickett	45,145	42,273	94	3,103,000	1,642,066	53
	Fort Dix	30,997	30,944	100	8,645,293	7,246,964	84
	Fort Indiantown Gap	17,797	17,227	97	4,388,000	1,565,726	36
	Fort McClellan	41,174	22,531	55	6,560,687	873,852	13
	Fort Devens	9,930	5,226	53	5,610,530	1,537,174	27
Air Force	March Air Force Base	6,606	2,359	36	3,184,321	2,538,742	80
	Grissom Air Force Base	2,722	1,380	51	3,910,171	1,023,176	26
	Homestead Air Force Base	2,916	852	29	5,373,132	867,341	16
Total		**394,430**	**351,386**	**89**	**46,450,795**	**19,823,079**	**43**

Source: DOD.

Note: "Major" reserve enclaves refer to those enclaves with more than 500 acres. "Pre-BRAC" refers to base data at the time of the BRAC Commission recommendation while "Post-BRAC" refers to enclave data as of the end of fiscal year 2002. Percentages are rounded to nearest whole number.

We also reported that the Army did not include estimated costs to operate and maintain most of its major reserve enclaves in deriving net estimated base savings during the decision-making process. Our analysis as well as that of the Army Audit Agency[25] showed that the omission of these costs had a significant impact on the estimated savings and payback periods[26]—important considerations in the realignment and closure decision-making process—for several of these bases. In particular, the estimated savings were overstated and the estimated payback periods were understated for those specific bases. DOD concurred with our recommendation that in BRAC 2005 it should ensure that data provided to the BRAC Commission clearly specify the (1) infrastructure (e.g., acreage and total square footage of facilities) needed for any proposed reserve enclaves and (2) estimated costs to operate and maintain such enclaves. To the extent that DOD proposes the creation of enclaves in the 2005 round, the Commission may want to ensure that both infrastructure requirements and costs to operate and maintain the enclaves are clearly identified and factored in relevant BRAC recommendations.

Cross-service issues

While previous BRAC rounds were generally effective in dealing with basing decisions within individual services and defense agencies, they did not provide an adequate forum for resolving cross-service issues. While some cross-service emphasis occurred in the 1993 and 1995 BRAC rounds, their contributions were essentially marginalized by a process that was largely driven by the individual military services. Our previous lessons learned report[27] noted that parochial interests and disagreements among the services over evaluations of their facilities served as barriers to achieving significant cross-service agreements in 1993 and 1995. As a result, the department missed opportunities to reduce its infrastructure in various support-functional areas.

[25] The Army revised its estimate of costs and savings from these actions following an Army Audit Agency review of this issue in July 1997.

[26] A payback period is the time required for cumulative estimated savings to exceed the cumulative estimated costs incurred as a result of implementing BRAC actions.

[27] GAO, *Military Bases: Lessons Learned from Prior Base Closure Rounds*, GAO/NSIAD-97-151 (Washington, D.C.: July 25, 1997).

A primary objective of BRAC 2005 is to examine and implement opportunities for greater joint activity. Based on lessons learned from previous efforts to analyze jointness, the Secretary of Defense has established seven joint cross-service groups[28] to analyze common business-oriented support functions. Each group is chaired by a senior member of the department and includes representatives from each service. The joint cross-service groups were empowered to make recommendations directly to the Infrastructure Steering Committee, the group established by the Secretary of Defense to oversee the analyses of the joint cross-service groups and ensure integration of that process with the military departments. This suggests the potential for these cross-service groups to have a stronger role in the 2005 BRAC process than they had in the past.

In conclusion, we have completed much work to date in monitoring DOD's decision-making process but much work remains to finalize our review and issue our report by the mandated July 1 time frame. From a front-end perspective, we have gained much insight observing the military services and cross-service teams developing and implementing their plans for completing their analyses, and identifying and analyzing potential closure and realignment scenarios. However, we still have much work to do before finalizing and issuing our report to meet our congressionally mandated reporting time frame. In the time remaining, as DOD's candidate recommendations are finalized, we will be looking back through the process examining the collection of recommendations against the framework of DOD's selection criteria, its objectives for the round, and with a special emphasis on cost and savings. I look forward to discussing the results of our work with you and your staff once our work is completed. This concludes my statement. I would be pleased to answer any questions you or other Members of the Commission may have at this time.

Contacts and Acknowledgments

For further information regarding this statement, please contact Barry W. Holman at (202) 512-5581. Individuals making key contributions to this statement include Michael Kennedy, James Reifsnyder, Tom Mahalek, Alissa Czyz, and Cheryl Weissman.

[28] These teams are Education and Training, Headquarters and Support Activities, Industrial, Intelligence, Medical, Supply and Storage, and Technical.

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Military Base Closures: Assessment of DOD's 2004 Report on the Need for a Base Realignment and Closure Round. GAO-04-760. Washington, D.C.: May 17, 2004.

Military Base Closures: Observations on Preparations for the Upcoming Base Realignment and Closure Round. GAO-04-558T. Washington, D.C.: March 25, 2004.

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Civilian Jobs Lost and Created at Major BRAC Locations Affected by the Previous Four Rounds

The closure or realignment of military bases creates job losses at these facilities, but subsequent redevelopment of the former bases' property provides opportunities for creating new jobs. The data presented in table 3 include civilian jobs lost and created at major base realignments and closures during the previous four BRAC rounds, as of September 30, 2004. The data do not include the job losses that may have occurred elsewhere in a community, nor do they capture jobs created from other economic activity in the area.

Table 3: Civilian Jobs Lost and Created at Major Locations Affected by Four Previous BRAC Rounds (as of September 30, 2004)

Major base	BRAC round	Estimated jobs lost	Estimated jobs created	Recovery (percent)
Alameda Naval Air Station and Naval Aviation Depot, Calif.	1993	3,228	1,448	45
Barbers Point Naval Air Station, Hawaii	1993	618	100	16
Bayonne Military Ocean Terminal, N.J.	1995	2,015	995	49
Bergstrom Air Force Base, Tex.	1991	927	4,359	470
Carswell Air Force Base, Tex.	1991	869	271	31
Castle Air Force Base, Calif.	1991	1,149	2,326	202
Cecil Field Naval Air Station, Fla.	1993	995	1,615	162
Chanute Air Force Base, Ill.	1988	1,035	1,869	181
Charleston Naval Complex, S.C.	1993	6,272	2,797	45
Chase Field Naval Air Station, Tex.	1991	956	1,018	106
Eaker Air Force Base, Ark.	1991	777	509	66
El Toro Marine Corps Air Station, Calif.	1993	979	123	13
England Air Force Base, La.	1991	682	1,963	288
Fitzsimmons Army Medical Center, Colo.	1995	1,612	1,116	69
Fort Benjamin Harrison, Ind.	1991	1,050	1,171	112
Fort Devens, Mass.	1991	2,178	4,180	192
Fort McClellan, Ala.	1995	2,156	2,028	94
Fort Ord, Calif.	1991	2,835	2,020	71
Fort Pickett, Va.	1995	245	272	111
Fort Ritchie, Md.	1995	1,373	42	3
Fort Sheridan, Ill.	1988	1,681	0	0
Gentile Air Force Station, Ohio	1993	2,804	1,800	64
George Air Force Base, Calif.	1988	506	1,631	322
Glenview Naval Air Station, Ill.	1993	389	4,098	1,053
Griffiss Air Force Base, N.Y.	1993	1,341	1,297	97

(Continued From Previous Page)

Major base	BRAC round	Estimated jobs lost	Estimated jobs created	Recovery (percent)
Grissom Air Force Base, Ind.	1991	792	1,036	131
Guam Naval Complex	1993	2,193	552	25
Homestead Air Force Base, Fla.	1993	136	423	311
Hunters Point Annex Naval Shipyard, Calif.	1991	93	1,150	1,237
Indianapolis Naval Air Warfare Center, Ind.	1995	2,196	1,776	81
Jefferson Proving Ground, Ind.	1988	387	179	46
Kelly Air Force Base, Tex.	1995	10,912	5,296	49
K.I. Sawyer Air Force Base, Mich.	1993	788	1,202	153
Letterkenny Army Depot, Pa.	1995	2,512	916	36
Lexington Army Depot, Ky.	1988	1,131	1,316	116
Long Beach Naval Complex, Calif.	1991	4,487	3,975	89
Loring Air Force Base, Maine	1991	1,311	1,161	89
Louisville Naval Ordnance Station, Ky.	1995	1,435	822	57
Lowry Air Force Base, Colo.	1991	2,275	5,666	249
March Air Force Base, Calif.	1993	997	678	68
Mare Island Naval Shipyard, Calif.	1993	7,567	1,363	18
Mather Air Force Base, Calif.	1988	1,012	4,498	444
McClellan Air Force Base, Calif.	1995	8,828	3,469	39
Memphis Defense Distribution Depot, Tenn.	1995	1,289	1,045	81
Memphis Naval Air Station, Tenn.	1993	250	148	59
Myrtle Beach Air Force Base, S.C.	1991	784	1,571	200
New York (Staten Island) Naval Station, N.Y.	1993	1,001	0	0
Newark Air Force Base, Ohio	1993	1,760	944	54
Norton Air Force Base, Calif.	1988	2,133	4,551	213
Oakland Military Complex, Calif.	1993	2,834	487	17
Ogden Defense Distribution Depot, Utah	1995	1,105	2,468	223
Orlando Naval Training Center, Fla.	1993	1,105	412	37
Pease Air Force Base, N.H.	1988	400	5,124	1,281
Philadelphia Defense Distribution Supply Center, Pa.	1993	1,485	1,270	86
Philadelphia Naval Complex, Pa.	1991	8,119	2,775	34
Plattsburgh Air Force Base, N.Y.	1993	352	1,096	311
Presidio of San Francisco, Calif.	1988	3,150	1,087	35
Red River Army Depot, Tex.	1995	386	183	47
Reese Air Force Base, Tex.	1995	1,238	468	38
Sacramento Army Depot, Calif.	1991	3,164	1,900	60
San Diego Naval Training Center, Calif.	1993	402	120	30

(Continued From Previous Page)

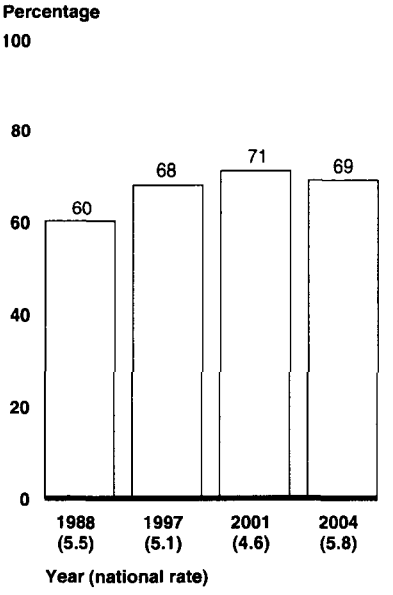
Major base	BRAC round	Estimated jobs lost	Estimated jobs created	Recovery (percent)
Savanna Army Depot, Ill.	1995	436	103	24
Seneca Army Depot, N.Y.	1995	273	1,205	441
Sierra Army Depot, Calif.	1995	374	7	2
Stratford Army Engineering Plant, Conn.	1995	1,400	0	0
Tooele Army Depot, Utah	1993	1,942	907	47
Treasure Island Naval Station, Calif.	1993	454	282	62
Tustin Marine Corps Air Station, Calif.	1991	348	16	5
Vint Hill Farms Station, Va.	1993	1,472	901	61
Warminster Naval Air Warfare Center, Pa.	1991	2,311	789	34
Watertown AMTL, Mass.	1988	540	1,167	216
Williams Air Force Base, Ariz.	1991	728	3,704	509
Wurtsmith Air Force Base, Mich.	1991	690	830	120
Total: 73 bases		**129,649**	**110,086**	**85**

Source: DOD Office of Economic Adjustment.

Economic Recovery at Major BRAC Locations

Unemployment rates in BRAC-affected communities continue to compare favorably with the national average. Since 1997 (after completion of the implementation periods for the first two rounds in 1988 and 1991) and through the implementation periods of the last two rounds (1993 and 1995), about 70 percent of the 62 BRAC-affected communities have consistently been at or below the national unemployment rate (see fig. 6).

Figure 6: Comparison of the Percentage of 62 BRAC-Affected Communities at or below the Average National Unemployment Rate over Time



Source: GAO's analysis of DOD data.

According to our analysis of the annual unemployment rates for the 7-month period ending July 31, 2004, most of the 62 BRAC-affected communities compared favorably with the national average and were consistent with the results we reported in 2002. During this period, 43 of the 62 communities (69 percent) affected by base closures had unemployment rates at or below the average 7-month national rate of 5.8 percent. This is one less community than in our 2002 report, when 44 communities (71 percent) had average unemployment rates lower than the (then) average 9-month national rate of 4.6 percent. For all BRAC communities with higher-than-average calendar year 2004 unemployment rates through July 2004, 4 had double-digit rates: Merced County, California

(Castle Air Force Base), 15.8 percent; Mississippi County, Arkansas (Eaker Air Force Base), 13.0 percent; Salinas, California (Fort Ord Army Base), 11.1 percent; and Iosco County, Michigan (Wurtsmith Air Force Base), 10.2 percent. Salinas, California, is the one addition to the other three communities that we also cited in our 2002 report for having double-digit unemployment rates.

Annual real per capita income growth rates for BRAC-affected communities exhibit mixed results. The latest available data (1999-2001 time frame) show that 30 (48 percent) of the 62 communities we studied had an estimated average real per capita income growth rate that was above the national average of 2.2 percent.[1] This represents a decline from our 2002 report in which 33 communities (53 percent) matched or exceeded the national rate of 3.03 percent during the 1996-1999 time frame. Additionally, our current analysis shows that of the 32 communities below the national average, 6 communities (10 percent) had average annual per capita income growth rates that were close to the national average (defined as within 10 percent), while the remaining 26 communities (42 percent) were below the national average growth rate. Forty-six (74 percent) of the 62 communities had lower per capita income growth rates than when we last reported on them in 2002. Three communities—Merced, California (Castle Air Force Base); Austin-San Marcos, Texas (Bergstrom Air Force Base); and Carroll County, Illinois (Savanna Army Depot)—had negative growth rates. By comparison, our 2002 report showed that no communities experienced a negative growth rate.

[1] Average annual real per capita income rates for 2002-2003 or later incorporate new Office of Management and Budget metropolitan area definitions that are not consistent with those for the communities we have assessed in this and previous BRAC update reports.

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