

**FYI, for your meeting with GAO at 9:00 am to clarify any questions you may have regarding their July 1 report summarized below.**

**Charlie**

## **SUMMARY OF THE GAO REPORT ON THE 2005 SELECTION PROCESS AND RECOMMENDATION FOR BASE CLOSURES AND REALIGNMENTS**

- GAO focused more on evaluating major cross-cutting issues than on implementation issues of individual recommendations (pg 3)
- Implementing the proposed recommendations would reduce the defense infrastructure by about 5 percent based on the facilities plant replacement value (pg 4)
- There is a clear limitation associated with DoD's projection of nearly \$50 billion in savings over a 20-year period. 47% of those savings are associated with personnel savings attributed to positions that will be reassigned to other areas. (pg 4, 22)
- Most projected savings are derived from 10 percent of the 222 recommendations (pg 4)
- 10 percent (\$500 million) of the net annual recurring savings (\$5.5 billion) is based on business process reengineering efforts that are not supported by validated assumptions (pg 4)
  - Specifically the Navy Fleet Readiness Centers are projected to save \$215 million annually due to overhead efficiencies but such assumptions have not been validated
- The concept of transformation is not well defined and many of the recommendations that use transformation as justification are better categorized as efforts to improve business processes (pg 5)
- As the military services and joint cross-service groups assessed the importance of installations, facilities, and functions, they were consistent in following the key considerations set forth in the BRAC law – such as military value – although they varied somewhat in their analytical approaches based on unique aspects of the functions being evaluated. (pg 5, 6)
- Other issues for the Commission to consider (pg 6)
  - Lengthy payback periods
  - Inconsistencies in formulating cost and savings estimates
  - Uncertainties in estimating total costs to the government for implementing recommended actions
  - Potential impacts on communities surrounding bases that are either losing or gaining large numbers of personnel

- No clear agreement on transformational options to be considered and many recommendations tended to foster jointness by consolidating functions within rather than across military services
- Much of the projected net annual recurring savings (47%) are associated with eliminating positions currently held by military personnel but rather than reducing end strength levels, DoD indicates the positions are expected to be reassigned to other areas, limiting dollar savings available for other uses. Since these personnel will be assigned elsewhere rather than taken out of the force structure, they do not represent dollar savings that can be readily reallocated outside the personnel accounts. Without recognition that these are not dollar savings that can be readily applied elsewhere, this could create a false sense of savings available for use in other areas traditionally cited as a beneficiary of BRAC savings, such as making more funds available for modernization and better maintenance of remaining facilities. (pg 22, 23)
- Annual recurring savings (\$20 million) from the recapitalization of facilities at installations responsible for destroying chemical weapons at three locations recommended for closure were already expected to be closed by the Army once chemical weapons destruction was complete at the site. (pg 23)
- Savings from the Supply and Storage groups recommendations project about \$100 million in sustainment and recapitalization savings where functions or activities are realigned from one base to another. Disposition of facilities to be vacated is not delineated (pg 23, 24)
- GAO is concerned that false savings in the area of Business Process Reengineering could lead to premature reductions in affected budgets in advance of actual savings being fully realized (if realized at all) as has sometimes occurred in past efforts to achieve saving through business process reengineering efforts (pg 25)
  - They are also concerned that it could exacerbate a problem identified in previous BRAC rounds involving the lack of adequate systems in place to track and update savings resulting from BRAC actions (This is the only Recommendation for Executive Action from the report) (pg 25)
  - This is reinforced by limitations in DoD's financial management systems that historically have made it difficult to fully identify the costs of operations and provide a complete baseline from which to assess savings (pg 26)
- DoD never agreed on transformation options and none of the 77 draft options were formally approved yet each service and joint cross-service group was permitted to use transformational options to support its candidate recommendations (pg 26)
  - 15 Headquarters and Support Activities group recommendations reference the option to minimize leased space (pg 26)

- 37 of the Army reserve component recommendations reference the option to co-locate guard and reserve units at active bases or consolidate guard and reserve units that are located in proximity to one another (pg 26)
- Other scenarios that used some of the draft transformational options were not approved by the department such as the Education and Training group's scenarios to privatize graduate education and consolidate undergraduate fixed and rotary wing pilot training (pg 26, 27)
- Some progress was made by DoD in its recommendations on Joint Basing but there were instances where DoD ultimately adopted service-centric solutions even though the Joint Cross-Service groups proposed a joint scenario (pg 27)
  - The Headquarters and Support Activities Joint Cross-Service Group proposed to consolidate civilian personnel offices under a new defense agency as DoD implements the national security personnel system and to co-locate all military personnel centers in San Antonio, TX in anticipation of a standard military personnel system. However, in both cases, DoD decided to consolidate military and civilian personnel centers within each service. (pg 29)
- DoD developed a generally logical and reasoned process for making BRAC decisions (pg 30)
- DoD's process incorporated key legislative requirements (pg 33)
  - DoD used certified data (pg 33)
  - Adequately considered its 20-year force structure plan (pg 34)
    - Based on an update to the force structure plan in March 2005 the Navy determined that it could close one of its smaller shipyards (Portsmouth or Pearl)
  - Appropriately used Military Value as its primary consideration (including Homeland Defense and Surge) (pg 34, 35)
    - The US Northern Command reviewed the recommendations and found no unacceptable risk to the homeland defense mission and support to civil authorities
    - All groups considered surge by retaining a certain percentage of infrastructure, making more frequent use of existing infrastructure, or retaining difficult-to-reconstitute assets. (AF allowed for capacity to permanently relocate all of its aircraft stationed overseas in the US)
- Military judgment was exercised to delete or modify a potential recommendation for reasons such as strategic importance (pg 37)

- Shipyard Pearl Harbor has a lower military value than other shipyards but was eliminated from closure consideration because the shipyard was considered to have more strategic significance in the Pacific region compared to other alternatives (pg 38)
- Grand Forks AFB has a lower military value than some other bases but was eliminated from closure consideration because of the belief that a strategic presence was needed in the north central US. Minot AFB, also in the north central US, is unaffected by BRAC recommendations (pg 38)
- DoD audit agencies helped to improve the accuracy of data during the BRAC process. Army, Navy, and AF Audit agencies and the DoD IG reviewed significant volumes of service data and generally found it to be “reliable” and “sound” (pg 38, 39)
- Issues GAO found warranting further attention (pg 40)
  - Lengthy payback periods (pg 41)
    - 36% of recommendations have a payback period of 6 years or longer or never produce savings
    - Most of these recommendations include significant military construction costs
    - Army realignment of special forces to Eglin AFB, and the Joint Strike Fighter aircraft training at Eglin are two examples
  - Inconsistencies in how DoD estimated costs for BRAC actions involving military construction projects (pg 43)
    - Utilities connection costs varied greatly amongst the Services
    - Army and Navy estimates did not include Anti-Terrorism features used by the AF. If they did, Army and Navy combined estimates would have been \$171 million greater
  - Uncertainties in estimating the total costs to the government to implement DoD’s recommend actions (pg 44)
    - Services and joint cross-service groups were unsure what action other agencies might take in response to the BRAC action
    - Environmental restoration costs are not included because the department must address restoration regardless of whether a base is kept open or closed. Total estimated restoration costs for all recommended closures is \$949 million.
    - Other agency costs for transition assistance, planning grants and other assistance is not included. More requests may come about by the installations that gain significantly.

- Revenue from sale of unneeded former base property is not accounted for
  - Potential impacts on communities surrounding bases that are expected to gain large numbers of personnel if DoD's recommendations are implemented (pg 48)
    - 9% of economic areas had a negative economic impact of greater than 1%
      - Largest are Cannon AFB, Hawthorne AD, NSA Crane, Sub Base New London, Eielson AFB, and Ellsworth AFB
    - 8% of economic areas had a positive economic impact of greater than 1%
      - Challenges surrounding gaining bases can be many including increase housing demand, increased demand for roads and utilities, and adequate schools
- Candidate recommendations that were deleted or revised during the final weeks of the selection process reduced overall potential for estimated net annual recurring savings by nearly \$500 million and estimated 20-year net present value savings by over \$4.8 billion (pg 52)
  - Deletions include
    - Close Naval postgraduate School, CA
    - Close Uniformed Services of the University of the Health Sciences, MD
    - Close Natick Soldiers Systems Center, MA
    - Close Adelphia Laboratory Center, MD
    - Close Carlisle Barracks, PA
    - Close Air Force Institute of Technology, OH
  - Changes from Closure to Realignment include
    - Close Marine Corps Logistics Base Barstow, CA
    - Close Naval Air Station, Brunswick, ME
    - Close Grand Forks Air Force Base, ND
    - Close Rome Laboratory, NY