

STATEMENT TO THE 2005 BRAC COMMISSION
BUFFALO REGIONAL HEARING
MONDAY, JUNE 27, 2005

THE HONORABLE MICHAEL G. OXLEY, M.C.

I appreciate the opportunity you've given me today to speak to you about an issue of the utmost importance to Ohio and our nation.

For the past 24 years, I have been privileged to serve the people of Ohio's Fourth Congressional District, the home of the 179th Airlift Wing located at Mansfield Lahm Airport. The 179th has been a vital part of Mansfield and Richland County since 1948, with an annual economic impact of roughly \$70 million. Members of the airlift wing have served more than 172,000 days just since 9/11 in support of homeland defense and the Global War on Terror.

Last month, when Secretary Rumsfeld forwarded to you his recommendation to close this highly decorated unit, I was surprised and saddened, to say the least.

Since that announcement, the people of Mansfield have conducted an exhaustive analysis of the statistical data on which the Secretary based his decision.

We have come to the conclusion that this recommendation reflects both a substantial deviation from the BRAC selection criteria and a significantly flawed process.

As a member of Congress who supported this BRAC round as a necessary element in the transformation of our armed forces, it was my expectation that the Department of Defense would solicit input from all relevant sources. In a moment, Major General Gregory Wayt, the Adjutant General of Ohio, will address the issue of the Ohio National Guard as a whole. He will tell you that at no time did the Air Force ask him or any of the other 53 Adjutants General for input into the development of the Air Force's BRAC recommendations. I find this shocking, considering that the Army asked the Adjutants General for significant input in developing its recommendations.

That was the right approach. It should have been used by the Air Force. Had it been, we wouldn't be here talking to you today--at least not from the vantage point of a closure recommendation. I understand that the Commission has found the need to schedule an additional hearing to focus solely on the Air Guard situation. I applaud your foresight on this matter, because what we are talking about is literally the disassembly of the Air Guard.

To put it bluntly, in my view the Air Force process in this BRAC round was way off course.

In stark contrast to the Army, Navy, and Marine Corps, each of which developed separate criteria for the evaluation of their Active and Reserve components, the Air Force used the same template to evaluate Active, Reserve, and Guard facilities.

The unique structure, mission capability, and costs associated with the Air Guard were totally ignored, creating an inherent bias against Guard bases. Air Guard facilities are given assets based on their missions, not because of theoretical, "right-sized" figures calculated by efficiency experts. I'm not opposed to change, but anything of this magnitude has to flow from logic and solid analysis. The Air Force process seems to start from the assumption that what's good for the active duty is good for the Guard, and that is flat wrong.

The top priority as listed in the BRAC selection criteria is the consideration of the impact on warfighters, operational readiness, and the joint capabilities of the Department of Defense. Certainly, the element of our armed forces that is most critical to our success is each individual man and woman in uniform.

At a time when our troops are already stressed by operational tempos, and when our national recruiting and retention rates are reaching record lows, any further disruption to the lives of these men, women, and families will not be well received. This is my gravest concern as I review the Air Force's recommendations for the Guard.

Contrary to national trends, the 179th Airlift Wing has consistently excelled in recruiting and retention, currently standing at 105 percent of assigned strength--fifth among 91 units in the entire Air National Guard. Mansfield draws from a rich recruiting base, boasting the best personnel strength figures of any Air National Guard C-130 unit.

As I read the BRAC criteria, the Air Force clearly should have made this a high priority in its evaluation of the 179th, but did not. As you can see on this slide, the Air Force's plan puts the value of recruiting and retaining high-quality personnel below that of their arbitrary "right-sized squadrons" goal. The 7 white states outlined in red are gaining strength but have a lower recruiting and retention level than the 10 green states with a yellow border (including Ohio), which are losing strength under the BRAC proposal.

If bases in these white states are unable to maintain manning levels currently, how will they be able to attract and retain enough personnel to fulfill the new missions they would be given under the BRAC proposal?

Along this same line, the Air Force fails to recognize the human capital that will be lost should the DoD's recommendation for the 179th go forward.

The assumption that Guard personnel can simply be moved to another location is wrong. Men and women join the Guard for the advantages it offers, not the least of which is the locality of drill sites.

The Ohio Air National Guard as a whole excels in retention, and currently stands at 104 percent of assigned strength--second only to Guam among the states and territories. At that level, even if the 179th's guardsmen wanted to transfer, there's simply no comparable unit in Ohio that could accommodate them.

Let's remember that these guardsmen are first and foremost citizens in their community, and I just don't think you're going to be able to convince a lot of people in Mansfield to move to Alabama or Arkansas for Guard duty. Simply put, closing an Air Guard base translates directly to a loss of highly trained personnel.

As you know, the Guard also operates under a substantially different set of regulations, personnel management policies, and deployment schedules than the active force or Reserves. The value of the 179th's "on-board" personnel was not considered. The Air Force can't assume that if it loses 1,000 experienced people in Ohio, it will easily and quickly be able to make up for them in another state. It takes years and even decades to build up the kind of experience you have at the 179th.

Consider for a moment that the average member of the Air Guard first served on active duty--then decided to separate but continue serving the nation in his or her hometown, alongside neighbors, friends, and family.

This is true throughout the Guard, and certainly at Mansfield. Our aircrews are highly skilled, with an average of 16 years of military aviation experience. In just the last few years, all Mansfield aircrew members have flown combat sorties in the CENTCOM area of responsibility--and have received 116 air medals for their bravery, courage, and skill.

As this slide illustrates, an Air Guard crew chief works on the same aircraft for his or her entire career. That translates to an average of 12.6 years of experience per person in the 179th--almost 12,000 total years of experience.

Does the Air Force really want to lose these skills? Can our country afford to lose these skills? I cannot imagine this being an acceptable loss just to ensure that we have sixteen planes on each ramp. Those planes are only as good as the people who maintain and fly them.

I would now like to address another omission in the Pentagon recommendation: the issue of expansion and availability of land at Mansfield Lahm Airport. Mansfield was never asked if it could accommodate a larger squadron of 12 or 16 aircraft. Because the Air Force never asked that question in its data calls, the 179th wasn't given the opportunity to present the facts.

As this schematic of Mansfield Lahm Airport clearly illustrates, the additional aircraft the Air Force says are needed for a larger squadron size can be accommodated in the space already being utilized by the 179th.

A master plan, completed in the mid-1990s by the base administrative staff, made provisions for just such a contingency. That master plan was commissioned and paid for by the Air Force.

We have also provided to your staff a letter from the City of Mansfield that offers an additional 163 acres adjacent to the current facilities for expansion or joint service purposes.

In short, we know that the 179th Airlift Wing is not only right-sized for eight aircraft, as is proven by its success, but also positioned to accept more C-130s. This ability to accept contingency and future missions is a textbook example of what the selection criteria demand.

Now let's get down to dollars and cents. From a cost-savings standpoint--which is a statutory purpose of BRAC--the price tag for adding four aircraft to the 179th's fleet is \$13.7 million. The cost of the Pentagon's recommendation to move four of Mansfield's C-130s to Maxwell Air Force Base is \$15.9 million.

It would cost millions more to move the 179th's other four planes to Little Rock. This tells me that the Defense Department did not make a full calculation of the costs of expanding the 179th against relocating its assets to two distant bases.

The 179th's investment in people amounts to at least \$214 million--money that will essentially be lost since the close community ties of Air Guard members precludes their ability or desire to "move with the iron."

The Department's estimated costs do not include projections for aircraft redeployment or associated retraining costs at either Maxwell or Little Rock. We have data for you putting that cost at \$41 million at Maxwell alone.

In addition, the estimates do not include allowances for the hallmark efficiency exhibited by units such as the 179th. The taxpayer only pays for the Guard when it is used. An active duty unit of the same size as the 179th would cost the taxpayer an additional \$54 million per year--another number not taken into consideration when the BRAC list was compiled.

The cumulative savings of having an experienced Guard unit against the costs of an active duty base are irrefutable, and on this point there has been a fundamental BRAC miscalculation by the Air Force. That will also be in the data we are presenting to you.

I would be remiss if I didn't address the importance of the 179th to homeland security and the critical value of the Mansfield Guard unit to the State of Ohio. When Ohio's governor has to manage recovery efforts following a natural disaster or act of terror, he looks to the Air Guard to provide essential services.

A fact that jumped out at me as I considered the DoD's Air Guard recommendations is that Little Rock's airfield would end up with 116 planes on just one runway. Operations could be shut down by an accident, weather emergency, or terrorist attack. By contrast, Mansfield Lahm Airport has two runways, no major airports within 50 miles, no competing commercial or regularly scheduled private carriers, and no airspace flow control problems. Because of the critical value of our C-130 fleet, the Air Force BRAC model should have given more credit to bases like Mansfield with two runways.

As I close, I'd like to leave you with this. About a week after the BRAC announcement that the 179th Airlift Wing had been recommended for closure, the unit underwent a standard inspection. The unit received an evaluation of "Outstanding: Best Seen in the Air National Guard." This is the norm for the 179th, and tells you more than I can say about the dedication and professionalism exhibited by the men and women who work there, as well as the effectiveness, utility, and military value of the installation at which they work.

This base should not be the victim of a flawed process in which the Department of Defense substantially deviated from the rules it set for itself and laid out for members of Congress.

I am grateful to you all for your service to our nation as BRAC commissioners, and acknowledge the difficult task you face in compiling a final BRAC list for the President.

I thank you for your time and for allowing me to present the case for the 179th Airlift Wing today.

Statement of Rep. Michael Turner
Before the 2005 Defense Base Realignment and Closure Commission
Buffalo, NY
June 25, 2005

Thank you Chairman Principi and members of the Base Realignment and Closure Commission. I appreciate the opportunity to testify before you today concerning Wright-Patterson Air Force Base in Dayton, Ohio. I am Mike Turner, the representative from the Third Congressional District of Ohio. Wright-Patterson Air Force Base is split between the third and seventh congressional districts. I am pleased to be here with retired Air Force general and former commander of Air Force Materiel Command headquartered at Wright-Patterson Air Force Base Lester Lyles.

Wright-Patterson Air Force Base Background

Wright-Patterson is the premier research and development base in the United States Air Force and is the birthplace, home and future of aerospace. Virtually every fixed wing aircraft in the history of the Air Force has been designed, built, purchased or tested at Wright-Patterson Air Force Base. As in the first century of flight, Wright-Patterson is where weapon systems of the future are conceived, tested, and modified until worthy of acceptance as part of the most responsive deterrent force in military aviation history. Today, Wright-Patterson is one of the largest, most effective and important bases in the Air Force.

Wright-Patterson is vital to our national security because of the base's contribution to the United States Air Force and its contribution to our ability to fight and win the global war on terrorism. Wright-Patterson is home to the Aeronautical Systems Center (ASC), responsible for the acquisition of all current Air Force aircraft and for the development, modernization and sustainment of current aircraft. It is home to Air Force Research Laboratory (AFRL), responsible for the discovery, development, and integration of new technologies for our air and space assets. The National Air and Space Intelligence Center (NASIC) is also headquartered at Wright-Patterson and it has taken on greater responsibility in keeping America safe as it provides critical, real-time intelligence to US combatant commanders in the Global War on Terror (GWOT). Wright-Patterson is a key military asset and the co-location of the various missions enable the base to effectively and efficiently meet current and emerging threats.

Wright-Patterson's advantage is that the high value intelligence, defense acquisition, research and development capabilities are co-located permitting cooperation, communication and efficiency. The mission gains contained within the Defense Department's recommendations enhance the base's capabilities and creates additional "centers of excellence." I strongly encourage the Commission to approve these recommendations.

DoD's recommendation to relocate air & space information systems research and development & acquisition (C4ISR) to Hanscom Air Force Base should not be approved by the Commission. This recommendation is based on incorrect data and analysis and violates criteria number seven of the established selection criteria. In selecting installations for closure or realignment, DoD

will consider "the ability of both the existing and potential receiving communities' infrastructure to support forces, missions and personnel."

During the public comment period on the BRAC criteria, comments were received on criteria seven asking the Defense Department to view the ability of community infrastructure to support the military as evolving and consider the willingness and capacity of communities to make additional investments. In response, the DoD stated "the Department must focus on the existing, demonstrated ability of a community to support its installation, especially as potential investment actions may not translate into reality." In essence, the Defense Department's statement seeks to ensure that communities will not engage in a bidding war to keep installations open or missions at a particular base. Yet, this is exactly what has happened. A high-stakes bidding war between communities is not in the best interest of the nation.

In September 2004, a delegation from Massachusetts visited Wright-Patterson Air Force Base to pitch a development plan for Hanscom Air Force Base. The plan calls for \$410 million in state funding to increase the infrastructure and capacity of Hanscom "on the condition that the Department of Defense commit to bringing new technical military missions to Hanscom." The Department of Defense did recommend the consolidation of these technical missions to Hanscom.

In response to concerns raised about this proposal, the Deputy Under Secretary of Defense for Installations and Environment sent a letter to House Armed Services Committee Chairman Duncan Hunter clarifying the use of such proposals by the Defense Department in creating their BRAC recommendations. The letter stated, "the Department will not include such promised considerations within the BRAC process...The statute also requires that military value be the primary consideration in making recommendations for the closure or realignment of military installations using certified data. Proposals from the public do not constitute certified data that our analysis relies upon."

As the body created to review the Department of Defense recommendations, the Commission has the responsibility to ensure DoD did not deviate from its own criteria in making its recommendations. I request that you overturn the recommendation to relocate the air & space information systems research and development & acquisition (C4ISR) to Hanscom and keep them at Wright-Patterson Air Force Base where they are more able to efficiently perform their mission.

Thank you for the opportunity to testify today.

**Testimony of Lester A. Lyles
(Prepared for Delivery)
Dayton Development Coalition
Before the 2005 Defense Base Closure and Realignment Commission
Buffalo, New York
June 27, 2005**

Chairman Principi and Commissioners Newton, Turner, and Bilbray, thank you for the opportunity to testify before the 2005 Defense Base Closure and Realignment Commission.

Thank you, Congressman Turner, for your introduction, and thank you for your work to protect Wright-Patterson. I also wish to thank Senator DeWine for his assistance with this hearing.

Thank you Congressman Hobson, for your invaluable support of Wright-Patterson and the Springfield Air National Guard Base over the years.

I am testifying on behalf of the Dayton Development Coalition, an organization of business leaders in Dayton, Ohio. The Coalition promotes economic development in the Dayton area, which includes advocating on behalf of Wright-Patterson Air Force Base. Wright-Patterson is the largest employer in the Dayton area. My testimony is focused on the Secretary of Defense's recommendations that affect Wright-Patterson Air Force Base.

Joining me today from Dayton are Lt. Gen. John Nowak, (USAF, Ret.), CEO of the defense contractor LOGTEC; and Frank J. Perez, President and CEO of Kettering Medical Center Network. John and Frank are co-chairs of the Coalition's Wright-Patt 2010 Team. Also with me today is Jim Leftwich, Vice President of the Coalition for Aerospace, Defense and Technology.

Since my retirement from the Air Force almost two years ago, I have served as an advisor to the Dayton Development Coalition. I have maintained strong ties with the Dayton region, where I spent much of my career and I serve on many local community and business boards in Dayton, including Wright State University.

Between 2000 and 2003, I was commander of the Air Force Materiel Command (AFMC). In that capacity, I oversaw many of the programs throughout the Air Force that are recommended for realignment and that are the subject of my testimony. AFMC is headquartered at Wright-Patterson and operates numerous bases all over the country.

The Dayton region is pleased and excited about the Secretary's recommendations to consolidate research and acquisition work at Wright-Patterson. These recommendations rightfully posture this world-class installation for more joint mission assignments. Wright-Patterson is truly "the birthplace, home and future" of aerospace.

**Establish Joint Center of Excellence for Aerospace
Medicine Research at Wright-Patterson AFB, Ohio**
also
Brooks-City Base, TX

We support the Secretary's recommendations to establish a Joint Center of Excellence for Aerospace Medicine Research at Wright-Patterson AFB, Ohio,¹ and to close Brooks City-Base, Texas,² with many of the aerospace medicine research and teaching functions at Brooks relocated to, or consolidated at, Wright-Patterson. Brooks City-Base, which used to be Brooks Air Force Base, was under my command when I led the Air Force Materiel Command. I see a logical evolution for the missions at Brooks to move to Wright-Patterson.

The roots of aerospace medical research at Wright-Patterson are strong and deep. The origins of sustained Air Force medical research can be traced to the opening of a medical research laboratory in 1935 at Wright Field, then the center of Army aviation research. The

¹ Medical Joint-Cross Service Group (Volume X), pages 36-38

² Medical Joint-Cross Service Group (Volume X), pages 44-46. The Secretary recommends to "Relocate the Air Force Audit Agency and 341st Recruiting Squadron to Randolph AFB. Relocate the United States Air Force School of Aerospace Medicine, the Air Force Institute of Occupational Health, the Naval Health Research Center Electro-Magnetic Energy Detachment, the Human Systems Development and Acquisition function, and the Human Effectiveness Directorate of the Air Force Research Laboratory to Wright Patterson Air Force Base, OH. Consolidate the Human Effectiveness Directorate with the Air Force Research Laboratory, Human Effectiveness Directorate at Wright Patterson Air Force Base, OH.

current plan to establish an Aerospace Medicine Research Center of Excellence is recognition of that heritage and continues the view that Wright-Patterson is the logical site for co-location of technology developers, medical researchers, warfighters, and the acquisition community.

Wright-Patterson is already home to extensive medical research through the Air Force Research Laboratory's Human Effectiveness Directorate, which is headquartered there. One of the missions recommended for movement would unite the Brooks (and Mesa) site of the directorate with the Wright-Patterson headquarters.

Joining critical elements of the medical Research, Development & Acquisition (RD&A) community in the same location recognizes that, while facilities are critical, it is the intellectual synergy of like-minded researchers in constant communication that produces innovation. The recommendations to move scientists from Brooks City-Base, along with similar missions from other areas, will allow face-to-face communications among users, developers, and acquisition workforce, and help ensure that user requirements are understood. Co-locating cross-service researchers with the developer and acquisition workforce also provides a significant degree of operational responsiveness to changing mission support needs and enhances ongoing opportunities for "jointness." Co-location can also result in more efficient utilization of manpower and reduce the potential for facility duplication.

Successful military performance hinges on the effective integration of humans with increasingly complex aeronautical systems. This is the focus of ongoing work at Wright-Patterson that logically links with organizational colleagues from Brooks. The extensive medical and academic organizations in Southwest and Central Ohio provide a wealth of synergistic opportunities for the Joint Center. These include world-class research facilities with extensive and secure area communications and high-speed computational and information technologies.

Examples include The Kettering Medical Center Network—led by Frank Perez, who is sitting with me today—Proctor and Gamble research facilities in Cincinnati, Children's Medical Center, The Ohio State Medical Center, and Wright State University School of Medicine—and its extensive research programs—which is home to the country's top-rated civilian aerospace medical program.

Wright-Patterson is home to the Eagle supercomputer, the newest and most powerful supercomputer in the Department of Defense, which has medical research applications. Moreover, Wright-Patterson is linked to the Ohio Third Frontier Fiber Optic Network, the most advanced statewide research network in the nation. This provides revolutionary ways for conducting medical research.³ These superb research facilities are attractive for relocating research personnel.

I want to emphasize to the Commission that much has changed since the 1995 Defense Base Closure and Realignment Commission rejected a recommendation to close Brooks Air Force base. Today, the recommendation has a much greater chance of success.

We acknowledge that relocation of personnel is difficult, but we have found solutions to reduce the problems identified in 1995. We are prepared to welcome key personnel to relocate using a researcher-centric approach. We have initiated an outreach to identify facilities, research opportunities, collaborative and leadership activities for incoming researchers in the medical, research, and academic community. This could minimize personal and professional anxiety regarding the moves. We will provide letters of support from a range of government officials, professional societies, and academic, medical, and business leaders. Spouses and other family members are not forgotten. We will include information on community resources as well

³ Types of medical research include cancer treatment, bioinformatics, biotechnology, medical investigations, DNA mapping and other medical applications.

addressing possible employment opportunities for spouses. As part of this outreach, we proposed to mirror the sponsor program of the military that identifies a person in the gaining organization to directly link with a newly assigned member to answer questions and provide local information for the member and family.

Another concern expressed during the 1995 base closure process was the expected disruption of ongoing research while the move was underway and facilities were being put in place. In anticipation of this concern arising again, we have already begun to address potential issues with an innovative approach to shorten the time between shutdown in Texas and "open-for-business" in Ohio. In coordination with appropriate military agencies we will selectively make our local and regional research facilities available for use by Brooks aeromedical personnel. We believe this will allow meaningful work to continue much more rapidly than otherwise possible, and help lessen the scientific and personal concern with breaks in protocols.

One other concern voiced in 1995 has also been addressed. We will be working with the State of Ohio medical board and agencies charged with accreditation of laboratory animal care facilities to reduce the time required for necessary licenses and accreditation, so that should no longer be an issue. Most of the physicians moving from Brooks are military doctors and will not need to go through the licensing process, so that is not a major issue, either.

Defense Research Service Led Laboratories

In the same vein, we are equally excited about the consolidation of the sensor mission at Wright-Patterson Air Force Base.⁴ This consolidation further builds on the exceptional technical talent at WPAFB that has been so instrumental in conducting leading edge sensors research and development.

Consolidate Air and Space C4ISR Research, Development & Acquisition, Test & Evaluation

The Coalition believes that the Secretary's recommendation to Consolidate Air and Space C4ISR Research, Development & Acquisition, Test & Evaluation⁵ deviated substantially from final criteria 1, 2, and 4. We ask that the Commission reject the recommendation to realign Wright-Patterson Air Force Base by relocating Air and Space Information Systems Research and Development and Acquisition to Hanscom Air Force base, Massachusetts. This recommendation would have the effect of moving the Development and Fielding Systems Group (DFSG)⁶ from Wright-Patterson to Hanscom.

I want to make two points in my testimony:

- 1) Documentation provided by the Defense Department reveals inadequate available land to handle missions at the receiving location.
- 2) The Defense Department's data significantly understates the cost of this recommendation.

⁴ Technical Joint Cross Service Group Analyses and Recommendations (Volume XII, pages 27-29. This calls for closing the Air Force Research Laboratory, Mesa City, Arizona and relocating all functions to Wright-Patterson Air Force Base, Ohio; also realigning the Air Force Research Laboratory, Hanscom, MA, by relocating the Sensors Directorate to Wright-Patterson Air Force Base, Ohio.

⁵ Technical Joint Cross Service Group Analyses and Recommendations (Volume XII) pages 51-52.

⁶ Formerly known as Materiel Systems Group (MSG)

DFSG procures, fields, and provides ongoing technical assistance related to computer-based logistics and financial management systems for the Air Force Materiel Command. For example, one of the programs handles purchasing, procurement, storage, repair, and distribution of munitions, fuel, spare parts, and other commodities managed by the command. This function is critical to timely support of the warfighting mission. Most of the work is performed by about 100 off-base contractor companies, and most of those are located in the Dayton area.

Separating DFSG from personnel at the headquarters of the Wright-Patterson community, including Air Force Materiel Command and the region's broader IT intellectual capital introduces more risk into a risk prone process. The movement could result in a higher likelihood of failure in DFSG operations not being able to adequately support their acquisition programs.

This realignment removes DFSG from the region and limits the organization's access to the strong IT capital in the Dayton region. Companies like NCR-Teradata, Standard Register, and Lexis-Nexis all have exceptional IT and business management systems and related R&D programs which DFSG can draw from as it executes its mission. These companies are even more important to DFSG as it focuses its future on implementing commercially available business management systems.

It appears that these companies as well as other contractors providing both development and Advisory and Assistance Service (A&AS) support for the DFSG were not accounted for in the intellectual capital measure for Military Value. This exclusion dramatically understates the Military Value of Wright-Patterson and the Dayton region, and fails to recognize the value of these contractors.

The "users" of most of DFSG's major systems are the people who work at AFMC's headquarters at Wright-Patterson and the functional users they represent across the Air Force. Face-to-face interaction with the users is helpful to design these systems properly.

Civilian and government experts with extensive experience with Enterprise Resource Planning implementation both emphasize that success is directly related to continuous face-to-face interaction between the developer and the user.⁷ This will be more difficult if DFSG is realigned to Hanscom.

Substantial Deviation from Final Criteria 2: The availability of land, facilities and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.

According to the Defense Department's own documentation, there might not be enough land at Hanscom to support the moves under this recommendation. The Technical Joint Cross Service Group Summary of Land Use Constraints⁸ says, "The scenario requires roughly 40 acres," but goes on to say that Hanscom reported its largest parcel is 18.27 acres and only 8.4 unconstrained acres are zoned for industrial operations. This scenario may require building on constrained acreage.

⁷ The current private industry technology solution is Enterprise Resource Planning or ERP. According to Gartner Research Publications, ERP implementations are risky endeavors and users must take active control of development. Gartner Dataquest surveyed 265 U.S.-based IT and business managers. Gartner lists six critical success factors for implementing ERP. One of the success factors is that the functional managers must be involved and set realistic expectations and then manage them throughout the implementation process as the project conditions evolve. Another factor for success is to focus on the users. Inclusion of users in all activities is important along with having top management involvement and support in the whole project. Gartner recommends that External Service Providers (ESPs) should work with the client/end users. End users must have an ongoing involvement with the initiative. The DFSG is the ESP for AFMC functional users and their managers. It is critically important to the success of the implementation process to have them collocated at AFMC (Final Criteria 1 and 4). (Source: Gartner Research Publication Dates: 10 September 2002 ID Number TG-15-4868; 7 September 2004 ID Number G00122936; 10 December 2003 ID Number ITSV-WW-EX-0390, 23 September 2002 ID Number SPA-17-7897).

⁸ Page 3

I was just at Hanscom last week and I am aware that officials there are revisiting this issue to find solutions. However, some of those solutions might require building facilities such as a multi-story parking garage which will add costs to the move that are not included in the original estimates.

Substantial Deviation from Final Criteria 4: The cost of operations and the manpower implications.

The Defense Department significantly understated the cost of operations if the work is shifted from the Dayton area to the Boston area because of the higher labor costs in Boston. The Department's cost estimates *do* account for the higher wages required for government employees in Boston. What is missing, however, is the higher wages required for the significant number of technicians and analysts who work for Dayton-area contractors which will move to Boston under this recommendation.

The Coalition estimates that between 2,000 and 2,400 full-time-equivalent positions in the Dayton area support the work of DFSG. Most of these positions will move to the Boston area. Already, a number of contractors who perform the work in Dayton are looking into real estate in Boston and their employees have been notified that their jobs could move.

According to the Bureau of Labor Statistics, the average salary for an IT technician in Dayton is \$61,360. However, in Boston the equivalent salary is \$76,870—an increase of \$15,500, or about 25 percent.⁹ Examining the projected work flow of DFSG and the resulting contractor needs from 2006 to 2011, we estimate that the increased labor costs, including salaries, benefit, and overhead per employee, will be more than \$200 million.

⁹ U.S. Department of Labor, Bureau of Labor Statistics, May 2004 Metropolitan Area Occupational Employment and Wage Estimates. See Dayton-Springfield, OH MSA and Boston, MA-NH PMSA.

There could be additional costs associated with mitigating the land shortage at Hanscom, such as building a new parking garage or utilizing land which is not currently available.

There is also likely to be significant increases above the cost estimates to account for the higher rents contractors would pay in the Boston area.

Also, there will likely be a large and continuous operational cost in travel and per diem for DFSG personnel at Hanscom to interface with their customers still at Wright-Patterson.

Other Recommendations and Conclusion

For the record, I want to state that the Coalition supports the position expressed earlier by Representative Dave Hobson with regard to the Springfield-Beckley Air Guard Station. The Coalition also supports the testimony to follow my presentation by Representative Michael Turner and Marilou Smith, Mayor of Kettering, with regard to the Defense Finance and Accounting Service, Dayton. Additional views and supplementary information on the positions expressed in my testimony will be provided to the Commission.

In conclusion, Mr. Chairman, I want to state how proud I am of the men and women, military and civilian, who served with me at Wright-Patterson. It is an honor for me to speak on their behalf, as well as the Dayton community, in support of the base. Again, thank you for the opportunity to testify today.

Biography

General Lester Lyles, (USAF, Ret.)

General Lester Lyles serves on a number of Dayton, Ohio area non-profit and business boards, including the Board of Trustees of Wright State University; Board of Directors, Dayton Power and Light, Board of Advisors for NCR-Teradata, and Board of Directors of Dayton-based MTC Technologies, Inc. He is also an advisor to the Dayton Development Coalition, an association of business leaders which promotes economic development in the Dayton Region, including support for Wright-Patterson Air Force Base.

General Lyles was commander of the Air Force Materiel Command (AFMC) from 2000-2003, where he was responsible for the development and implementation of policies and processes to annually acquire \$42.6 billion in research and development, production, test and logistics support for U.S. Air Force technological systems and infrastructure. He was responsible for the development and life-cycle management of more than 370 Air Force programs, including the Global Hawk unmanned aerial vehicle, the F/A-22 Raptor, the Joint Strike Fighter, and the Air Operations Center.

Under his supervision as AFMC commander were Wright-Patterson Air Force Base, Ohio; Hanscom Air Force Base, Massachusetts; and Brooks City-Base, Texas, and a number of other installations.

He is a "Gold" Lifetime Member of the Dayton Urban League. In 2004 he was appointed by President Bush to serve on The President's Commission on Implementation of United States Space Exploration Policy. He also serves as an independent aerospace consultant.

General Lyles entered the Air Force in 1968 as a distinguished graduate of the Air Force ROTC program. He became Air Force Systems Command headquarters' Assistant Deputy Chief of Staff for Requirements in 1989, and Deputy Chief of Staff for Requirements in 1990. In 1992 he became Vice Commander of Ogden Air Logistics Center, Hill AFB, Utah. He served as Commander of the center from 1993 until 1994, and then was assigned to command the Space and Missile Systems Center at Los Angeles AFB, California, until 1996. General Lyles became the Director of the Ballistic Missile Defense Organization in 1996. In May 1999, he was assigned as Vice Chief of Staff at Headquarters U.S. Air Force.

He 1968 received a Bachelor of Science degree in mechanical engineering from Howard University, Washington, D.C. in 1969. He received a Master of Science degree in mechanical and nuclear engineering, Air Force Institute of Technology Program, New Mexico State University, Las Cruces.

**Testimony of Marilou Smith
Mayor, City of Kettering
Before the 2005 Defense Base Closure and Realignment Commission
Buffalo, New York
June 27, 2005**

Mr. Chairman and Commissioners, my name is Marilou Smith and I am proud to serve as the Mayor of Kettering, Ohio.

Just 12 years ago we received the devastating news that our Gentile Air Force Station was to be closed through this very same process. We lost more than 2500 jobs in our City.

The estimated annual economic impact of that loss to our region was 1 billion dollars. Yet we forged ahead. We redeveloped Gentile into the Kettering Business Park. Anchoring that Park is the Defense Finance and Accounting Services – which is responsible for more than 400 jobs. We have done the right thing by making the best of a devastating situation. To date, the Kettering Business Park employs 1800 people – 700 jobs less than 12 years ago and we still own 560,000 square feet of vacant buildings.

Our Business Park is ready for expansion. The DFAS building alone could handle 600 new employees. So you can imagine our disbelief to learn that this elite operation, recognized for its efficiency, was to be a part of BRAC 2005. Now our community faces an additional loss of 425 jobs and a 21 million dollar annual impact to earnings.

We put the work into making the best out of the 93 closure. Now today I urge you to reconsider the closing of the DFAS Dayton operation. Kettering has suffered enough.

Statement of Representative Michael Turner
Hearing before the 2005 Defense Base Closure and Realignment Commission
Buffalo, New York
June 27, 2005

Chairman Principi and members of the Commission, I join Kettering Mayor Marilou Smith in opposing the recommendation of the Defense Department to close the Defense Finance and Accounting Service (DFAS) located in Kettering, Ohio, south of Dayton.

DFAS-Dayton, as it is officially known, administers the accounting and finance functions of the Air Force for 34 main operating bases, 15 Air Force Reserve units, 56 Air National Guard sites, and 4 Defense Department agencies throughout the continental United States.

According to the Defense Department figures accompanying the Secretary's recommendations, the closure of DFAS-Dayton will result in the loss of 230 government employees and an additional 195 related non-government jobs for a total of 425. The City of Kettering estimates these jobs generate an annual payroll of \$21 million, which is a significant loss for a city with an operating budget of \$53 million. According to the DoD recommendations, this represents only 0.1% of the area employment, but it does not account for the economic impact directly upon the city in which it is located. This recommendation by DoD deviates from criteria six as the recommendation will result in a large economic impact in the vicinity of the installation.

The closure of DFAS-Dayton is one of 20 recommended DFAS office closures. One of the Defense Department's justifications for these actions is to "leverage benefits from economies of scale and synergistic efficiencies." However, this is unlikely to occur in the case of DFAS-Dayton, which uses a building provided by City of Kettering rent free under a 50-year lease (and renewable for another 50 years). Leveraging synergistic efficiencies is important in generating cost savings. The Commission could recommend

The value to the taxpayers does not seem to be a driving force behind these recommendations from the Department of Defense. As my Ohio colleague, Congressman LaTourette discovered, and will be speaking about later today, the series of moves for DFAS centers will cost nearly \$160 million, of which \$6.1 million will be spent just to close down DFAS-Dayton. The total savings for closing DFAS-Dayton from fiscal years 2006 to 2011 will be only \$1.9 million. Criterion four of the BRAC selection criteria states that sufficient cost savings should result to justify the initial expense. In this instance, the recommendation deviates from the established criteria.

DFAS-Dayton lies in close proximity to Wright-Patterson Air Force Base and results in a convenient, efficient working relationship. Wright-Patterson is headquarters to the Air Force Materiel Command (AFMC), which oversees 11 of the bases serviced by DFAS-Dayton. More importantly, AFMC is DFAS-Dayton's most important customer, as AFMC controls 60 percent of the entire Air Force budget. There is considerable employee travel back and forth between DFAS-Dayton and Wright-Patterson to resolve the most critical financial issues. The Commission could recommend consolidating at DFAS-Dayton the other three DFAS operating

units that serve AFMC.¹ This action would leverage the synergistic efficiency of client and customer being in close proximity to one another. The City of Kettering has adequate space available at the business park and can provide an attractive rent offer.

DFAS-Dayton is an important military asset to the nation and should not be closed. I encourage the Commission to reject the recommendation from the Department of Defense to close DFAS-Dayton.

Thank you again for the opportunity to testify.

¹ They are located in San Bernardino, California; Omaha, Nebraska; and Orlando, Florida

Cleveland



Keep Cleveland DFAS

Excellent People

Excellent Performance

Excellent Value

Strong Community Support

Attendees:

- Mayor Jane L. Campbell
- Cuyahoga County Commissioner Peter Lawson Jones

- 33 resolutions of support from surrounding communities

Cleveland

Defense Industry

Alliance



BRAC Commission role

Commissioner: "...conduct a reality check"

Our analysis shows:

- Inaccurate information
- Illogical recommendations
- Inconsistent application

Conclusion: Keep Cleveland DFAS



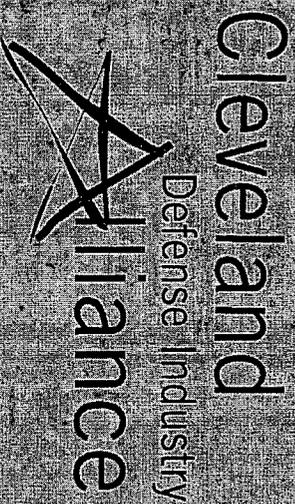
Presentation Outline

BRAC Criteria 1 – 4 – Military Value

BRAC Criterion 5 – Return on Investment

BRAC Criterion 6 – Economic Impact

Other issues, concerns and questions



Military Value – JCSG Focus

HSA JCSG Military Value (MV) focus:

- Security (AT/FP)
- Available overall workforce
- Unique corporate process applications
- Communications capabilities
- Facility condition
- Cost of operations

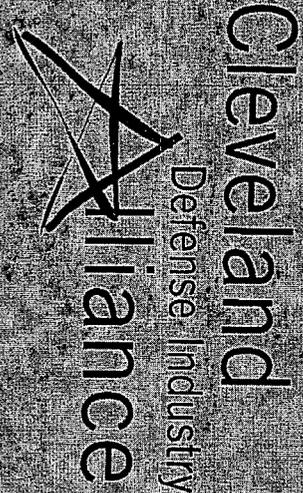
Cleveland



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Military Value – Cleveland Focus



- Facility assessment only – *not people, functions or services*
- Our MV analytical focus:
 - Security
 - Process applications
 - Operating costs

Military Value: Original MV Computation Error Correction

Cleveland
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	JCSG MV/Rank	Corrected MV/Rank
Cleveland	.587/12	.633/12
Columbus	.668/7	.725/7
Denver	.803/3	.856/1
Indianapolis	.651/9	.688/9
Kansas City	.451/22	.493/23

Error was due to improper scaling in the Workforce Pool metric

Military Value:

Criterion 1 – Attribute 1 – Metric 1 – On a DOD owned installation?

Cleveland

Defense Industry



“...a secure facility is key to ensuring that DFAS work can be accomplished under any circumstance”
– JCSG Report

	Corrected MV/Rank	MV w/o Metric 1
Cleveland	.633/4	.633/3
Columbus	.725/2	.575/4
Denver	.856/1	.706/1
Indianapolis	.688/3	.688/2
Kansas City	.493/5	.493/5

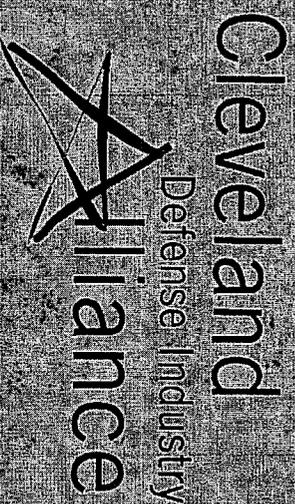
Rationale: Different security concerns for DOD vs. non-DOD civilians. Heavy weighting of metric (2nd highest – 15%), yet 3,500 are being moved to an off-installation site

Military Value:

Criterion 1 – Attribute 2 – Metric 3 – One-of-a-Kind
 Corporate Process Applications

"The specialized/skilled workforce issue needs to be recognized in the ranking process and appropriately considered in any relocation decisions"

– JCSG Report



"One-of-a-Kind" process applications	Markets	JCSG Corrected MV	MV with Linear Scoring
19	Cleveland	.633/4	.633/4
13	Columbus	.725/2	.715/2
5	Denver	.856/1	.834/1
6	Indianapolis	.688/3	.667/3
4	Kansas City	.493/5	.469/5

Rationale: Linear increasing/decreasing scoring was used in all other metrics where it could be applied

Military Value:

Criterion 4 – Attribute 1 – Metric 1 – Operating Costs Per Square Foot

Cleveland

Defense Industry



"It is difficult for the federal government to blame a landlord for charging too high a rent when it is the landlord"

JCSG Cost/Sq Ft	Mkt. Avg. Gross Asking Rate	Markets	JCSG Corrected MV	MV using Market Rate
29.12	14.7	Cleveland	633/4	677/2
8.27	17.44	Columbus	725/2	652/4
9.15	15.15	Denver	856/1	793/1
14.96	15.61	Indianapolis	688/3	659/3
16.21	17.42	Kansas City	493/5	458/5

Rationale: Communities are downgraded in relative merit based on DFAS-GSA contracts. Current market asking rates are a better metric for the long term

(1) All market/lease rates from CBRE 1st Qtr 2005 Report

Military Value: Revised Military Value Ranking

	JCSG Corrected MV	MV with all 3 Attributes	MV without DoD Installation Attribute
Cleveland	.633/4	.677/1	.677/2
Columbus	.725/2	.493/5	.643/3
Denver	.856/1	.631/3	.781/1
Indianapolis	.688/3	.639/2	.639/4
Kansas City	.493/5	.494/4	.494/5



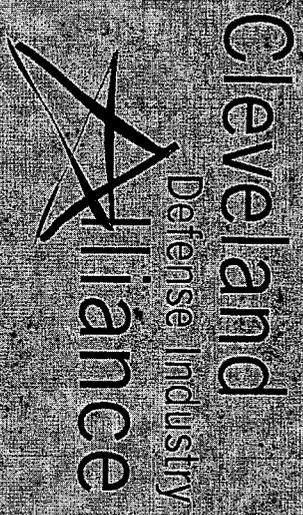
Scoring shows that the combined impact of changes to the previous 3 metrics results in a #1 MV ranking for DFAS Cleveland

Additional issues

- Skilled workforce availability vs. general workforce
- Productivity and Quality of Service



Return on Investment: Mission Activity Summary Chart



	Additional		Net		Headcount	Total GSF	GSF
	Excess Capacity	Excess Capacity	Excess Capacity	Excess Capacity			
Denver	13,631	13,631	17,039	357	71,400	(64,361)	
Indianapolis	248,965	176,740	425,705	3,470	694,000	(161,869)	
Columbus	186,062	186,062	232,578	1,337	267,400	(34,823)	
	448,658	176,740	625,398	5,164	1,032,800	(251,053)	

USF - Usable Square Footage
GSF - Gross Square Footage

(1) calculated by multiplying USF and a factor of 1.25. Factor methodology noted in the Final Capacity Analysis Report page 33
(2) calculated by multiplying Net Headcount Growth and 200 GSF per person.

Return on Investment: Mission Activity Unaccounted Costs

Cleveland
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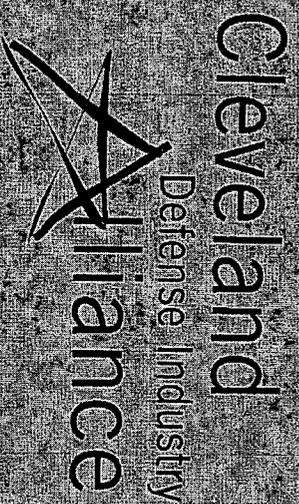
Market Rate	20 Year Lease Costs	Mission Activity Costs Identified in COBRA	Total NET Costs
Columbus \$17.44	\$10,676,463		\$ 10,676,463
Denver \$15.15	\$25,379,659		\$ 25,379,659
Indianapolis \$15.61	\$41,887,386	\$34,452,000	\$ 7,435,386
			<u>\$ 43,491,508</u>

- DFAS will need to lease additional space in these three markets to handle the consolidation
- This will cost an estimated \$43,000,000 that has not been identified within the ROI calculations
- Assuming 1% inflation year over year, \$43MM shortfall becomes \$52MM

(1) All market lease rates from CBRE 1st Qtr 2005 Report

Keep Cleveland DFAS Summary

- Incorrect Military Value calculation
- Questionable methodology hurts Cleveland
- Inconsistent application of measurements
- Failure to consider people, performance, services
- Federal government landlord overcharge penalty
- Failure to fully account for costs



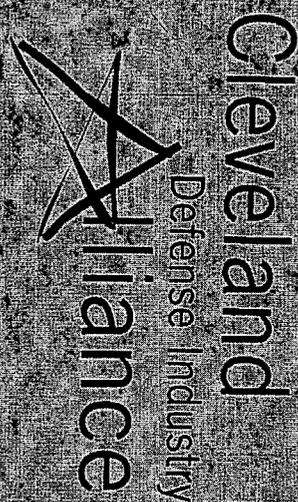
Military Value and Return on Investment Summary



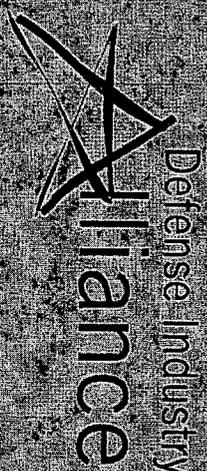
- Incorrect original MV calculations
- Attribute questions
 - Security attribute inconsistent with HSA JCSSG recommendation
 - Process Applications attribute not scored according to merit
 - Operating Cost attribute not based on prevailing market rates
- Facilities only assessment
 - No quality-of-service/performance metrics
 - No measure of financial services occupation in the workforce pool metric
- ROI savings overstated
 - Realignment costs did not fully capture facility costs
 - Estimated \$52,000,000 in lease costs not accounted for

Conclusions

- HSA JCSG deviated from Criterion 1:
 - Security attribute applied to DOD civilian DFAS workers, but not non-DOD civilian DFAS workers
 - Process Application attribute not scored in a linear value fashion
 - Workforce metric failed to capture available financial workforce pool
- HSA JCSG deviated from Criterion 4:
 - JCSG did not use the most relevant metric to evaluate long term operating costs
- HSA JCSG deviated from Criterion 5:
 - Realignment costs are significantly understated for Indianapolis, Denver and Columbus
- **The HSA JCSG recommendation to consolidate DFAS into 3 sites and realign DFAS Cleveland is arbitrary and unsubstantiated.**



Cleveland



Keep Cleveland DFAS

Excellent People

Excellent Performance

Excellent Value

**Defense Finance and Accounting Service-
Cleveland**

**Excellent People • Excellent Performance •
Excellent Value**

**Cleveland Defense Industry Alliance
Fred Nance, Chairman
June 23, 2005**

Defense Finance and Accounting Service-Cleveland
Excellent People • Excellent Performance • Excellent Value

This document is intended to provide insight into and summarize several things:

- (1) Our reaction to and preliminary analysis of the Pentagon data that led to a recommendation to dismantle the Cleveland office of the Defense Finance and Accounting Service;
- (2) some background on the performance and value of the people who work at DFAS; and
- (3) information about the assets of the Greater Cleveland area that was provided but not considered in the Pentagon evaluation.

It is our profound belief that DFAS Cleveland offers the United States Department of Defense significant military value, and its continued operation is vital to the smooth functioning of our nation's military at this point in our history.

The Cleveland office is a major contributor to accomplishing the DFAS service mission of providing "responsive, professional finance and accounting services for the people who defend America." Working there are dedicated professionals who have pioneered many of the best practices in personnel data management used throughout DFAS, and who hold a record of service quality so valued that the office was named a Reserve Pay Center of Excellence in 2004.

At that time, Defense Secretary Donald Rumsfeld pronounced the pay system for the Reserves and National Guard in need of serious improvement, given these soldiers' extended deployments to Iraq and Afghanistan. Consequently, workloads were transferred out of Denver and Indianapolis to Cleveland.

The BRAC recommendation to "realign" the Cleveland DFAS office issued May 13, 2005, was based on inaccurate calculations, flawed data and a questionable rationale. It was an assessment of facilities, not people, functions or customer service and, as such, completely ignores the role this office – and its people – play in delivering military value to DoD.

DFAS Cleveland is, by its very nature, people, functions and service. Ninety percent of its operating costs reside in its intellectual assets, i.e., its personnel, the Navy portions of which have been together as a collaborative work unit at the Cleveland site for decades.

Yet the capabilities and contributions of these human resources were not even considered in assessing the costs to the Pentagon and to our troops of keeping vs. realigning this facility.

A History of Efficient, Dedicated Service, Bolstering Morale

The oldest continuously operating payroll office in DoD, the precursor to the Cleveland operations of the Defense Finance and Accounting Service was founded in 1942 during World War II as the Bureau of Supplies and Accounts and renamed the Navy Finance Center in 1955. It has a long and distinguished history of assuring that our Sailors and their families are paid properly, an essential element of morale.

In 1991, the office centralized under the new DFAS umbrella, and DFAS Cleveland became the world-center for Navy pay operations and personnel data management, covering active duty personnel, reservists, and medical and ROTC students. Over time, Cleveland's workload expanded from serving the Navy exclusively to include a full array of services to retirees, annuitants and former spouses of members of the Army, Marine Corps, Air Force and Navy.

Processing pay for military retirees is unique to Cleveland's operation – there is no other DFAS work group trained to do this. In addition, the office has responsibility for garnishment services (for child support and commercial debts, both civilian and military).

A model of operational efficiency and customer service, Cleveland's DFAS office has a track record of success and innovation that has been recognized on more than one occasion by the Pentagon. Not only has it pioneered a number of systems that have become government best practices – including making all payroll transactions paperless and creating an e-portal environment for all employee communications and human resources functions – but it also has been selected as the site for implementation of continuing improvements in the way DFAS operates.

Throughout the organization, military customers have access to innovative and reliable online tools, enabling them to manage their pay account information easily and securely at a lower overall cost to the taxpayer. An online self-service pay system developed by DFAS, "myPay," allows customers to view and print leave, earning and tax statements, as well as update electronic funds transfer information and purchase U.S. Savings Bonds.

In mid-2004, DFAS opened the Reserve Pay Center of Excellence in Cleveland, bringing to it the added responsibility of processing payroll for the Army, Navy and Air Force Reserves and the National Guard. The work had been the responsibility of DFAS offices in Denver and Indianapolis, but the proven efficiency of the Cleveland office was regarded as crucial in making needed improvements to the Pentagon's pay system for the Reserves and Guard, given their extended deployments to Afghanistan and Iraq. The need for this level of customer care is as pronounced now as it was then, if not more so.

In describing the move, DFAS central office stated that "the productivity gains derived from running these operations from an established, centralized pay support site will be significant."

It is not just the accounting and information technology experts who staff Cleveland's DFAS office which drives its efficiency, however. It is also the tools they are given to work with. The City of Cleveland's telecommunications infrastructure, in which SBC Ohio has invested \$155.4 million over the past four years, is one of those significant tools.

Of the total investment, \$101.9 million bought central office hardware and software to bring additional access lines and trunks – the primary arteries of the network – to communities and businesses in the area; \$7.3 million was spent to deploy fiber and allow for the necessary upgrades in equipment to deliver DSL Internet service to local residents and businesses; and \$46.2 million was invested specifically to maintain and sustain the network.

These investments represent a significant step toward the creation of the advanced, high-speed telecommunications network architecture that will allow SBC to adapt to and meet the city's – and DFAS Cleveland's – telecommunications needs for decades to come.

The Problem with the May 13, 2005, Pentagon BRAC Recommendation

Given the high general realignment costs shown in the data we've analyzed, it makes no sense to order an upheaval of what essentially are the back office operations of the Pentagon during a time of war. It will cost DoD far more to replicate the unique capabilities of DFAS Cleveland almost anywhere else than it would to keep the office intact. Worse, moving the operation will very likely have a negative impact on our entire military that is entirely avoidable.

The recommendation to realign Cleveland is particularly unfortunate since the methodology used to arrive at that recommendation had a built-in bias against the Cleveland operation, a bias which was unnecessary and not relevant to civilians. The local community had no opportunity to even mitigate the effects of that bias by offering alternatives that would have made a significant difference in the conclusions reached – even though alternatives existed.

In short, moving DoD civilians around is not the same as moving service personnel. The mission of ensuring that our military personnel are paid on time doesn't change, as purely military missions can and do. There has to be a better solution.

The primary areas of concern – to be detailed at our public hearing in Buffalo – are as follows:

DFAS security – The Pentagon analysis had a preference for facilities that could meet extensive post-September 11 building security requirements and an overall preference for operating on military installations in general. It is completely unclear why this criterion carried so much weight here, but apparently was of no concern when DoD decided to locate the Reserve Pay Center of Excellence in Cleveland last year. Nor is there any similar metric that applies to the 434 privatized civilians who, under the Pentagon recommendations, would continue to do their work in the same building. Finally, if security should be weighted so heavily, why does DoD recommend moving 3,500 people to an off-installation site in Indianapolis?

Anomaly in scoring functions – An important military value attribute – process applications – was scored in a binary fashion when it should have been scored in a linear increasing fashion. Cleveland's relative merit in this category was shortchanged as a result.

Cost of the physical plant – Leaving aside the questionable decision to weight the cost per square foot factor heavily in an operation where 90 percent of the costs are personnel, those costs are fixed by DFAS Cleveland's landlord, the federal General Services Administration. This Catch-22 became an automatic strike against Cleveland since the GSA-contracted cost is higher than the local index for the Cleveland market by a factor of two, and is outside DFAS-Cleveland's control. Furthermore, a lower-cost alternative identified and offered by local leaders could not be factored in under BRAC rules at that point in the process.

Return on investment (ROI) – The COBRA data did not adequately account for realignment costs. Specifically, costs to satisfy shortages in leased space at gaining sites were not adequate. The result is an overstated return on investment.

Deep knowledge base – Neither the knowledge required to perform the actual work at DFAS Cleveland nor the quality of the workforce performing it – and the difficulty in replicating that elsewhere – were recognized or appropriately considered in the analysis.

It is our understanding that large numbers of Cleveland-based workers are not expected to transfer to the proposed three remaining centers. Assuming this is true – and also assuming there is not a significant pool of workers in Columbus, Denver and Indianapolis who are already trained in federal government accounting and information technology or operating a call center for the military – the costs to retrain several thousand new workers in any one of these locations, as well as the disruption in service quality that can't help but ensue in the interim, are too high. (The flip side of this, of course, is that the Cleveland workers are so specialized in their skill sets that they, too, will require retraining in many instances.)

The Technology Services sector of DFAS Cleveland, just as an example, provides system and software analysis, design, development and documentation to support DFAS application requirements, and has the highest customer satisfaction rating of any similar sectors in the organization – 4.825 on a scale of 5.0. Its well-educated, highly skilled employees have received 12,740 hours of technical training in FY 05 alone.

Cleveland Call Center a DFAS hub – DFAS is currently structured so that the Cleveland Call Center is first point of contact on payroll matters for all active duty and retired members of the Army, Navy and Air Force. On an average day, this center handles 8,000 incoming phone calls and 1,300 incoming e-mails from retired and active duty service members and families. These positions require four months of training followed by three months of on-the-job training before employees can work without supervision. Disruption of this part of the Cleveland operation would have unfathomable repercussions.

The Real Estate Alternative

From the time the 2005 BRAC process was announced, we have known that the cost of the Anthony J. Celebrezze federal building, which houses the DFAS operation in Cleveland, would be problematic. When compared to other DFAS locations, our data showed that the cost per square foot is uncompetitive. Additionally, since our landlord is a federal agency (GSA), we were faced with a situation that required creative, out-of-the-box thinking.

Through a partnership that includes state, local and federal government as well as the private sector, a community response to this "Catch 22" situation was created. The end result is a proposal to construct a stand-alone building to accommodate the current DFAS workforce and allow room for growth.

Such a structure would meet the security needs of DoD and, at the same time, reduce the cost per square foot to a competitive level. The Cuyahoga County Port Authority has agreed to provide a parcel of land that will accommodate this facility and the State of Ohio recently enacted legislation that will provide a municipal income tax credit to lower the cost per square foot significantly.

In Summary

Innovation. Customer service. Cost effectiveness. DFAS Cleveland has consistently demonstrated its commitment to provide outstanding customer service to the men and women who defend America – while lowering the cost of doing business.

Buildings and building locations do not determine quality and value to the military. People do. The millions of transactions DFAS Cleveland performs in support of our military today must be performed correctly tomorrow. That mission hasn't changed.

The Cleveland Defense Industry Alliance appreciates the opportunity to outline for the BRAC Commission the strengths of both the Cleveland Site and the Greater Cleveland region from which its workforce is drawn. We stand ready to work with the Department of Defense to continue our partnership.

A Platform for Growth and Continued Service

In Greater Cleveland, DFAS can find an exceptional quality of life at a reasonable cost, with all of the workforce quality, amenities, recreational opportunities, and educational and healthcare facilities one would expect to find in a large metropolitan area. The area's many strengths may explain why the proposal submitted by NASA's Glenn Research Center to locate NASA's new Shared Services Center here was among the front runners under consideration. These same amenities can help attract and retain additional employees should DFAS Cleveland's workload continue to expand.

Skilled, Diverse, Available Workforce

Greater Cleveland, the 16th largest metropolitan area in the United States with a population of over 2.9 million people, has a large, stable and skilled workforce with skill sets appropriate to DFAS' current and future needs. Out of a 1.4 million-person workforce, the region currently employs more than 187,000 people who are already using the specific base skills DFAS needs (in such areas as accounting, financial administration, personnel management, communications & technology, public administration, and computer science) – a 400-to-1 ratio from which to attract employees.

Northeast Ohio's workforce overall grew by 18,000 workers (1.2 percent of the total workforce) from 2002 to 2003. Over the next 20 years, the available workforce (ages 25-64) is expected to remain extremely stable, providing a consistent talent pool for DFAS. The workforce is generally drawn from an eight-county area consisting of Ashtabula, Cuyahoga (Cleveland), Geauga, Lake, Lorain, Medina, Portage and Summit (Akron) counties.

Northeast Ohio is known for its unusual ethnic diversity, as it is home to 117 ethnic/cultural communities. Of 597,091 Northeast Ohioans who possess college degrees (27 percent of the population over 18 years of age), 87 percent are white and 13 percent are non-white. Almost a quarter of the more than 153,000 students enrolled in area colleges and universities are non-white, reflecting the diversity of the region and providing for a diverse core of trained future workers. Cleveland State University, the most diverse public university in Ohio, has a current enrollment of 21 percent minorities and graduates more minorities with master's degrees than any other Ohio institution.

Business Climate Oriented to Finance and Customer Service

Greater Cleveland has an established corporate culture emphasizing detail-oriented, customer service and collaborative skills. It is home to 11 FORTUNE 500 companies, twelve major financial services companies, and a branch of the Federal Reserve Bank.

Over the past four years, the region has maintained a stable level of employment – greater than 20,000 strong – in the more than 100 customer contact centers located here, an employment segment often regarded as an indicator of an economy's strength. Insurance companies, such as Progressive and Allstate, and financial services companies, such as MBNA and Key Bank, all have call centers located in Northeast Ohio.

Higher Education and Professional Development/Training a Core Strength

One of the region's enduring assets is the abundance, quality and accessibility of higher education. Supplying the region with new workers as well as career "upskilling" and retraining options are six highly rated, affordable public institutions – Cleveland State University, Cuyahoga Community College, Kent State University, Lakeland Community College, Lorain County Community College and The University of Akron, and associated regional campuses – as well as 16 private colleges and universities, among which are the prestigious Case Western Reserve University, with its nationally recognized schools of law, business, medicine and engineering; Hiram College; John Carroll University; Baldwin-Wallace College and Oberlin College.

Almost 600,000 people in the region possess college degrees and more than 150,000 students are currently pursuing higher education locally. Area colleges and universities awarded more than 20,000 associate and higher degrees in academic year 2001-02, of which 9,506, or 45 percent, were in the areas that provide a potential talent pool for DFAS.

The February 2003 edition of *Business Facilities* ranked Ohio eighth in the nation for workforce education. Higher education in Greater Cleveland has long been focused on aligning its curricula and programming on workforce preparedness, both for full and part-time students and for the current and future workforce. One example is the Corporate College® of Cuyahoga Community College, a new \$20 million training and professional development initiative designed to increase the competitiveness and profit potential of business and industry in the region. It delivers affordable, cutting-edge workforce programs at two facilities in Cuyahoga County or via distance learning, and can help organizations identify, develop and retain knowledgeable employees who can enhance bottom line performance.

Strategic Location and Commuting Ease

Although Greater Cleveland's workforce is drawn from eight contiguous counties, virtually everyone lives within easy commuting distance of the downtown area where DFAS has its offices. The average commute of 24 minutes is unusually low for the population size and is below the national average. This is in large part due to a well designed state and interstate highway network, which situates the metropolitan area within a 500-mile radius of 42 percent of the U.S. population.

More than 1,200 miles of highways cross the region including three major interstates (I-90, I-77 and I-71) that intersect in downtown Cleveland, as well as I-80 and I-76 slightly further south. Additional beltways and spurs, such as I-480 and I-271, enable traffic to flow with reduced bottlenecks during rush hours. This infrastructure makes the region a convenient gateway to all parts of the country.

The Regional Transit Authority (RTA), which serves all of Cuyahoga County and flows into Lorain, Medina, Geauga and Lake counties, also eases commuting. Three rapid transit rail

lines with 34 miles of track feed into downtown Cleveland. RTA also operates 110 bus routes. Weekday passenger volume for all RTA services combined is 200,000 riders per day.

Air travelers are afforded 370 daily departures to 73 cities via Cleveland Hopkins International Airport, Ohio's largest airport. A recent \$1.4 billion expansion added an additional runway and a fourth concourse offering extensive regional jet service. Nearly 11 million passengers traveled through Hopkins in 2002, flying on Continental Airlines, which has a major hub here, as well as more than 20 other carriers. Affordable Southwest Airlines is the airport's second largest carrier in terms of passenger volume. General aviation, both private and corporate, is available to downtown Cleveland at Burke Lakefront Airport.

Attractive Quality of Life

For two consecutive years, *Business Development Outlook* selected Cleveland as one of its Q(uality)32 communities based on economic health, arts, housing, education, transportation, healthcare and other factors. In the 2003 ranking, the magazine rated Cleveland's quality of life as one of the top eight cities in the country. The region offers livelihood and lifestyle, combined.

Cleveland's composite cost of living index was 97.7 in 2002, or 2.3 percent below the national average. In nearby Summit County, Akron's comparable index that year was 93.0, or 7 percent below the national average (U.S. = 100). Thus, housing is more affordable in Greater Cleveland than it is in many other parts of the country; the average monthly mortgage payment is \$918, the second lowest among the 20 leading metropolitan areas. Historic ethnic neighborhoods, trendy downtown condos and lofts, prestigious lakefront estates, quiet suburban and even rural developments are available and within easy range of amenities and a short commute from the central city.

An extraordinary concentration of healthcare providers, led by the Cleveland Clinic, University Hospitals and Summa Health System, has gained international recognition for the region through advancements in medical technology and education. One of the most dynamic segments of the regional economy, Greater Cleveland has 47 hospitals with more than 11,300 beds, and employs more than 180,000 healthcare and allied healthcare professionals.

Area residents are well acquainted with the region's vast array of world-class and one-of-a-kind attractions and a broad spectrum of leisure time pursuits, many tied to the region's extraordinary topography and natural features, and its four seasons.

Located on the southern shore of Lake Erie, residents of the region take advantage of boating and fishing; in fact, Lake Erie has some of the best walleye, steelhead, perch and bass fishing in the world. Other popular water sports here include swimming, parasailing, scuba diving, jet skiing and canoeing, all of which can be enjoyed in one of the most comfortable summer climates in the country. North Coast Harbor, located along Cleveland's lakefront, offers access to Cleveland Browns Stadium, the Rock and Roll Hall of Fame and Great Lakes Science Center with its Omnimax theater. In addition, family-oriented recreational entertainment options are plentiful, including Cedar Point and Geauga Lake amusement parks.

The creation of a linear heritage greenway stretching from Cleveland's lakefront to the Tuscarawas River Valley has sparked a revitalization strategy and an unparalleled abundance of open space that Northeast Ohio area residents have come to associate with an exceptional quality of life. Cuyahoga Valley National Park, a 33,000-acre sanctuary along 22 miles of the Cuyahoga River, anchors this development effort. Additionally, 14 reservations consisting of 20,000 acres of natural landscapes constitute the Cleveland Metroparks, an amenity often referred to as the "Emerald Necklace."

Cleveland boasts the nation's largest performing arts venue outside of New York. It is home to Playhouse Square, which operates five beautifully restored 1920s-era theaters, as well as the Cleveland Play House, which also operates five stages under one roof. University Circle, the site of the nation's largest concentration of cultural, educational and medical institutions within one square mile, is home to the Cleveland Museum of Art and the world-renowned Cleveland Orchestra. In Akron, the newly restored Akron Civic Theater, with its spectacular Spanish Baroque Revival architecture, and the E.J. Thomas Hall at the University of Akron, offer unique live performance venues.

Professional sports are robust in the region, with the Indians (Major League Baseball), Browns (National Football League), Cavaliers (National Basketball Association), Barons (American Hockey League), Force (Major Indoor Soccer League), Lake County Captains (MLB class A) and the Akron Aeros (MLB class AA). More than 200 public and private golf courses, including the world-renowned course at Firestone Country Club in Akron, are here. Many high school sports teams in the region rank nationally and have avid fan followings.

Northeast Ohio is home to the Rock and Roll Hall of Fame, the nearby Inventors Hall of Fame and the Pro Football Hall of Fame.

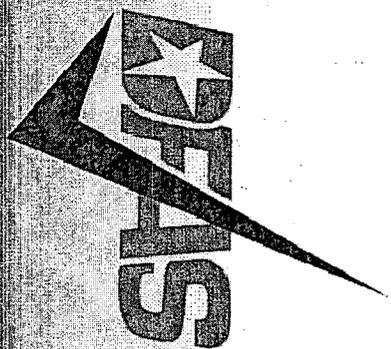
The area is within a day trip's driving distance of numerous points of interest – less than three hours from Pittsburgh, Columbus, Detroit, Windsor, Ontario, and Niagara Falls, and roughly six hours from Chicago, Toronto and Washington, D.C.

The Planned Consolidation of DFAS – A Costly and Complicated Proposal

Throwing Bad Money after Bad

CONGRESSMAN STEVEN C. LATOURETTE (R-OH)

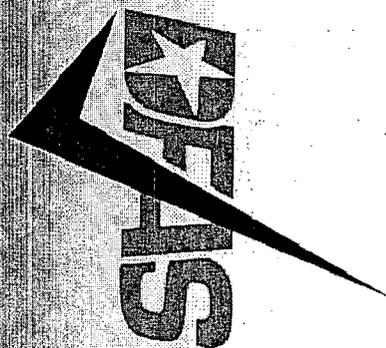
JUNE 27, 2005



DOD wants to spend \$282 million to close or realign about two dozen DFAS offices around the country, including the Cleveland DFAS Office, which is the granddaddy of all military payroll centers and has been around since 1942.

It will cost nearly \$29 million to effectively shut down the Cleveland DFAS office with no savings for many years

Cleveland stands to lose more jobs through the BRAC process than the entire state of New York, and more net civilian jobs than the states of Florida or California

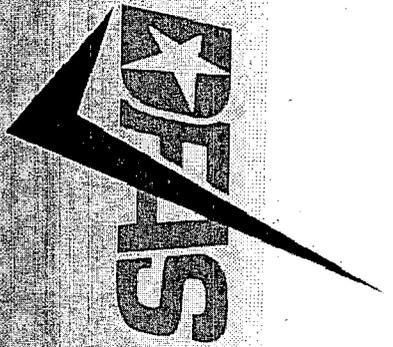


A decade ago, DOD decided to open 20 small DFAS offices across the country – mostly at military bases slated to close -- even though Congress, DOD and GAO said only a few offices were needed

DOD projected \$8 to \$9 billion in savings over 20 years

DOD spent at least \$173 million renovating the aging buildings to get them "up to par" and staffed these new DFAS offices with 5,000 employees

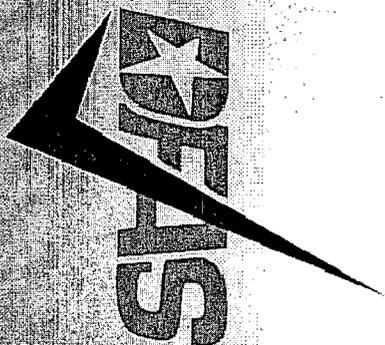
DOD now plans to spend \$159 million to shut them down long before real savings can accrue



The previous botched consolidation was the subject of congressional hearings and two explosive General Accounting Office (GAO) Reports:

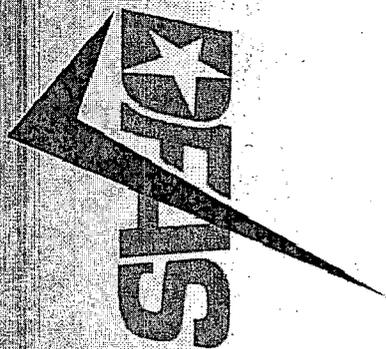
DOD's Planned Finance and Accounting Structure Is Larger and More Costly Than Necessary (September 1995)

DOD is Opening Unneeded Finance and Accounting Offices (April 1996)



Cleveland DFAS was spared in the last consolidation effort and has been called a “nerve center” of DoD financial operations

Cleveland DFAS handles more military payroll functions than any other DFAS office in the country, and was chosen in July 2004 as the site of the new Reserve Pay Center of Excellence



Why Not Consolidate Military Payroll in Cleveland?

DFAS Indianapolis now handles just one of 12 major military pay functions: Army Active Duty Pay, plus some Army National Guard Pay

The 12 major military payroll functions are:

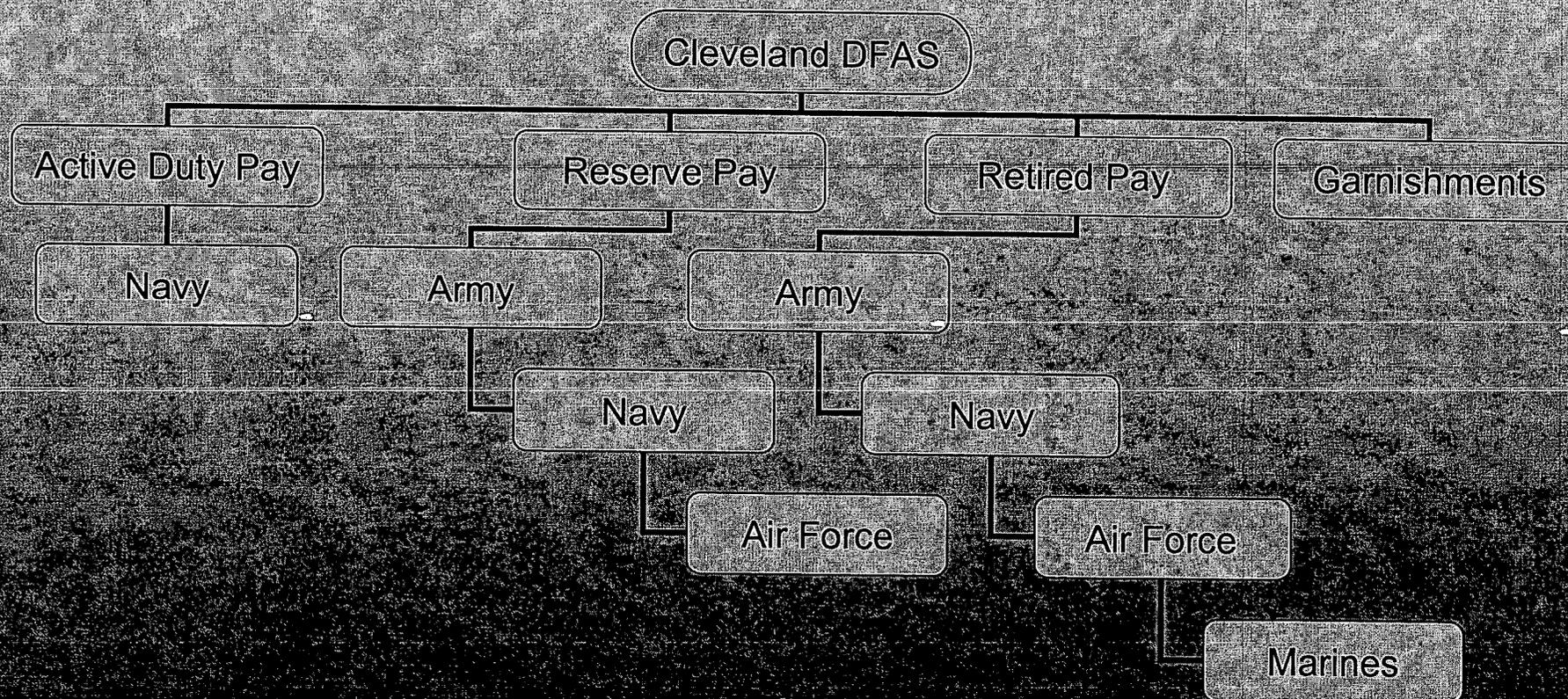
- Active Duty Pay for all four branches
- Reserve Pay for all four branches
- Retired Pay for all four branches

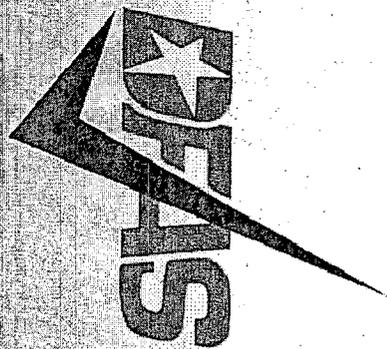
Cleveland DFAS currently handles 8 of the 12 military payroll functions and already does Active Duty Pay, Reserve Pay and Retired Pay

Cleveland DFAS also handles all Garnishment Issues, including withholding child support, and Cleveland is home to one of two national call centers to help soldiers with pay issues.

Cleveland DFAS Payroll Functions

Handles 8 of 12 pay functions and Garnishments, i.e., child support

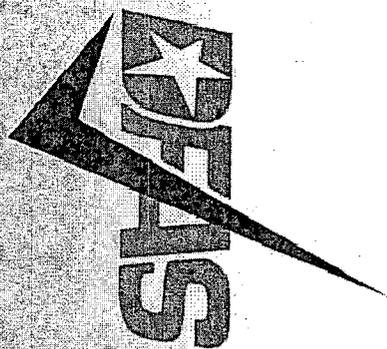




DFAS Offices in Indianapolis, Denver and Columbus will be maintained in the proposed DFAS Consolidation

DOD plans to spend \$34 million to realign the Columbus office and add about 1,750 employees, and \$39.5 million to realign the Denver office and add 1,500 employees

How is it possible that DOD will spend only \$2.892 million to realign the Indianapolis office and add 3,500 employees?



DFAS Indianapolis building lacks space to house an additional 3,500 employees

DOD says the current DFAS building contains 1.6 million square feet

The landlord, the GSA, says DFAS is now using about 1 million square feet and has access to 99,000 additional "usable" square feet. GSA has leased the building to the military since 1995 and is in a position to know exact square footage.

DFAS Indianapolis is housed in a 1953 building that just underwent a top-to-bottom renovation costing \$123 million

BRAC Report says that the realignment of DFAS Indianapolis, which includes adding 3,500 employees, has a one-time cost of \$2.892 million

No government building can be refitted to add 3,500 workers for \$2.892 million

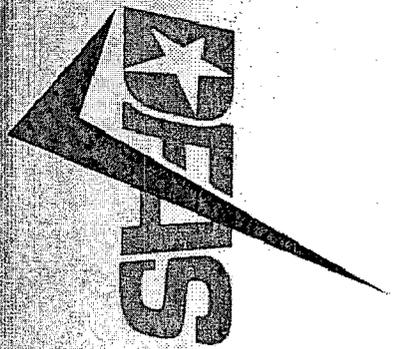
What will happen in Indianapolis?

Internal BRAC documents show that DoD plans to move Human Resources Command out of Indianapolis, freeing 76,740 square feet

Also, another usable 99,000 square feet will be available in Indianapolis, per GSA

How can 3,500 new DFAS workers fit into about 175,000 square feet?

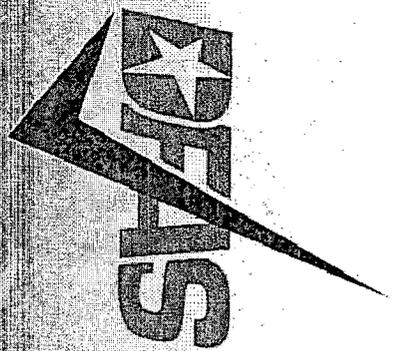
DoD says it will be accomplished by "overtime and/or additional shifts" and "additional capacity (space and equipment) will not be required"



A Confusing and Costly Consolidation is Planned

DOD plans a massive shell game of DFAS jobs and job functions across the country

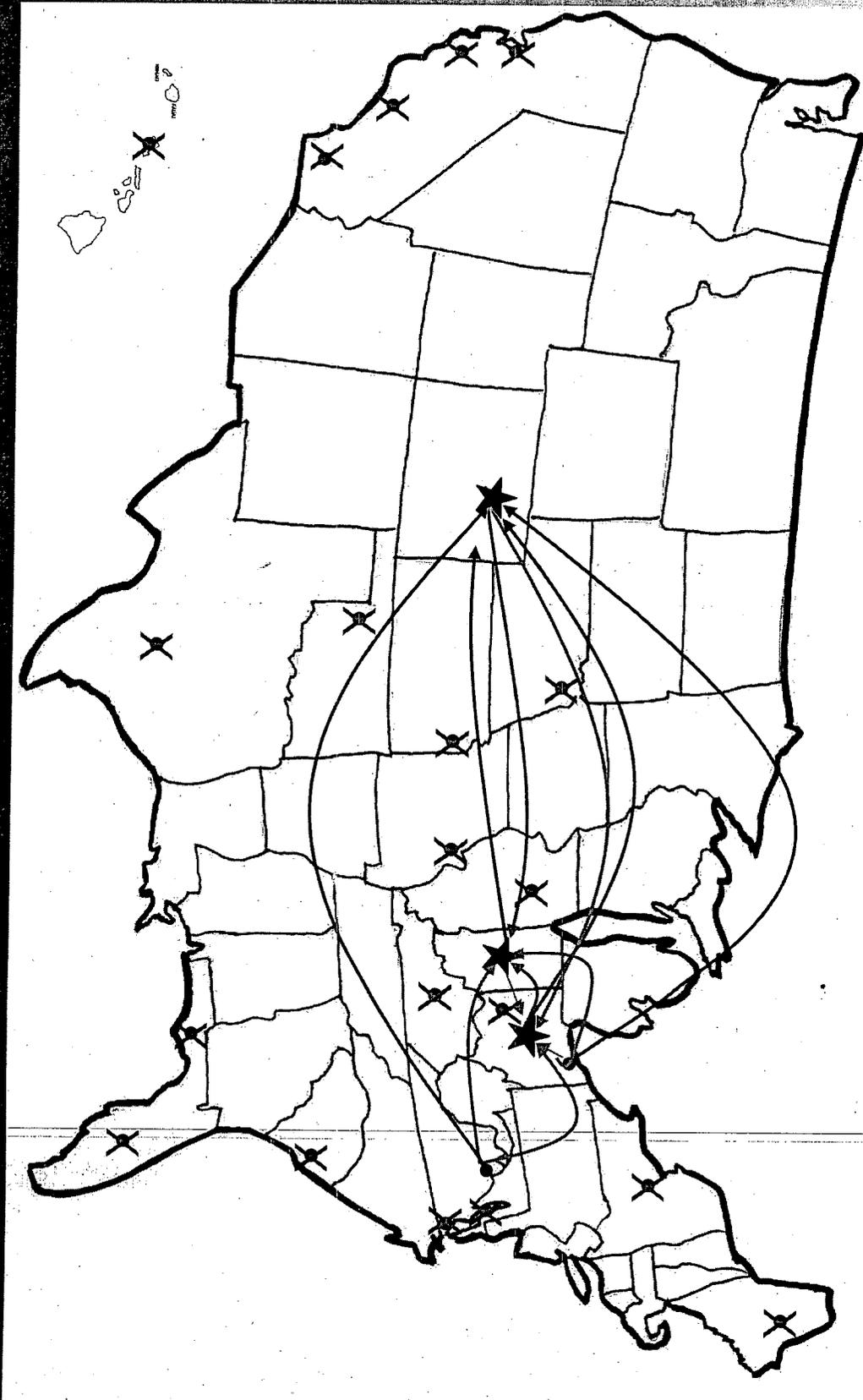
DOD should strive for accurate accounting and payroll, not a giant game of Musical Chairs



DFAS Indianapolis, Denver and Columbus will stay open
and a Ruben-Goldberg Job Shuffle will ensue

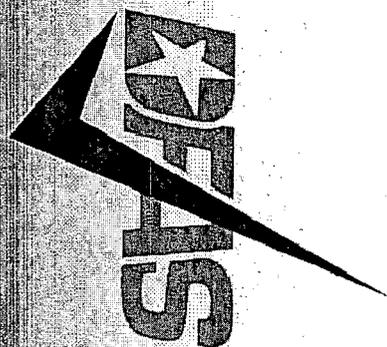
- Up to 55% of Accounting Operation functions in Columbus will be shifted to Denver, and up to 25% of Accounting Operations in Denver will go to Columbus or Indianapolis
- Up to 30% of Commercial Pay functions in Columbus will go to Indianapolis, and up to 10% of the Commercial Pay functions now in Indianapolis will go to Columbus
- Indianapolis will shift up to 10% of its Accounting Operations to Columbus or Denver
- Denver will move up to 35% of its Military Pay functions to Indianapolis

The DFAS Shell Game



A Wise Use of Taxpayer Funds?

- DOD will spend \$6 million to close DFAS Dayton after \$8.4 million in renovations. The office has about 230 workers; rent is \$1 a year, and no savings are expected for several years.
- DOD will spend \$9.2 million to close DFAS Norfolk and will save \$9,000 in FY 2006.
- DOD will spend more than \$7 million to close DFAS Rock Island (IL) to save \$19,000 in FY 2006
- DOD will spend more than \$8 million to close DFAS Rome (NY), which just underwent \$10 million in renovations. No savings are expected in FY 2006, 2007 or 2008.
- DOD wants to spend nearly \$6.4 million to close DFAS Limestone (ME), which just completed a \$6 million renovation.
- DOD wants to spend \$4.6 million to close DFAS San Bernardino (CA) which was the subject of a \$14 million renovation.
- DOD wants to spend \$7.7 million to close DFAS Omaha after \$7.5-\$10 million in renovations.
- DOD wants to spend \$5.9 million to close DFAS Layton (OK) after a \$12.8 million renovation. It has about 200 employees.



Cleveland DFAS should be removed from the BRAC list and commissioners should demand that DoD come up with a simple, streamlined, sensible and cost-effective consolidation plan.

DoD has no one to blame but itself for having too many buildings, too much vacant office space and too many workers doing the same thing.

The problem does not lie in Cleveland, OH, but rather in 20 small DFAS offices nationwide that were never needed in the first place.

Taxpayers already paid hundreds of millions of dollars for the last botched DFAS consolidation and should not be fleeced again -- This consolidation makes about as much sense as the purchase of \$400 toilet seats.

The DFAS consolidation costs too much, causes unnecessary upheaval of accounting and payroll functions, and the eventual savings cannot be justified. At most, \$120.5 million a year will be saved in the post-BRAC years or \$1.3 billion over 20 years.



**Congress of the United States
House of Representatives
Washington, DC 20515**

June 9, 2005

Mr. Anthony J. Principi
Chairman
Base Realignment and Closure Commission
2521 South Clark Street, Suite 600
Arlington, VA 22202

Dear Commissioner Principi:

As you know, the Base Closure and Realignment Report contains numerous recommendations regarding the Defense Finance and Accounting Service (DFAS), including a massive realignment of DFAS in Cleveland that will result in at least 1,028 direct job losses (1,013 civilian, 15 military) and another 847 indirect job losses.¹

While this action is coined a "realignment" rather than a closure, the end result is the same – a tremendous loss of jobs in Cleveland. Through direct job losses alone, Cleveland stands to lose nearly as many jobs in the BRAC process as the entire state of New York and stands to lose more net civilian jobs than the states of California or Florida.²

The Department of Defense (DoD) justifies this and other realignments and the closure of 20 smaller facilities on several fronts. It touts that it will spend \$282.1 million to close, realign and reshuffle jobs during the BRAC period (FY 2006-11) in order to save \$158.1 million during the same period of time. After implementation, DoD believes it will save \$120.5 million a year, which amounts to a savings of \$1.3 billion over 20 years.³

These savings will allegedly be achieved by closing 20 small DFAS sites around the country, and realigning DFAS facilities in Cleveland, OH, Arlington, VA, Columbus, OH, Denver, CO, and Indianapolis, IN.⁴ It is worth noting that the three DFAS centers that stand to gain jobs in the long run – Denver, Columbus and Indianapolis – will lose plenty of jobs first.

A Misguided and Costly Shell Game

The Great DFAS Shuffle of 2005 stands to be one of the greatest wastes of taxpayer dollars in recent memory, and, interestingly, it rivals the money squandered during the last major consolidation of DoD financial services in 1994. During that consolidation, announced in May

1994, DoD decided to consolidate 300 defense finance offices into five large existing finance centers (Cleveland, Columbus, Denver, Indianapolis and Kansas City) and 20 new sites called operating locations. DoD later decided to add a 21st new site in Hawaii, bringing the total to 21.⁵

The 1994 DoD decision to maintain five large DFAS Centers and open 20 smaller ones came on the heels of a lengthy DoD public relations debacle where cities across the country offered hundreds of millions of dollars in incentives to become home to a DFAS megacenter that would employ between 4,000 and 7,000 workers.

In essence, cities across the country competed against one another to land a "mega" DFAS Center, not unlike what happens when cities try to lure a professional sports team. "The Pentagon is asking that cities provide the facilities – the larger versions would be 1 million square feet or more - at 'little or no cost.' Cities are also encouraged to provide on-site fitness centers, day-care centers, parking, and security and maintenance personnel."⁶ Some cities even approved tax hikes hoping to lure a mega DFAS Center.⁷

Twenty cities in 14 states were named finalists for a DFAS megacenter, including Cleveland, but the plan was scrapped in March 1993 by then-Defense Secretary Les Aspin. Secretary Aspin called the process of having cities offer millions of dollars in incentives for new jobs "unsound public policy."⁸

If this latest BRAC recommendation proceeds, in one fell swoop, the DoD will dismantle one of its existing large DFAS Centers, which happens to be the Cleveland area's fourth largest federal employer. This center can tout six decades of uninterrupted and lauded service, and is responsible for handling payroll for the Navy, all military retirees, and our military reservists and their families during a time of war. This realignment will throw Cleveland's economy into a tailspin, devastate its tax base and disrupt the lives and careers of more than 1,000 workers who now run a tight and widely-praised ship.

There is scant economic justification for shuttering Cleveland DFAS, but what is proposed for Cleveland is only part of the larger picture – a potentially colossal waste of taxpayer money. The projected savings from the upheaval of DFAS, in the big scheme of things, are nominal at best and certainly don't warrant this massive and ill-conceived shell game.

If Taxpayers Only Knew

After the BRAC Report was released on May 13, 2005, I began an effort to obtain more detailed information about the true cost of realigning the Cleveland DFAS office. The BRAC Report contains many generalities about cost, but few specifics, and no specific costs by facility.

I had my staff submit a series of detailed, informational requests to DoD and the BRAC Clearinghouse. I was not sure if BRAC would supply answers to my questions because the information I sought is not publicly available in the BRAC report, or through any other source. It

has taken between 4 and 7 business days to get answers to most of my requests, and at times the information provided by BRAC and DoD has been vague. For example, it took two separate requests simply to determine the costs and savings of realigning the Cleveland DFAS office. I subsequently asked DoD to provide the costs and savings associated with every DFAS facility nationwide slated to close or realign. I have successfully obtained the information.

I think taxpayers will be appalled to learn DoD wants to spend nearly \$29 million⁹ in taxpayer funds to shutter Cleveland DFAS. DoD also intends to relocate many existing Cleveland jobs to Denver, Columbus and Indianapolis – all at taxpayer expense.¹⁰ Worse yet, DoD also plans to close 20 smaller DFAS facilities¹¹ (known as operating locations) about a decade after spending hundreds of millions of dollars opening them as part of a 1994 consolidation effort.¹²

The one-time cost of closing the 20 smaller DFAS facilities is a staggering \$159,474,000, according to information I sought and obtained from BRAC officials.¹³

Ironically, the 20 DFAS smaller centers were opened despite repeated reports and warnings from the General Accounting Office (GAO) and Congress that 20 new offices was two, three or almost four times greater than what was needed or could be justified. The GAO also stated that “There is considerable evidence that Congress wanted DoD to reassess its requirements and to open only those operating locations need to perform finance and accounting operations.”¹⁴ A top DoD official testified before the House Committee on Armed Services, Subcommittee on Military Installations and Facilities, in June 1993 about the DFAS consolidation, saying that sites should be reduced to “no more than a handful”¹⁵ if DoD was to “achieve the savings, operational improvements, and efficiencies envisioned from the consolidation.”¹⁶

The titles of two GAO Reports on the subject bear noting:

- *DoD Infrastructure: DoD's Planned Finance and Accounting Structure Is Larger and More Costly Than Necessary (September 1995)*
- *DoD Infrastructure: DoD is opening Unneeded Finance and Accounting Offices (April 1996)*

Throwing Caution, Money and Objections to the Wind, DoD Plans 20 New DFAS Sites

Despite warnings from Congress and the GAO that it was about to embark on a costly and unnecessary project, DoD forged ahead with plans to open 20 new DFAS sites as part of its 1994 consolidation effort. Fifteen of the new sites would be located at excess DoD facilities – primarily military bases that had been closed or realigned – even though the DoD “considered several of them less desirable from a customer service, cost, or quality workforce standpoint.”¹⁷ Further, it was estimated at the time that it would cost the DoD \$173 million in taxpayer money

just to bring the sites "up to par."¹⁸ Improvements included asbestos removal, seismic upgrades, lead paint removal and extensive interior and exterior demolition.¹⁹ DoD now proposes spending more than \$159 million to shut them down.²⁰

The GAO also seemed perplexed that "DoD decided to open 20 new operating locations without first determining what finance and accounting functions they would perform or if 20 was the right number to support its operations."²¹ The GAO was also surprised that DoD was considering such a large number of new facilities because "DoD's analysis showed that finance and accounting operations could be consolidated into as few as six (sites)."²²

GAO went so far as to predict in September 1995 that the consolidation into 20 smaller facilities "will not likely improve DoD's business operations" and further speculated that "Once these functions are re-engineered DoD may be faced with the need to consolidate them once again."²³ Alas, we now face a consolidation of the consolidation, just as GAO warned a decade ago.

During the proposed 1994 consolidation, many red flags were raised by Congress and GAO about the need for 20 new centers. "There is considerable evidence that Congress wanted DoD to reassess its requirements and to open only those operating locations needed to perform finance and accounting operations,"²⁴ the GAO stated.

The Senate Committee on Armed Services and the Senate Committee on Appropriations "asked DFAS to reexamine its requirements before establishing additional operating locations."²⁵ Further, the House Committee on National Security reported that the "DFAS consolidation plan would result in a larger infrastructure than necessary."²⁶ A DFAS reassessment of plans to open 20 new sites was completed on January 2, 1996.²⁷

DFAS officials concluded that 16 smaller DFAS offices were needed (15 in the continental U.S. and one in Hawaii), and that five proposed DFAS offices were "no longer needed."²⁸ It was no shock that DFAS said 16 centers were necessary, especially since 14 of them had already opened.²⁹ DFAS touted that by limiting the number of new sites to 16, it could "maintain its projected annual savings of \$120 million in operations and maintenance costs and avoid spending about \$51 million in military construction costs."³⁰

Did DoD avoid opening the five unneeded DFAS offices and avoid spending as much as \$51 million in construction costs?

The DoD went ahead with its original plan to open 20 new DFAS offices, and also tossed in a 21st office in Hawaii as well.³¹ Again, at least 14 offices had already opened at this point. The GAO met on March 27, 1996, with officials from DFAS and DoD to obtain comments on a draft of its April 1996 report. The GAO said DoD "did not dispute the fact that five locations are no longer needed."³² The GAO said that DoD remained "convinced, however, that two of the (unneeded) locations - Lawton (OK) and Seaside (CA) - should be opened in accordance with

language in the National Defense Authorization Act of 1996.”³³

The DoD said failure to open the Lawton and Seaside offices would “violate the intent of Congress”³⁴ and cited a specific section of the 1996 Defense Authorization bill. The GAO was very clear that the bill in question gave DoD the authority to open the Lawton and Seaside DFAS offices but did “not mandate it to do so.”³⁵

The opening of the Lawton, OK, and Seaside, CA, offices are an especially egregious waste of taxpayer money. DoD opened the Lawton facility on February 16, 1996, and the Seaside facility on March 29, 1996.³⁶ The DoD planned to spend about \$19 million to renovate the Seaside facility and about \$12.8 million to renovate the Lawton facility.³⁷ The renovations were planned even though “DFAS believes it no longer needs any employees at Seaside” and “DFAS no longer believes it needs an operating location at Lawton.”³⁸

It is not clear how much money was actually spent renovating these two unneeded facilities, but it is crystal clear how much it will cost to close them. The one-time cost of closing the Lawton facility is \$5,921,000, and the one-time cost to close Seaside is \$2,669,000.³⁹

It is also clear that DFAS continued to spend taxpayer dollars on its consolidation efforts. On February 27, 1997, John B. Goodman, Deputy Undersecretary of Defense, testified before the House National Security Committee’s Subcommittee on Military Installations and Facilities. He was there to present DoD’s Fiscal Year 1998 installation and facilities programs and its budget. He outlined plans for four DFAS projects, including plans to spend nearly \$30 million to renovate three new small DFAS operating locations, but his testimony did not specify which sites.⁴⁰

“DFAS requests funding for four projects as it continues consolidation to select operating locations. Three projects for \$29.7 million will renovate existing facilities for administrative use. These projects are consistent with the DFAS master plan to provide efficient and economical customer service through regional centers.”⁴¹

Defense Undersecretary Goodman also spelled out plans for the Columbus DFAS Center. “The fourth project is to continue construction of the DFAS Center at Columbus, Ohio, which was authorized in fiscal year 1996 for \$72.4 million. The project is phase funded. For fiscal year 1998, DFAS seeks additional authorization of \$9.7 million and authorization of appropriations of \$23.9 million for Phase III. This will complete the three phase project to replace eight buildings and five trailers on two installations. DFAS plans to have the Columbus center operational in the year 2000.”⁴²

DoD now plans to shut down 20 recently opened DFAS facilities

DoD, in proceeding with the so many new facilities – many in aging and decrepit buildings – argued that folks weren’t looking at the big picture or the long-term savings. At the

time, the DoD touted that opening the 20 smaller DFAS facilities would translate to savings of \$8 billion to \$9 billion over 20 years.⁴³ Regrettably, before savings can truly be gauged, the DoD has decided to shut down each of the 20 new centers, most of which were activated in 1995.⁴⁴

Put bluntly, the DoD created 20 new DFAS offices across the country, staffed them to their current level of more than 5,000,⁴⁵ spent at least \$173 million⁴⁶ in taxpayer dollars to renovate the new offices, and now has decided that it is a wise use of taxpayer money to close all of them about a decade after they opened.

It will cost approximately \$159,474,000 to shut down these 20 facilities,⁴⁷ with alleged savings long down the road. The total one-time cost for realigning DFAS facilities in Cleveland, Columbus, Arlington, Denver and Indianapolis is \$122,586,000.⁴⁸ This includes the cost budgeted to gut Cleveland DFAS – nearly \$29 million.⁴⁹ The Cleveland DFAS office is the granddaddy of the military payroll centers and a site DoD has called the “nerve center of DoD’s financial operations.”⁵⁰

Closing Costs are Outrageous – Alleged Savings a Long Time Coming

Information I requested and obtained from the BRAC Commission paints a disturbing picture of the cost of closing and realigning facilities and the imminent savings.

- DoD proposes spending nearly \$29 million to gut or “realign” Cleveland DFAS and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.⁵¹
- DoD wants to spend \$9.2 million to close DFAS Norfolk, which has 314 employees.⁵² By doing so, DoD will save a paltry \$9,000 in Fiscal Year 2006.⁵³
- DoD wants to spend more than \$7 million to close DFAS Rock Island (IL) and will save just \$19,000 a year in Fiscal Years 2006, 2007 and 2008.⁵⁴ Rock Island has 235 employees.⁵⁵
- DoD intends to spend more than \$6 million to close DFAS Dayton, which has 230 employees,⁵⁶ and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.⁵⁷
- DoD will spend more than \$8 million to close DFAS Rome (NY), which has 290 employees,⁵⁸ and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.⁵⁹
- DoD wants to spend nearly \$17.3⁶⁰ million to close DFAS Kansas City, now one of the five large DFAS Centers (Cleveland, Kansas City, Columbus, Denver and Indianapolis.) The closure will save NO money in Fiscal Year 2006, \$217,000 in Fiscal Year 2007, and \$160,000 in Fiscal Year 2008 and 2009.⁶¹ Kansas City has 613 employees.
- DoD wants to spend \$1,098,000⁶² to close DFAS Lexington, which has just 45

employees.⁶³ The closure will eventually save— AT MOST — \$211,000 a year.⁶⁴

- DoD wants to spend nearly \$6.4 million to close DFAS Limestone (ME) and will reap no savings in Fiscal Years 2006 or 2007 and just \$443,000 in Fiscal Year 2008.⁶⁵ The Limestone facility has 241 employees.⁶⁶

Also, the one-time cost of closing many of the small DFAS offices exceeds projected savings during the entire BRAC period (Fiscal Years 2006 to 2011). For example:

- ~~DFAS Rock Island will cost about \$7.1 million to close and savings will only be about \$2.9 million during the BRAC years.⁶⁷~~
- DFAS Pensacola (includes offices at Pensacola Naval Air Station and Saufley Field) will cost \$19.6 million to close and savings will only be about \$14.8 million during the BRAC years.⁶⁸
- DFAS Dayton will cost about \$6.1 million to close and savings will only be about \$1.9 million during the BRAC years.⁶⁹
- DFAS St. Louis will cost about \$9 million to close and savings will only be about \$6 million during the BRAC years.⁷⁰
- DFAS Limestone will cost about \$6.4 million to close and savings will only be about \$3.1 million during the BRAC years.⁷¹
- DFAS Charleston will cost about \$11.5 million to close and savings will only be about \$8.7 million during the BRAC years.⁷²
- DFAS Rome (NY) will cost about \$8 million to close and savings will only be about \$3.4 million during the BRAC years.⁷³
- DFAS Kansas City (the only large DFAS Center closing) will cost about \$17.3 million to close and savings will only be about \$7.3 million during the BRAC years.⁷⁴

It is important to remember that after all the closings, realignments and shuffling of DFAS jobs, the DoD only anticipates saving, at most, \$120 million a year.⁷⁵

BRAC Report tries to justify the unjustifiable

I read with interest the detailed recommendations accompanying the May 2005 BRAC Report, particularly the “justification” for DFAS actions. Essentially, DoD says it needs to undertake this extreme makeover of the DFAS system because it has too many offices doing the same thing in offices that contain too much space.

“The current number of business line operating locations (26) inhibits the ability of DFAS to reduce unnecessary redundancy and leverage benefits from economies of scale and synergistic efficiencies.”⁷⁶ DoD also states that the current 26 DFAS locations result in “overall excess facility capacity of approximately 43 percent or 1,776,000 Gross Square Feet (GSF) in administrative space and 69 percent or 526,000 GSF in warehouse space.”⁷⁷ In other words, DFAS now finds itself with 43 percent too much administrative space and 69 percent too much warehouse space after expanding by 20 facilities in the last decade.

I find it rich that the DoD now laments problems with redundancy, efficiency and excess facility space 10 years after it created 20 new DFAS facilities that employ 5,000 people.

I certainly have empathy for those communities that were awarded DFAS facilities in the last decade after losing larger bases through closures or realignment. How very compassionate and efficient of the DoD to establish facilities that were not needed, add even more jobs and functions over the past decade, reward these facilities for their performance, and then pull the rug out from under them. These local communities have every right to be outraged, as do taxpayers who footed the bill.

Shuffle DFAS Workers and then Shuffle Them Some More

According to the BRAC report, current DFAS employees in Cleveland and Arlington, VA, could have their jobs transferred to Denver, Columbus or Indianapolis as part of the grand realignment scheme.⁷⁸ Taxpayers will pay for the cost of moving these jobs, as well as early retirements for workers who aren't inclined to move. One might assume that the BRAC Report would recommend no upheaval of jobs at Columbus, Denver or Indianapolis to ensure a smooth transition. One would be wrong.

One also might assume that costs of realigning these three centers will be reasonable. Wrong again. The one-time cost to realign DFAS Columbus is \$34,193,000.⁷⁹ The one-time cost to realign DFAS Denver is \$39,520,000,⁸⁰ and the one-time cost to realign DFAS Indianapolis is \$2,892,000.⁸¹

The three DFAS facilities that will gain jobs – Denver, Columbus and Indianapolis – will actually lose jobs as well in part of the massive shuffling of jobs. What is proposed is stupefying and mind-numbing.

- Up to 55 percent of the Accounting Operation functions now in Columbus will be shifted to Denver;⁸²
- Up to 25 percent of the Accounting Operations now in Denver will be shifted to Columbus or Indianapolis;⁸³
- Up to 30 percent of the Commercial Pay functions now in Columbus will go to

Indianapolis,⁸⁴

- Up to 10 percent of the Commercial Pay functions now based in Indianapolis will go to Columbus;⁸⁵
- Indianapolis will also shift up to 10 percent of its Accounting Operations to Columbus or Denver,⁸⁶ and
- Finally, Denver will move up to 35 percent of its Military Pay functions to Indianapolis.⁸⁷

All this costly job shifting and swapping will be done for – yes it's true – “strategic redundancy”⁸⁸ reasons. From my perspective, there's very little strategy involved in this dunderheaded decision. Again, projected savings from all the DFAS moves translate to just \$120 million a year over 20 years.

Anti Terrorism Force Protection Standards a Factor?

I also was interested to learn that the three sites that will ultimately gain jobs – Denver, Indianapolis and Columbus – meet DoD Antiterrorism/Force Protection (AT/FP) standards.⁸⁹

DFAS facilities in Denver, Columbus and Indianapolis are all based at large military installations.⁹⁰ DFAS Columbus is on the grounds of the Defense Supply Center Columbus, a 575-acre installation; DFAS Denver is located on part of the former Lowry Air Force Base, which closed in 1994; and DFAS Indianapolis is located on the grounds of the former Fort Benjamin Harrison, which closed in 1995.

Had our local officials and congressional delegation known that the Cleveland DFAS office could be in jeopardy due to AT/FP standards, we would have fought tooth and nail to make it as safe as these other three facilities. However, this concern was not raised as a key determining factor with BRAC. The Cleveland DFAS Center in the Celebrezze Building does not meet AT/FP standards.⁹¹

I also find it ironic that DoD raised no terrorism or security concerns when payroll work from Denver and Indianapolis was transferred to Cleveland DFAS in July 2004 due to extended deployments in Iraq and Afghanistan and a need for efficient manpower.⁹² There was certainly no fortress around Cleveland DFAS less than a year ago when DoD decided to locate its Reserve Pay Center of Excellence in Cleveland.

In addition, some 434 privatized contract workers and 19 civilian positions that handle Retired Military and Annuitant Pay Functions for DFAS will keep their jobs and continue to work out of the Celebrezze Building in Cleveland – the same building that doesn't meet terrorism standards. If the Celebrezze building isn't safe enough for 1,028 government DFAS workers in Cleveland, how is it safe enough for some 434 privatized employees responsible for

DFAS work?

Finally, it is worth mentioning that Cleveland DFAS already has a site in the area that meets DoD anti-terrorism standards – the DFAS facility in Bratenahl,⁹³ which is a small community adjacent to the city of Cleveland. DoD owns nine buildings at this site containing a total of 76,780 square feet.⁹⁴ The former Nike Missile site is on 31 acres, 27 of which are DoD-owned.⁹⁵ The facility's Plant Replacement Value (PRV) is \$18.7 million, which reflects the total cost of replacing "the current physical plant (facilities and supporting infrastructure) using today's construction costs (labor and materials) and standards (methodologies and codes)."⁹⁶

The True Cost of Realigning Cleveland DFAS

The DoD has made the case that realigning the Cleveland office makes economic sense, and downplays any lasting economic damage to the city or area. Several factors must be considered when analyzing the true cost and benefit of effectively shuttering Cleveland DFAS. For example, the BRAC Report does not reflect the full negative impact on the NE Ohio economy, and greatly understates potential jobs losses.

- "Total job losses are projected to range from 2,905 in Cuyahoga County to 3,572 workers statewide including vendors, suppliers and ancillary service providers."⁹⁷
- "Within Cuyahoga County, income losses are estimated at \$128 million, while the impact on Ohio would be more like \$188 million. Losses to disposable (after taxes) income are estimated to be more than \$110 million for the county and more than \$162 million within the state. Based on state averages, reductions in local tax revenue (for Cuyahoga County and its subdivisions) are estimated to be \$7.7 million in 2005. The impact estimated for the state exceeds \$24 million in 2005."⁹⁸
- Cleveland is slated to lose almost as many direct jobs as the entire state of New York, which will lose a total of 1,071 military and civilian jobs in this BRAC round.⁹⁹
- Cleveland is slated to lose more civilian jobs than the net civilian jobs lost in the entire state of Florida (1,002) and the entire state of California (1,200).¹⁰⁰
- Cleveland DFAS office is the fourth largest federal employer in the Cleveland area.¹⁰¹
- Cleveland had an unemployment rate of 7.7 percent in April 2005, much higher than the state rate of 6.1 percent or the national average of 5.2 percent.¹⁰²
- The loss of the jobs will cost Cleveland alone about \$1 million in income taxes¹⁰³, and the city was ranked the nation's most impoverished large city last year.¹⁰⁴
- Congress appropriated \$22,986,000 in Fiscal Year 2002 for repairs and alterations to the

Anthony J. Celebrezze Federal Building in Cleveland (Public Law 107-67).¹⁰⁵

- Telecommunications infrastructure is vital to a successful DFAS Center in Cleveland, and SBC Ohio has invested \$155.4 million in the past four years in the city.¹⁰⁶
- The cost to the federal government to close the Cleveland DFAS office is calculated at \$28.935 million.¹⁰⁷
- During the BRAC years (Fiscal Year 2006 to 2011), the costs of realigning Cleveland DFAS will exceed savings by approximately \$6.012 million, and NO SAVINGS will be achieved in Fiscal Years 2006, 2007 or 2008.¹⁰⁸
- Fiscal Year 2009 has a projected savings of \$4.655 million, while Fiscal Years 2010 and 2011 have projected savings of \$9.134 million each year. The total savings over the BRAC years is \$22.923 million (\$4.655M + \$9.134M + \$9.134 M), and \$9.134 million a year after the BRAC years.¹⁰⁹

**Cleveland DFAS already lost 500 federal jobs
DoD privatized the jobs through \$31.8 million accounting error**

In 2001, the Cleveland DFAS office was stripped of 500 federal jobs in a botched privatization effort that cost taxpayers nearly \$32 million.¹¹⁰ A March 2003 DoD Inspector General (IG) Report¹¹¹ concluded that a \$31.8 million accounting error caused 500 Cleveland jobs to be outsourced to a private firm, Affiliated Computer Services (ACS), which was awarded a \$346 million contract.¹¹²

DoD officials said that it would be \$1.9 million cheaper a year to give the jobs to ACS than to keep them in-house at DFAS. The decision affected more than 500 DFAS jobs in Cleveland. ACS began handing Military Retired and Annuitant Pay Services in January 2002.

I joined with four Members of Congress, including Congressman Dennis J. Kucinich (D-Cleveland), and asked the DoD Inspector General to conduct an investigation. It wasn't until the third time the IG reviewed the material that it uncovered a "glaring error in the calculation of in-house personnel costs."¹¹³ The in-house DFAS jobs were improperly adjusted for inflation, leading their cost to be overstated by nearly \$32 million.¹¹⁴

The IG found that privatizing the jobs actually cost \$31.8 million *more* than keeping them in-house with current federal DFAS employees. The new private employees were hired to provide accounting services for Military Retired and Annuitant Pay Services.¹¹⁵

Congressman Kucinich, myself and other members of the Ohio Congressional Delegation demanded that the \$346 million contract to ACS be voided.¹¹⁶ In October 2003, however, DoD

announced that ACS would keep its government contract even though ACS had failed to meet performance standards in both 2002 and 2003.¹¹⁷ DFAS withheld \$445,000 from ACS in 2002 and \$158,000 in 2003.¹¹⁸

More than 500 Cleveland DFAS jobs were lost due to a colossal accounting error, and now DoD wants to "realign" the remaining 1,028 jobs at Cleveland DFAS. Interesting, virtually the only jobs that will be saved in Cleveland are those that were erroneously privatized at a cost of \$31.8 million to taxpayers.

According to a DoD document I obtained, it intends to maintain 19 civilian positions and 434 contractor positions at the "DFAS Cleveland Enclave" to continue Military Retired and Annuitant Pay Services.¹¹⁹

**Cleveland DFAS has been awarded for Innovation and Performance
Cleveland DFAS does work not done at any other DFAS Sites**

The Cleveland DFAS office has the most longevity of any of the current payroll offices. It was founded in 1942 as the Bureau of Supplies and Accounts and was renamed the Navy Finance Center in 1955. Over the years, it has become the world center for Navy pay operations and personnel data management. The center moved from Navy to DFAS Cleveland control in January 1991 and has been a leader in streamlining accounting, finance systems and procedures to lower costs and help save money for taxpayers.¹²⁰

The Cleveland DFAS office (in some incarnation) has been in existence since 1942, making it the oldest continuously operating military payroll center in the country.¹²¹ Cleveland DFAS is the largest tenant in the Anthony J. Celebrezze Federal Building in Cleveland.¹²²

Cleveland DFAS, along with major facilities in Columbus, Denver, Indianapolis and Kansas City, was spared from consolidation efforts in 1994. At the time, DoD officials stated that the five major DFAS sites were spared specifically "because they are the nerve center of the DoD's financial operations." In addition, John Deutch, then Deputy Secretary of Defense, said: "Moving them would mean severe delays in badly needed financial management reforms. And regular customer service would suffer unacceptably."¹²³

The Cleveland DFAS office currently offers the following pay services: Navy Active Duty Accounts; Navy Reservists Accounts; Navy Medical Students; Navy ROTC Students; Army, Marine Corps, Navy and Air Force Military Retirees; Army, Marine Corps, Navy and Air Force Military Annuitants; Army, Marine Corps, Navy and Air Force Former Spouse Accounts; and Garnishment (Child Support, Commercial Debts Civilian Cases, and Commercial Debts Military Cases. Cleveland DFAS also oversees eight smaller DFAS sites: Charleston, Norfolk, Oakland, Pacific, Japan, Pensacola and San Diego.¹²⁴

Cleveland DFAS is the only DFAS site in the country that processes pay for military

retirees and there is “no other DFAS work group trained to do this.”¹²⁵ Further, in the summer of 2004, DFAS opened the Reserve Pay Center for Excellence in Cleveland, transferring all Reserve and Guard payroll operations from Denver, and eventually from Indianapolis.¹²⁶

The DoD and Secretary Rumsfeld decided to have Cleveland DFAS handle reserve pay issues after it was revealed that 95 percent of all deployed reservists experienced pay problems. The GAO found that 332 of 348 Army Reserve soldiers studied had pay errors.¹²⁷ Further, the “proven efficiency of the Cleveland office was regarded as crucial in making needed improvements to the Pentagon’s pay system for the Reserve and Guard, given their extended deployments to Afghanistan and Iraq.”¹²⁸

In addition, staff at DFAS Cleveland is credited with “pioneering a number of systems that have become government best practices, including making all payroll transactions paperless and creating an e-portal environment for all employee communications and human resource functions.”¹²⁹

In March 2004, DFAS was awarded the Federal Government Innovator Award in the Fifth-Annual Accenture and Massachusetts Institute of Technology (MIT) Digital Government Awards.¹³⁰ The myPay system has also received the Under Secretary of Defense (Comptroller) Financial Management Award and the Department of Defense Value Engineering Achievement Award.¹³¹

A DFAS Center Slated to Gain Jobs Has Ongoing Performance Issues

It is also worth noting that DoD wants to shuffle work from Cleveland to other DFAS facilities that have had ongoing problems.

Under the BRAC plan, DFAS Columbus stands to gain 1,758 jobs.¹³² The performance of this office was the subject of a July 2001 GAO Report that was requested by Congress. The title of the report is “*Canceled DoD Appropriations – \$615 million of Illegal or Otherwise Improper Adjustments.*”¹³³

According to the report, DFAS Columbus makes about 99 percent of DoD’s annual closed appropriation account adjustments.¹³⁴ During fiscal years 1997 through 2000, DFAS Columbus’ records showed that it made about \$10 billion of adjustments affecting closed appropriation accounts.¹³⁵

A GAO review of \$2.2 billion of adjustments made in Columbus found that “about \$615 million (28 percent) of the adjustments should not have been made, including about \$146 million that violated specific provisions of appropriations law and were thus illegal.”¹³⁶

The performance of the Columbus DFAS office was also cited in an August 2003 GAO report: *DoD Contract Payments – Management Action Needed to Reduce Billions in*

Adjustments to Contract Payment Records. The GAO indicated that data from DFAS Columbus showed that in Fiscal Year 2002 about \$1 of every \$4 in contract payment transactions was for adjustments to previously recorded payments.¹³⁷ These payments were processed incorrectly and had to be reprocessed, resulting in additional costs of about \$34 million to research payment location problems.¹³⁸ This problem was not unique to Fiscal Year 2002, either.

A February 2001 GAO report delved into excess payments and underpayments by the DoD, and was very critical of the DFAS Columbus office, which pays contracts administered by the Defense Contract Management Agency (DCMA).¹³⁹ According to the report, DFAS Columbus paid \$71 billion to contractors in Fiscal Year 1999 and \$72 billion in Fiscal Year 2000. The report focused on 39 large contractors receiving contracts valued at \$125 million to \$1 billion or more from DFAS Columbus.

The large contractors were paid \$359 million more than they should have been paid in Fiscal Year 1999. The report says that contractors had to repay Columbus DFAS \$670 million in Fiscal Year 1999 and closer to a billion dollars – \$901 million – in Fiscal Year 2000.¹⁴⁰ The report said that 18 percent of overpayments were due to “contractor billing errors and DFAS-Columbus payment errors.”¹⁴¹

The report also addressed underpayments of defense contracts. “Reported underpayments were less common than excess payments. Large contractors we reviewed reported resolving \$41 million in underpayments during fiscal year 1999. Contractors attributed most underpayments to payment errors made by DFAS-Columbus.”¹⁴²

The performance of the Columbus DFAS office was again cited in a June 2001 GAO Report: *Debt Collection – Defense Finance and Accounting Service Needs to Improve Collection Efforts*. The GAO concluded that the “Debt Management Office at DFAS Columbus is not effectively and proactively pursuing collections of debts assigned to it.”¹⁴³ In 1991, DoD consolidated debt management within DFAS, and two Columbus offices are involved in collecting contractor debts owed to the government.

DoD has a track record of Overestimating Savings

Finally, it must be noted that at the time of the last great financial services consolidation in 1994, DoD officials were eager to boast about the tremendous savings that would come down the road from their bold consolidation efforts – \$8 to 9 billion over 20 years.¹⁴⁴

Ten years later, long before those savings had a chance to fully accrue, DoD has come up with another grand scheme for DFAS. This time, DoD speculates that over 20 years it will ultimately save taxpayers \$1.3 billion, or roughly \$65 million a year.¹⁴⁵ It must be pointed out that DoD has a less than stellar track record when it comes to calculating costs and savings.

At a March 18, 1998, hearing before the House Armed Services Committee, Barry W.

Holman, Associate Director of Defense Management Issues at GAO, testified: "Our work relating to various defense reform initiatives shows that estimated savings often are not as great as first estimated and that the initiatives often take much longer than expected to be achieved."¹⁴⁶

Ten years ago, during the last consolidation of DFAS, Cleveland DFAS was spared from the consolidation effort because it was one of the all-important DFAS "nerve centers." Nothing has changed in that regard in the last decade, and in fact, the Cleveland DFAS office has assumed even more work. The Center is the only one in the entire country where employees are trained to handle military retired pay, and the Center became the hub of all pay functions for military reservists and their families just a year ago.

It is mind-numbing that performance was not a factor considered by the BRAC Commissioners when deciding to realign Cleveland DFAS and make so many other changes to DFAS offices nationwide. Economics should play a role in the BRAC process, and I believe I've laid out a compelling case that there is little economic justification for shuttering DFAS Cleveland. Cleveland DFAS should not suffer because DoD botched its last consolidation effort so badly, wasting hundreds of millions of dollars of taxpayer money on offices that were not needed. DoD has already thrown bad money away once, and it should not throw bad money after bad and shutter Cleveland.

The BRAC Commission and DoD can argue that performance should not be a factor, but at the end of the day, any consolidation of DFAS and its accounting services will ultimately be judged by one simple measure of performance: Are our active duty military, reservists, National Guard and military retirees getting paid, and on time? Are DoD contracts being paid, and in a timely manner?

If they are not, which seems almost inevitable under such a massive upheaval of employees and work places, what will our justification be then? What will we tell our men and women in uniform? That we jeopardized the timely arrival of your paychecks during a time of war so that we might save \$120 million a year, starting about seven years down the road? That we effectively closed the one DFAS Center that is trained to do military retired pay and pay for reservists during a time of war so we might save \$9 million a year many years down the road?

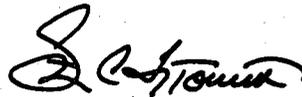
The entire BRAC process hopes to achieve a savings of \$50 billion over 20 years. At best, the savings achieved from the entire DFAS portion will be about \$1.3 billion over 20 years – roughly 2.6 percent. The annual savings that will be derived from effectively shuttering the Cleveland DFAS office are just 0.029 percent of the \$50 billion savings projected through the entire BRAC process. Interestingly, rental costs have widely been reported as an ongoing problem for the Cleveland DFAS office. In fact, some have speculated that they are the "primary drawback to Cleveland's competitive position."¹⁴⁷

What is the cost per square foot in Cleveland? "The base rental fee for DFAS Cleveland is about \$14.30 per square foot a year. In Columbus, it's \$12.20; Denver, \$10; Kansas City, \$18;

and Indianapolis, \$13.20.”¹⁴⁸ And who is the landlord that allegedly is causing such problems for Cleveland? None other than the Federal Government – the General Services Administration.

Is it even plausible that DoD can justify spending nearly \$29 million to shutter the DFAS office in Cleveland, and more than \$159 million to close 20 smaller DFAS offices because Cleveland pays a dollar or two more a square foot for office space than some other large DFAS offices? It’s fairly difficult for the federal government to blame a landlord for charging too high a rent when it is the landlord. I implore the BRAC Commission to reconsider the proposed realignment of the Cleveland DFAS office.

Sincerely,



Steven C. LaTourette
Member of Congress

SCL/ds

cc: The Hon. Donald Rumsfeld, Secretary of Defense

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Statement of Representative Dennis J. Kucinich

BRAC Commission Buffalo

NY Regional Hearing

June 27, 2005

Thank you Chairman Principi, Commissioners Newton, Turner, and Bilbray for holding this hearing. I also want to thank Senator DeWine for providing me the time to speak.

The 2005 Department of Defense recommended BRAC closure list has inappropriately targeted the Cleveland area with over 1,100 jobs cuts. These job losses are outrageous, unjust, and unfair. The relocation of the Cleveland DFAS office and the relocation of the Army Research Laboratory at NASA Glenn Research Center both fail to satisfy the basic criteria for these relocations.

The Defense Finance and Accounting Service (DFAS) in Cleveland is scheduled to lose 1,028 jobs with approximately 175 jobs being spared, to protect the recent Lockheed Martin A76 privatization of the Military and Retired Annuitant Pay Services contract function. The jobs are being moved to DFAS facilities in Columbus, OH, Denver, CO, and Indianapolis, IN.

As you know, the BRAC Commission has the authority to change the Department's recommendations, if it determines that the Secretary deviated substantially from the force structure plan and/or selection criteria.¹ I believe the Department of Defense has clearly deviated from the selection criteria in two areas.

The Secretary is required to consider among several things the military value and economic impact on existing communities in the vicinity of military installations.² The Department of Defense erroneously ranks the military value for DFAS Cleveland low and states that a 0.1% job loss within the Cleveland Metropolitan Statistical Area (MSA) has minimal economic impact.

¹ Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005: Title XXVIII-General Provisions: Subtitle C--Base Closure and Realignment: Sec. 2832. Specification of final selection criteria for 2005 base closure round.

² Ibid

In the testimony you just heard from my colleague Steve LaTourette, he establishes several more reasons why this BRAC recommendation to shutter Cleveland DFAS is wrong headed. He offered a viable alternative solution, moving the Cleveland DFAS office to the DFAS facility at the Bratenahl, just outside the City of Cleveland. This sight offers many advantages over the federal building in downtown Cleveland and the other DFAS sites. The DFAS Technical Service Operations (TSO) are already in place there, thus this solution is possible.

My staff has uncovered draft documents from the Pentagon's BRAC recommendation process that reveal new information about Bratenahl. To understand its significance, let me provide some background. The process by which to judge each facility is primarily based on eight criteria, with the first four known as military value. Military value has a larger impact of the selection process than any of the other criteria. Cleveland DFAS is currently ranked 12th out of 26th DFAS sites in military value, behind the three sites that retained their DFAS facilities.³

In these recently discovered draft documents, the DFAS Bratenahl site was rated at the 6th highest in terms of military value. This compares to Denver ranked as 3rd, Columbus ranked at 9th, Indianapolis ranked at 12th, and Cleveland (downtown) ranked at 13th.⁴ Therefore these documents prove that the Cleveland Bratenahl site ranks higher in military value than two of the three sites that remain after the BRAC process. The Pentagon omitted this information in the final report.⁵ Since military value is the heaviest weighed factor in the process, the Cleveland Bratenahl site would likely become one of the preferred sites.

The Department of Defense also failed to take into account the current economic position of the Cleveland area. Cleveland has been labeled as the poorest city in the country today. Its poverty rate of 31.3% is the highest in the nation, according to the most recent Census Bureau data from 2003.⁶ Cleveland's #1 ranking in poverty rate results from the significant job losses in the steel and manufacturing industries over the past several decades. These job losses continue. For example, the current 2006 budget recently passed by Congress would slash up to 700 high paying federal jobs at the NASA Glenn Research Center. The economy around Cleveland is stagnating.

Clearly, a 0.1% job loss for Cleveland is far more damaging than such a loss in another city with a better economic base. For example, the three cities scheduled to gain additional jobs from Cleveland's BRAC losses have poverty rates that are half to a third

³ Headquarters and Support Activities. Joint Cross Services Group. Volume VII. Final BRAC 2005 Report. Page 37

⁴ See Defense Finance Accounting Service: Proposed Candidate Recommendation. Dec 7 2004. Page 4 and See Defense Finance Accounting : Military Value model Results; No date. Page 2.

⁵ Headquarters and Support Activities. Joint Cross Services Group. Volume VII. Final BRAC 2005 Report. Page 37

⁶ Places within United States: Percent of People Below Poverty Level in the Past 12 Months: 2003 American Community Survey Summary Tables: http://factfinder.census.gov/servlet/GRTTable?_bm=y&-geo_id=16000US0820000&-_box_head_nbr=R01&-ds_name=ACS_2003_EST_G00_&-_lang=en&-format=US-32&-_sse=on

of Cleveland's. The poverty rates (and rankings) are 16.5% (35th), 13.6% (49th), and 12.6% (55th) for Columbus, Denver, and Indianapolis respectively.⁷ This BRAC round will secure for the foreseeable future Cleveland's #1 poverty ranking.

I contend that the BRAC process is faulty because the Pentagon failed to consider the Bratenahl site or the true impact of job losses in its final analysis. When considering all the data the Pentagon failed to consider, it becomes clear that these jobs in Cleveland should have remained in the area.

~~This is clear evidence that closures of these facilities in the Cleveland area fall outside the criteria of the BRAC process. I therefore request the BRAC Commission to reverse the DFAS job losses in the Cleveland area.~~

I also strongly oppose the BRAC recommendation to relocate the Army Research Laboratory (ARL) at NASA Glenn Research Center. The Army Research Laboratory houses the Vehicle Technology Directorate that provides the technologies to enable the Army to develop fuel-efficient light weight propulsion systems for air and ground vehicles. The Army researchers are focused on engine components, high temperature materials, power transmission, energy storage, and advanced engine/propulsion system concepts. This research makes the Army a faster, more reliable and more efficient force.

The Army's decision to collocate this mission with NASA 35 years ago was based on two major considerations, both of which are still valid today: 1) The research and test facilities necessary to conduct the propulsion mission were already in existence at the NASA Glenn Research Center, so it was not necessary for the Army to expend up to \$1 billion developing a new aviation laboratory; 2) The world class NASA scientific and engineering expertise already in place at Glenn would enable the Army to conduct the mission with a relatively small complement of people, through leverage and collaboration in areas of mutual Army/NASA interest - in effect the mission performed by 50 Army positions at Glenn is actually executed by up to 200 people. In essence, the Army would not have the quality research now available if they were not collaborating with NASA researchers.

This is a win-win scenario, which leverages limited taxpayer dollars to produce great research for the Army. Currently, NASA pays all costs for the scientific equipment and utilities. And the Army does not pay rent. The only cost for the Army is salaries for the researchers, some of whom also perform research for NASA as a quid pro quo. The Army is getting a great deal.

The NASA Glenn Research Center houses several major scientific instruments not at the Aberdeen Proving Ground that the army researchers use on a daily basis and would cost at least \$250 million to replicate at Aberdeen.⁸ The specific suites of facilities that would have to be moved or recreated at Aberdeen to preserve the mission includes the following major items:

⁷ *Ibid*

⁸ Based on the Army Data Call.

- 1) Small Engine (up to 3000hp) test facility and supporting utilities;
- 2) Engine aerocomponent research facilities including compressor and turbine component rigs;
- 3) Combustion research and test facilities;
- 4) Propulsion material - very special high temperature materials - research and test facilities;
- 5) High speed high temperature bearing research and test facilities;
- 6) Helicopter transmission test facility (500hp);
- 7) Gear research and test facilities;
- 8) Electric and hybrid drive component test facilities; and
- 9) Lubrication research facilities.

Along with these 9 major categories of research facilities comes the attendant requirements for supporting utilities including power, cooling water, high pressure air supply, as well as all of the data acquisition and computational capabilities essential to the propulsion mission. The price tag of \$250 million does not include moving/reproducing the Icing Research Tunnel, a unique research facility at NASA Glenn.

The BRAC process is not meant to replicate existing facilities at the cost of \$250 million. The BRAC recommendation states that Aberdeen will spend only \$9.7 million in RDT&E laboratory improvements for the arrival of 228 researchers from Glenn, NASA Langley, and White Sands.⁹

Because the nine major facilities above are owned by NASA and will not be transferred, there are few real options. It appears the Army expects the researchers to move to Aberdeen and travel back to Cleveland to use the facilities. It is estimated that the researchers are actively using the test equipment 30% of the time. That is a very expensive commute that the Army will be paying for. These travel costs are not accounted for in the BRAC recommendation supporting documents.

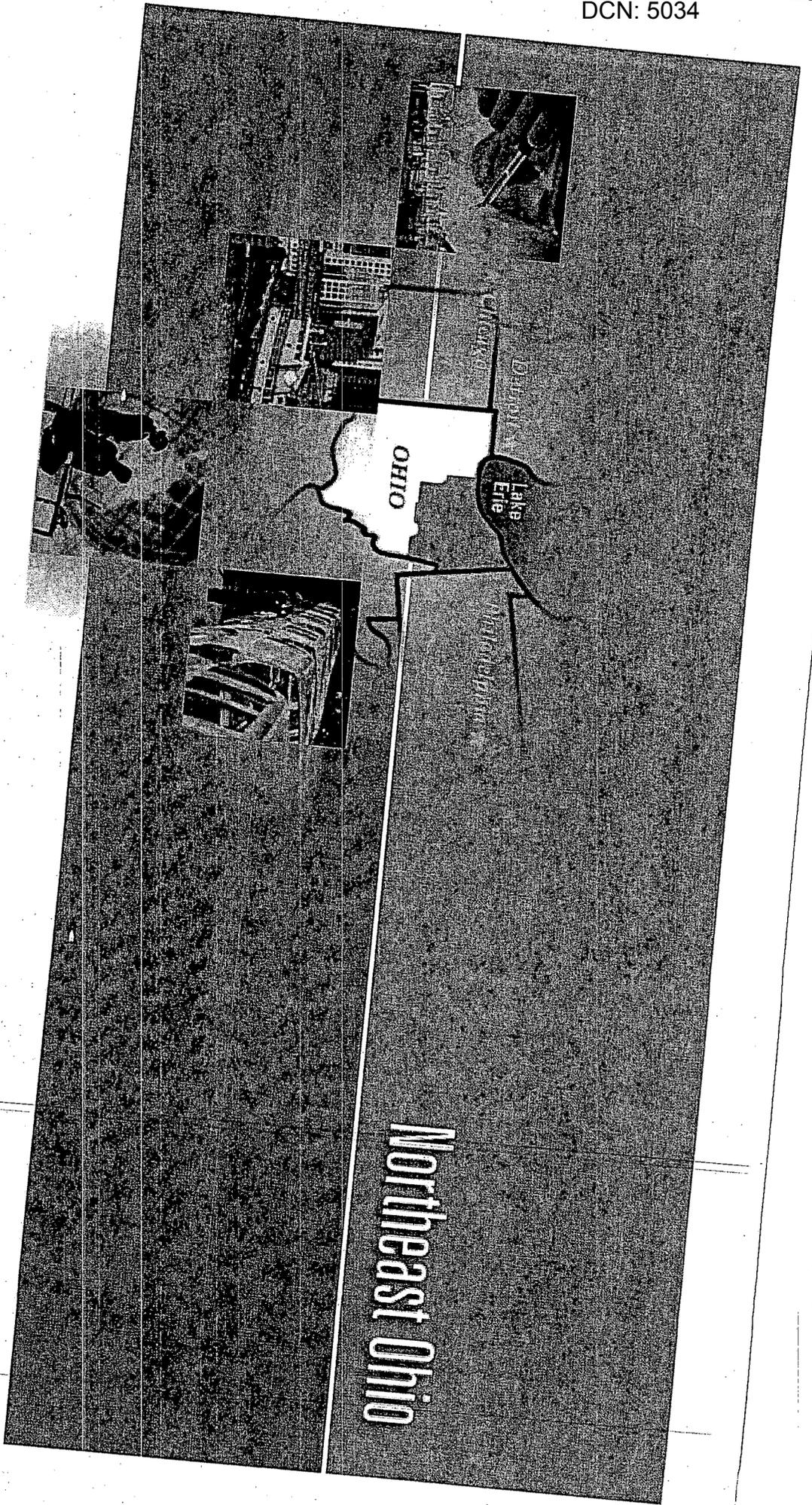
The only savings the BRAC recommendation yields is \$1.3 million per year¹⁰ by assuming 20 of the researchers will either retire early or choose not to transfer.¹¹ Unfortunately this mission critical program is being destroyed to save almost no money.

I ask the BRAC Commission to reject this recommendation to protect the Army's ability to research engine technologies and save taxpayers money.

⁹ Total COBRA Military Construction Assets Report. Page 2. New Army 009B 2_23_05.

¹⁰ COBRA Realignment Detail Report v.6.10 Page 14. New Army 009B 2_23_05.

¹¹ COBRA Realignment Detail Report v.6.10 Page 15. New Army 009B 2_23_05.



DFAS Briefing Document for:
Congresswoman Tubbs-Jones

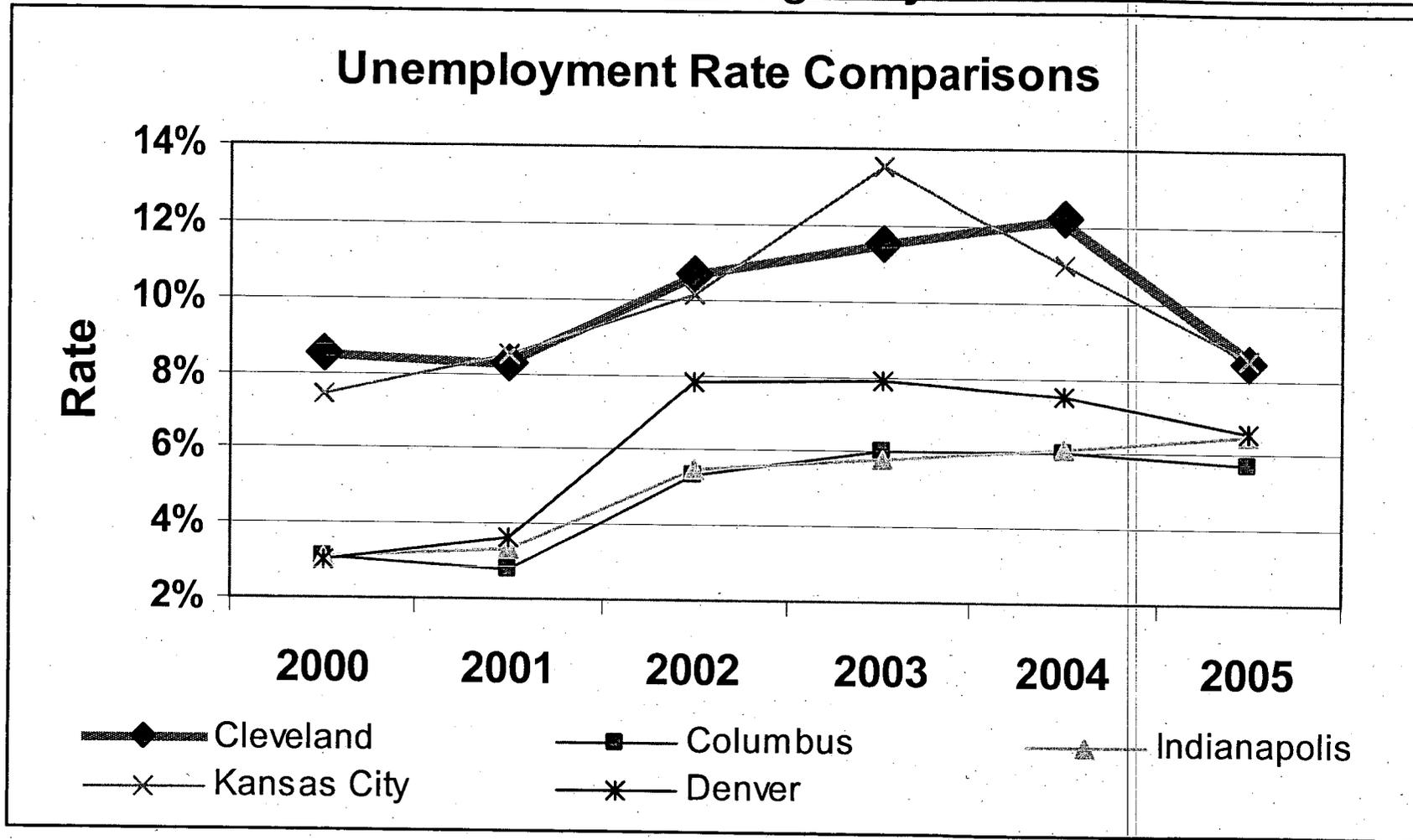
team neo *Economic Impacts of "Realignment"*

Employment	-2,026
Gross Regional Product	-\$156,586,552
Personal Income	-\$92,330,000
Disposable Personal Income	-\$73,703,060
State Revenues	-\$15,571,423
Local Revenues	-\$6,863,006

Almost a 1 to 1 (based on a loss of 1,028 jobs) job loss in the county, for each lost DFAS position, another worker in another industry will lose their job

*If "economic impact" is a BRAC criteria (#6),
why isn't it a metric?*

City of Cleveland consistently has highest unemployment rate among major DFAS cities



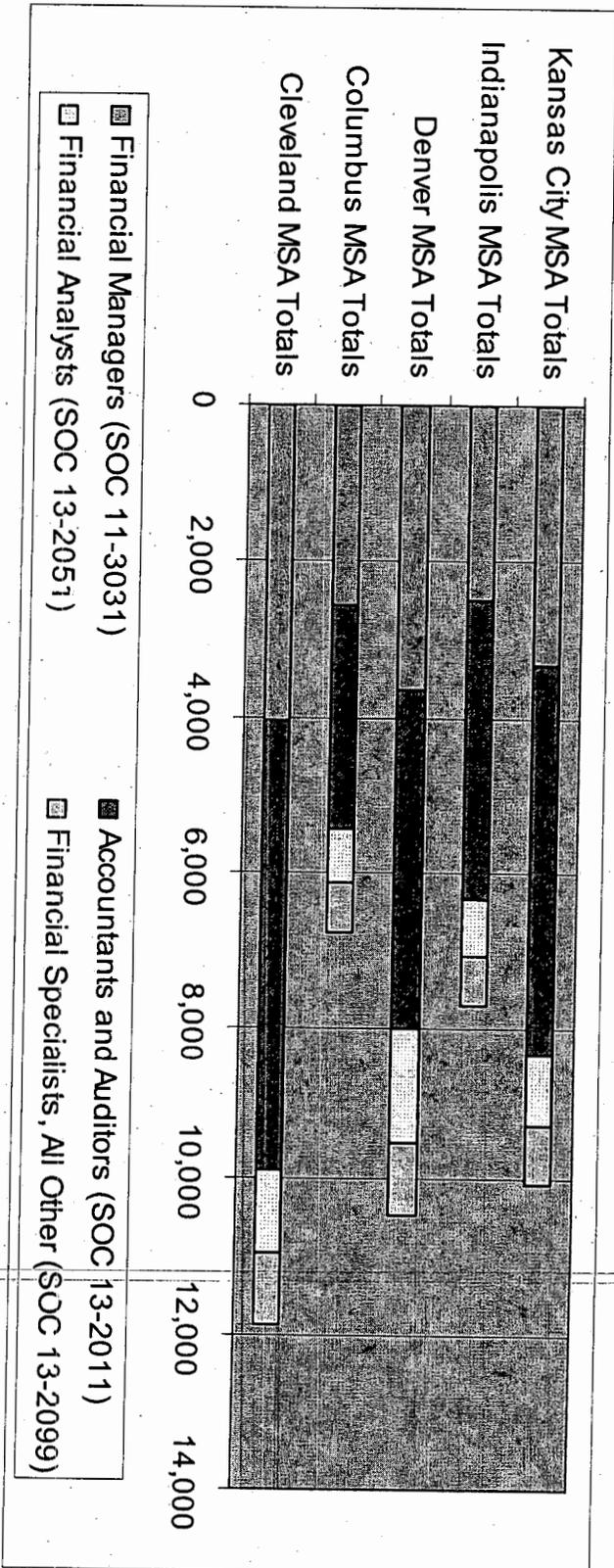
Cleveland's labor market is the least tight, it can best absorb additional DFAS workers



Cleveland is a labor surplus area

- The U.S. Department of Labor has designated labor surplus areas for the period **October 1, 2004 through September 30, 2005**. Employers located in labor surplus areas may be given preference in bidding on federal procurement contracts under Executive Orders 12073 (Federal Procurement in Labor Surplus Areas) and 10582 (Implementing the Buy American Act).
- Kansas City is only other DFAS city with this condition
- 1,028 job loss is underestimated in BRAC findings. Direct job loss, when measured against City of Cleveland employment (rather than the entire MSA) is .6%. This is more than one half of one percent of city employment—not counting supplier and households that work in support of DFAS and its employees.

team
meo **Cleveland has the available workforce**
in key occupations

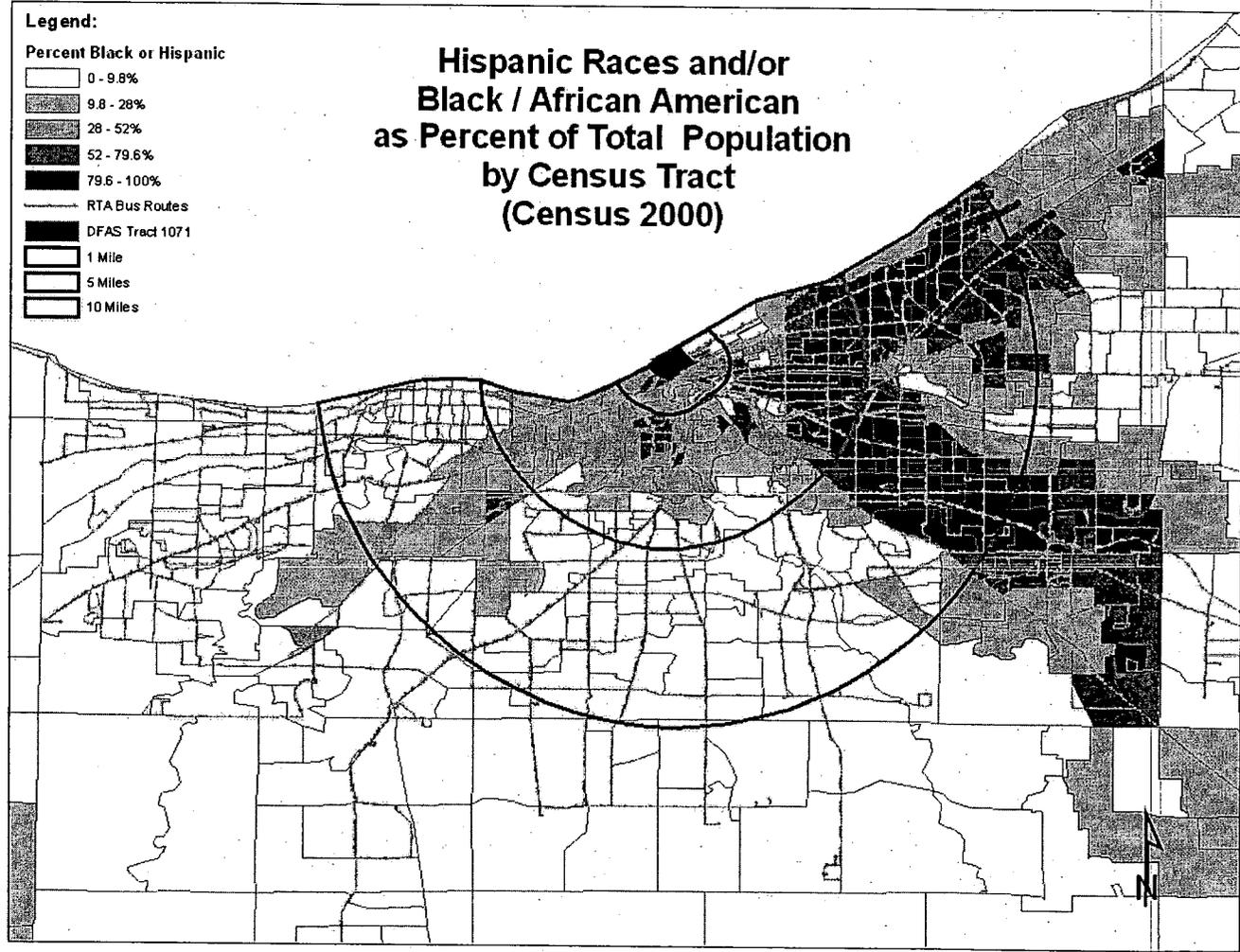


How will Indianapolis and Columbus absorb "realigned" workers?

Incumbent worker estimates based on Dun & Bradstreet data for each MSA and US industry-occupation matrix

team neo Minorities have access to DFAS via RTA

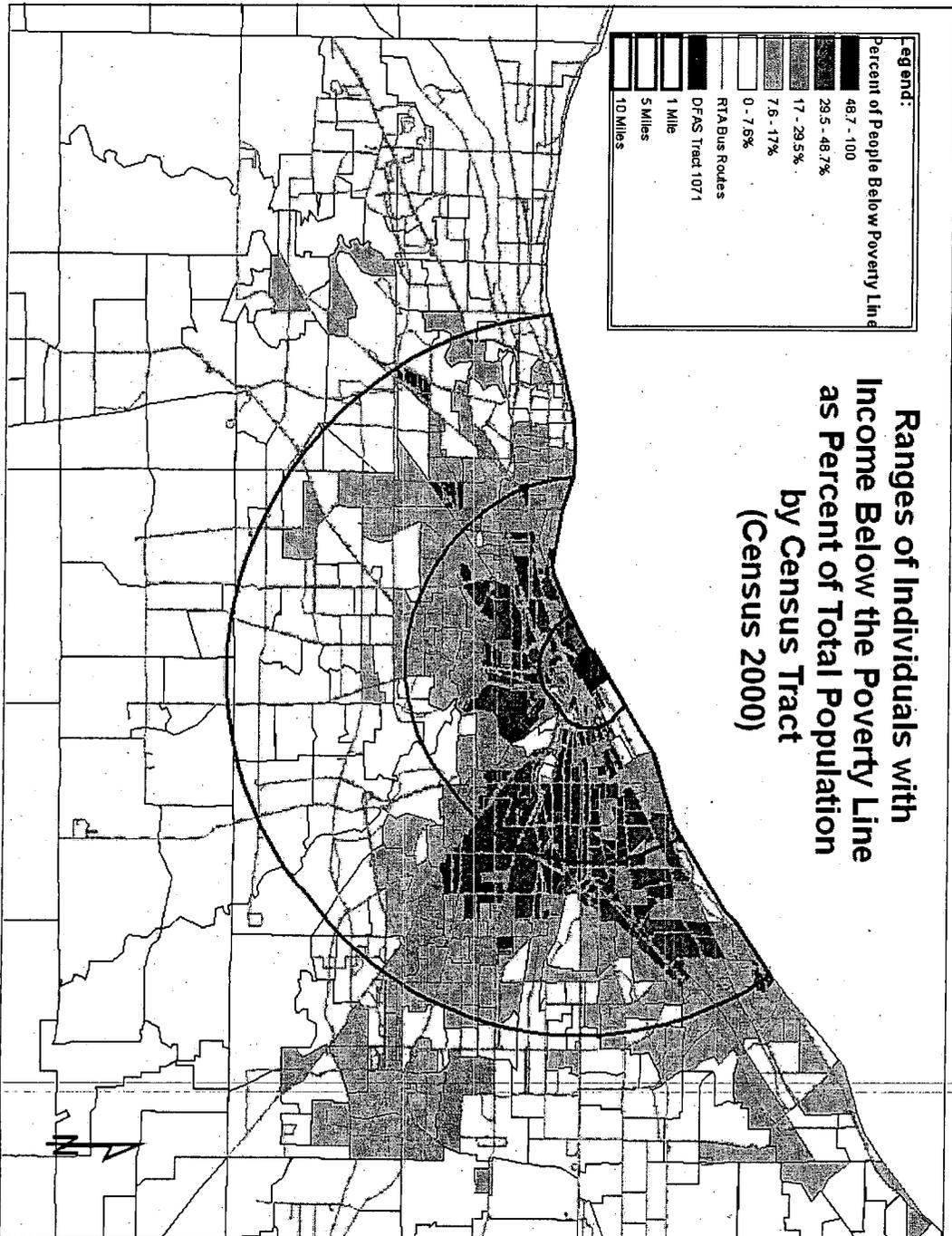
Only Cleveland, of 5 major centers, has downtown location



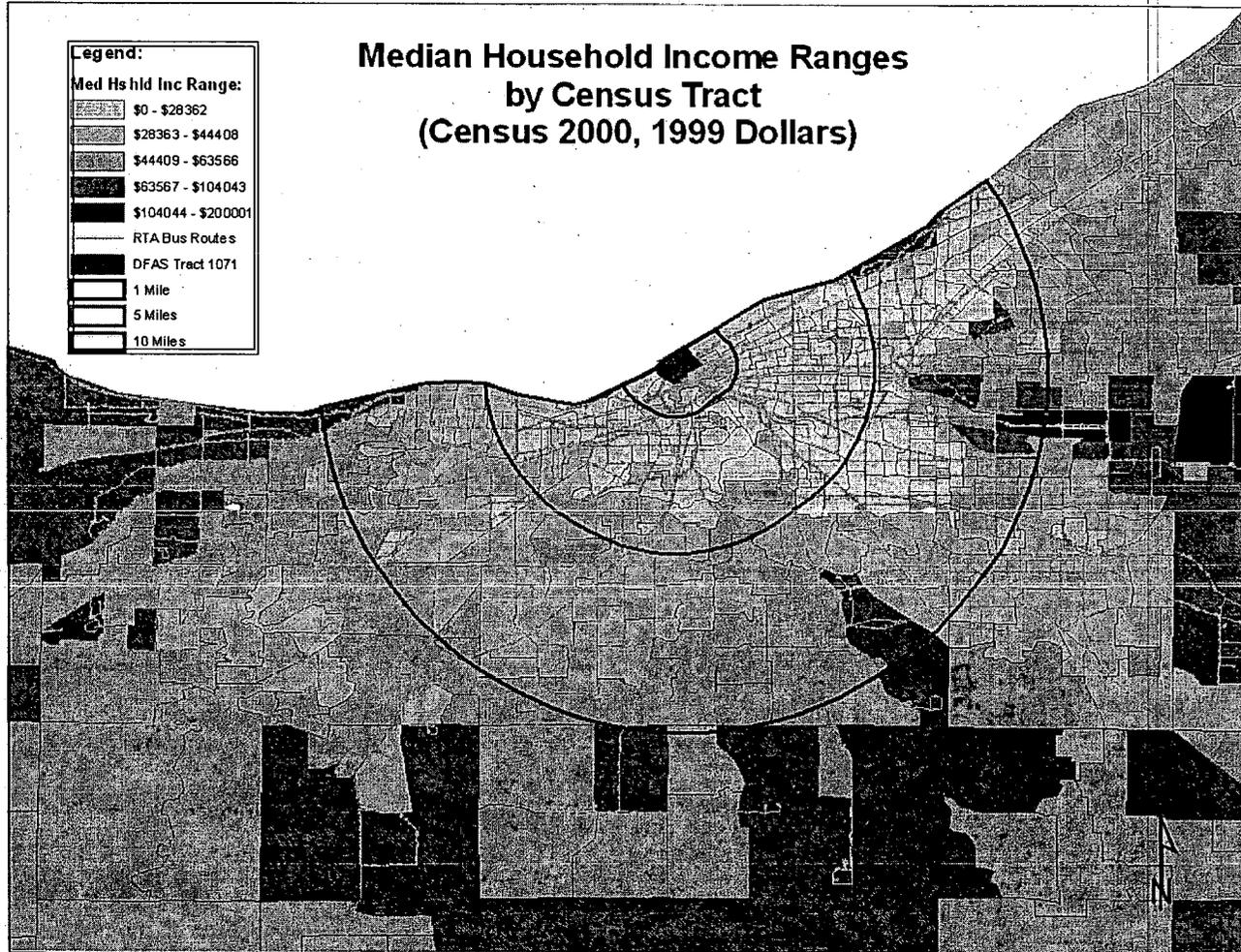


Cleveland Poverty is Concentrated: within 5 Miles of DFAS

Cleveland Ranked Nation's Poorest Big City: AP September 24, 2004



Lower incomes have access to DFAS and downtown





DFAS workers have a wide range of pay scales
(as reported in a survey of DFAS workers)

GS	% of respondents	Cumulative %	Step 5 annual wage
3	2.4	2.4	\$24,579
4	6.5	8.9	\$27,590
5	4.8	13.7	\$30,873
6	24.2	37.9	\$34,413
7	10.5	48.4	\$38,238
8	1.6	50.0	\$42,348
9	8.1	58.1	\$46,774
10	1.6	59.7	\$51,509
11	11.3	71.0	\$56,593
12	25.8	96.8	\$67,829
13	2.4	99.2	\$80,661

as reported in a survey of DFAS workers (n=126)

team
1990 *DFAS workers are loyal employees*

- 90% of workers have >5 years on the job
- Longest reported tenure: 37 years (1968)
- Median time on the job is 17 years
- 3 out of 4 workers have been with DFAS since 1994



Survey Findings

- White employees more likely to retire than minorities (39% versus 14%) a function of *employee age*
- Minorities respondents tend to be younger and so they are more likely to need to seek employment in the Cleveland region

Survey demographics

- Surveys returned: 126
- Ethnicity
 - White: 51%
 - African-American: 34.9
 - Hispanic: 1%
 - Asian/Pacific: 1.6
- Gender
 - Male: 38.8
 - Female: 61.2
- Family size:
 - Two or more: 82%
- Respondents age ranges from 27 to 68



Defense Supply Center Columbus (DSCC)

Mission Summary

DSCC: Defense Logistics Agency's (DLA) Inventory Control Point for all land, maritime and missile weapon systems

DFAS: Defense Finance and Accounting Service's center for all DoD contract payments generating payments of more than \$ 117B per year

Hosts 21 additional DoD missions — A true joint installation

BRAC Military Value Rankings

DSCC: # 1 Inventory Control Point in DLA

5 among all DoD Inventory Control Points

DFAS: #7 among all DFAS centers

Joint Occupancy

22 missions benefit from cost sharing

Interrelated missions: (e.g. DLA, DFAS, DISA and DCMA)

BRAC recommendations further increase joint benefits and improve cost efficiencies



Superior, Modern & Secure Facilities

Facilities built during last 15 years house 87 percent of workforce; 70 percent occupy post-1995 facilities

Security: Meets all DoD Anti-Terrorism & Force Protection Standards

- High-grade woven cable perimeter fence prevents vehicle penetration
- Brand new dedicated Visitor Processing Center keeps visitor vehicles segregated from main base until cleared
- Base-wide, all-weather, motorized security camera system
- Emergency pop-up bollard systems immediately halt offending or suspect vehicles
- Large truck gate with cameras to view vehicle undercarriage and roof areas for full security inspections



Capacity for Growth

455,000 sq. ft. of available administrative space to accommodate up to 1,000 additional personnel beyond BRAC recommendations

State-of-the-Art Data Center

- 92,000 sq. ft. of total office space — recent operational realignments and technology improvements opens substantial floor space for new DoD missions
- 165,000 sq. ft. of raised floor with 30-inch clearance
- Redundant power sources and communication lines

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Columbus Chamber

go ahead

Ohio Governor Bob Taft's remarks
BRAC Regional Hearing
Buffalo, NY
June 27, 2005

Chairman Principi, Commissioners Newton, Turner and Bilbray, I appreciate you giving Ohio an opportunity to present our case. I want to thank Chairman Principi for General

Newton and Marilyn Wasleski's visit to Cleveland, and for sending staff to other adversely affected sites in Ohio.

This round and all previous BRAC rounds have primarily focused on one thing:

"military value." The BRAC law, the eight criteria and the subsequent comments from Secretary Rumsfeld and his senior staff have made that abundantly clear. Today you have heard that Ohio is focused on military value, and Ohio delivers.

Secretary Wynne, Chairman of the Infrastructure Steering Group, spelled out BRAC Principles in his letter on October 14, 2004, to the Secretaries of the Military Departments. The first principle was "Recruit and Retain." I quote,

*"The Department must **attract, develop, and retain** active, reserve, civilian, and contractor personnel who are **highly skilled** and educated and have access to effective, diverse, and sustainable training space in order to ensure current and future **readiness...**"*

This first BRAC Principle is derived from the BRAC Selection Criterion, which begins
“The current and future mission capabilities and the impact on operational readiness...”

Most of the issues brought before you stem directly from this first military value criterion and the stated BRAC principles. The Department of Defense substantially deviated from this BRAC Criterion by not considering the quality of the workforce when evaluating DFAS Cleveland, DFAS Dayton, Mansfield Air National Guard Station, Springfield Air National Guard Station and Wright Patterson Air Force Base.

The Ohio National Guard is number one in the Nation, excluding Guam, in recruiting and retention. The manning at Springfield is 109 percent and Mansfield is 105 percent. No other F-16 unit or C-130 unit matches these numbers. The DoD **substantially deviated** by not considering this fact. How is it possible that the number one units in their class for recruiting and retention be recommended for closure or realignment, when other units, that are significantly below 100 percent strength, are slated to grow? There must be some mistake.

The BRAC Statute states, *“In considering military installations for closure or realignment, the Secretary shall consider all military installations inside the United States **equally...**”* While this also refers to prior consideration in BRAC rounds, the concept of **equal consideration** has been emphasized by the Secretary and Senior DoD officials throughout the process.

Mansfield was not considered equally when cost figures weren't developed for expansion even though Mansfield is capable of supporting 12 C-130s on existing land. Additional land has been available for a one dollar lease, however this was prohibited by the Air National Guard as excess to needs. Mansfield can expand for less cost than the cost to close. This substantial deviation drove the recommendation. **Mansfield was not**

considered equally as required by law. Homeland security was addressed by the Air Force analysis but not for C-130s. Ohio has six of the 120 critical cities defined by the Nunn-Lugar-Domenici Preparedness Program. The Mansfield location is critical to my responsibilities as Governor and from a federal standpoint is ideally located for the other critical cities. C-130s are needed for crisis support, supplies and evacuation. Housing the bulk of C-130s in one location does not make sense to Homeland Security.

In addition to the high level of manning at Springfield Air National Guard Station, the Air Force **substantially deviated** from the BRAC criteria by collecting data on Springfield as a Formal Training Unit (FTU) then evaluating the 178th Fighter Wing as an operational unit. As a result, the Air Force completely missed the right information on the capacity of Springfield's ramps and operations building. Most significantly, the Air Force does not have a firm plan for conversion dates from the F-16 to the F-35. If this plan were to slip only a year or two, then the continued need for the Springfield FTU would prevent realignment under the 2005 BRAC. Instead, if at a later date this wing needs to convert to an Air Force Future Total Force mission, that could be a programmatic change outside of BRAC. This realignment is costly, limiting and totally unnecessary. It lowers the military value to the Air Force.

With regards to Cleveland DFAS, I want to express my strong support for the comments of Mr. Fred Nance on behalf of the Cleveland Defense Industry Alliance. The fact that the GSA charges above market rentals in Cleveland should not be counted against the Cleveland DFAS operations. As General Newton learned, the State is a strong partner in the alternative proposal for a secure, stand-alone facility.

Cleveland DFAS has been recognized repeatedly as a superior operation with excellent customer service and their performance is validated by the decision last year to transfer reserve and guard payroll operations to Cleveland. Furthermore, the 19 unique functions successfully implemented in Cleveland, which were highlighted by Fred Nance, demonstrate the unmatched quality of this workforce. BRAC recruiting and retention principles should be about keeping these skilled people.

I also wish to call your attention to the recommendation to transfer the Army Vehicle Technology Directorate from NASA Glenn Research Center. These 50 scientific and support positions have been at NASA Glenn since 1970, taking advantage of NASA facilities and expertise in aeropulsion and power for fixed and rotary wing systems. The cost to duplicate facilities and equipment at another location far exceeds the \$164 million stated in the recommendation. And the loss of expertise would be substantial. Many of the civilian Army experts won't move and the Army will lose the benefit of working with its NASA partners.

With regards to DFAS Dayton, I want to emphasize the comments of Mayor Smith and Congressman Hobson. In terms of both effectiveness and efficiency, the military value of DFAS Dayton's close proximity to their prime customers at Wright Patterson Air Force Base should be self-evident.

I've had the opportunity to visit and tour the Defense Supply Center Columbus and have personally observed the outstanding quality of workforce and modern, efficient facilities available at that location.

I want to add my enthusiastic support for the mission realignments to Wright Patterson Air Force Base. I want to emphasize that Ohio is a leader in the field of medical research. One out of every four clinical trials in the country is performed in Ohio. We have 17 of America's Best Hospitals according to U.S. News and World Report. And Ohio is home to three of the top 20 heart surgery centers in the nation.

I am however deeply concerned about the proposed realignment of the computer-based business management systems from Wright Patterson Air Force Base to Hanscom Air Force Base. This is a "military value" issue. This work is incorrectly characterized as C-4-I-S-R. It is simply business management activity and should be located in proximity to the business process owners who will remain at Wright Patterson. In addition, Dayton is home to a number of leading companies in the business management systems field, including NCR and LexisNexis.

Finally, I want to point out a small but important issue with the Joint Systems Manufacturing Center at Lima, known to many as the Lima Tank Plant. The Army, in their data call, found excess capacity at Lima, therefore making a recommendation to divest it to obtain a savings. After the final data call, this situation changed. Lima was awarded all manufacturing for the Expeditionary Fighting Vehicle and the Resetting of Abrams Tanks, pushing capacity to almost 100 percent. Please investigate this situation. I believe the Army will agree with your decision to reverse the realignment recommendation.

Ohio is proud of the fact that we deliver outstanding military value to the Department of Defense. We ask that you fully consider the additional information with regards to the military value of Ohio's bases and facilities that we have presented to you today.

Thank you for your commitment to our country and a stronger, more effective military.

CONGRESSMAN HOBSON'S COMMENTS TO THE
BRAC COMMISSION – BUFFALO, June 27, 2005

INTRODUCTION-

Mr. Principi, and Commissioners: I want to express my appreciation for this opportunity to discuss the facilities within the 7th Congressional District of Ohio that are impacted by BRAC-05:

- A. My district contains a portion of the facilities of Wright-Patterson Air Force Base (WPAFB).
- B. The Springfield Air National Guard (ANG) Base.
And,
- C. The Defense Supply Center Columbus (DSCC).

Because of time constraints, I'll speak about the realignment of the facilities at the Springfield ANG Base, Ohio, first, and then about the BRAC recommendations for DSCC. Later, I will discuss several issues concerning WPAFB.

ON THE FIRST ISSUE: THE REALIGNMENT OF
SPRINGFIELD-BECKLEY MUNICIPAL AIRPORT, AT
SPRINGFIELD, OHIO.

Mr. Chairman, thank you for sending your Team Leader, Mr. Dave Van Saun, and your Senior Analyst, Mr. Brad McRee, to visit our Air National Guard facilities in Ohio. I still invite you to visit!

I have concerns with the DOD's BRAC recommendations for the Air National Guard facilities, in general, and even more so with respect to Springfield, Ohio. I don't have time to go through the same level of detail that was presented to your analysts during their one-day visit to Ohio. However, I understand that they represented you well. I trust they have briefed you, and the other commissioners about their visit and observations and have provided you with copies of the briefings they received during their visit.

Mr. Chairman, I experienced the frustration of the BRAC process in 1993 and again in 1995 when the Springfield ANG Base was listed as a candidate for closure. In both instances, I made it clear that if the closure of that facility was the right thing to do [i.e., it was in the best interest of this country and it would save the taxpayers money] I would not oppose those recommendations. The problem I experienced both of those times was that the data and the analysis were flawed. As a result, I was able to demonstrate that the closures would not save money. They would actually cost the taxpayers millions of additional dollars to implement, relative to simply leaving the base open. But at least the BRAC data was readily available and easy to follow.

Mr. Chairman, I'm frustrated about the process and direction of this BRAC round. It appears the Air Force has deliberately stalled making the BRAC data available to us. It was not available in the 7 days as required by the law; it came almost 30 days after the public disclosure of the list of bases being impacted.

In some cases, you actually started base visits to communities before any review of the COBRA data could be made. In my district, we had little more than one working day to review the COBRA data before your members arrived. I realize this was not of your choice, but I note this appears to be a tactic planned by the Air Force to shield the damage they want to inflict on one of our nations most effective military organizations- the Air National Guard!

Sir, I don't know if you're aware of it, but early in my life, I served as an Airman in the Ohio Air National Guard. I firmly believe our military members in the Air National Guard represent the finest of Americans- they provide a great service to this country!

Again, I don't have the time to speak to all of the issues we have found in the BRAC data, but I do want to point out several areas of major concern.

First, the BRAC analysis material states there is only one F-16 Formal Training Unit in the Air National Guard! **THIS IS WRONG!** There are two Air National Guard F-16 Formal Training Units. If the Air Force can make you believe the Springfield ANG unit is a General Purpose F-16 fighter unit, it is easier to remove the aircraft from this base. I'm glad you sent someone to visit this unit. They will tell you **THIS UNIT IS AN F-16 FORMAL TRAINING UNIT.** The Air Force got it wrong!

Currently, the Air Force lacks sufficient training capacity for F-16 pilots. If we further reduce this capacity through this proposed realignment, it even further diminishes this capability, especially since this unit is your highest F-16 pilot production unit in the Guard.

The BRAC analysis on Springfield ANG Base, Ohio shows some of the F-16 aircraft leaving in fiscal year 07, and the rest of the aircraft leaving in fiscal year 10. However, the Air Force Air Education and Training Command needs to train F-16 pilots for the foreseeable future.

AETC has already allocated student pilots to the Springfield unit for fiscal year 08, and the Air Force will need pilot production well beyond this date by their own admission.

In the BRAC realignment summary sheet information, the Air Force takes all of the full time maintenance and operations personnel from the Springfield unit in fiscal year 07, and yet they want to train F-16 pilots at the Springfield Air National Guard base until at least 2010. This is inconsistent. When the adjustments in personnel are made to support pilot training through 2010 the small BRAC savings after 20 years will completely disappear! I believe the Air Force will need the capacity at Springfield well beyond 2010!

The Air Force made this same mistake previously at McConnell Air Force Base, where they also trained F-16 pilots. After the Air Force projected a shortage of almost 2,000 Air Force aircrew members in the mid to late 1990s,

the Air Force asked the Air National Guard to take on the task of training F-16 pilots.

The Director of the Air National Guard Bureau at that time came to me and asked if I would support taking on the F-16 Pilot Training mission at Springfield, Ohio. I agreed to support this effort for the Air Force.

I later found out that no one else in the Air National Guard wanted to do this because they would have to give up the General Purpose Fighter mission for their F-16s.

At that time, I was Chairman of the Appropriations Subcommittee for Military Construction; successfully making the transition was one of my top priorities. It cost almost 75 million dollars to transition the unit from an F-16 General Purpose Fighter unit to an F-16 Formal Training Unit. I was told this effort would provide a secure environment for the Springfield Air National Guard unit well into 2015, and beyond!

But there is a bigger problem. The Air Force projects they will stop flying all of their F-16 aircraft in 2011 or 2012, or maybe 2015 at the latest! Yet the BRAC Net Present Value numbers show it will take more than 18 years to realize any return on the initial investment by realigning the Springfield Air National Guard Base! If I take the Air Force's plan and eliminate the F-16s in 2015, which is only 10 years from now, the expected savings beyond that date are not real.

The DOD's BRAC Net Present Value table numbers indicate it will cost the taxpayers 5.3 million dollars to accomplish the realignment of Springfield ANG Base. In the process, the Air Force will lose a capability to train F-16 pilots, which the Air Force recognizes as a shortfall in their future planning strategies.

You can't save money beyond 2015 if the Air Force plans to retire most of the F-16 aircraft.

I also have real concerns about the flaws in all of the analysis for the Air Force. It runs throughout their entire BRAC process, from the consolidation of aircraft models, and the so-called right sizing of operations, to the poor or nonexistent analysis of the cost to replace the people from the locations that are being set aside. This doesn't even consider the recruiting and retention issues that we already face. And it doesn't speak to the cost of personnel training to recreate this capability, and the loss of experience that will occur by the Air Force plans! Maybe Gen Newton could help us here. The cost of training all of these young people is not cheap! This issue isn't even touched in the Air Force BRAC analysis when you start looking for all of the cost and requirements to train these new recruits at the gaining locations!

According to the Air National Guard, there are approximately 30,000 Air National Guardsmen that will be displaced by this BRAC round, yet these members are

not going away, just being shuffled and retrained for new missions that don't currently exist!

How many millions of dollars does this represent? The BRAC analysis doesn't address these costs.

If I follow the Air Force's plan to retire aircraft from the inventory, none of their BRAC recommendations make any sense! I strongly encourage you to leave things as they are in the Air National Guard until the Air Force shows Congress a suitable road map to the future! At a minimum, it should address the issues for displaced personnel and the retraining cost!

The movement of resources from the Guard to the Air Force Reserve and to the Active Duty are ill thought out! Since there is no planned changes in end strength for any of these organizations, how do we accomplish any savings when the training and relocation of all of the part-time, traditional guard members is not even addressed?

The Air Force also needs to revisit how they assess military value in the COBRA model.

The Air Force did not follow the lead of the other military services in separating the Reserve Component from the Active Duty in their analysis! They are taking their most cost effective organization and dismantling it!

There is also a Homeland Security issue. Do you know who responded to the threat posed by the commercial airliner that initially headed west toward Chicago on

9/11? The Air National Guard! Yet Homeland Security issues do not appear to be part of this BRAC analysis!

I would like to close with a couple of questions. I believe that when these questions are answered, it will show that the Air Force's logic is flawed and the Springfield ANG Base should be allowed to complete its mission:

- 1) The Air Force currently lacks sufficient capacity for training F-16 pilots. Won't this proposed realignment further diminish this already insufficient capacity? Does this make sense when the demand for pilots remains constant?
- 2) The Air Force Air Education and Training Command has already assigned student loads to Springfield for FY 08. But the maintenance and operations personnel are scheduled to leave in 2007. How is this possible?
- 3) The Air Force projects they will stop flying all of the F-16s by 2015. The numbers show it takes more than 18 years to realize any return on the initial investment by realigning the base. If the planes are retired before the proposal breaks even, how can these savings be realistic? Doesn't it end up costing money?
- 4) The DOD BRAC changes in the aircraft basing strategies for the Air National Guard do not appear to be based on any validated cost saving models. Is the Air Force misusing the BRAC process and the BRAC funds to achieve force structure shaping outside of the normal budgeting process?

Please look at the data provided to your analysts. The assessment for Springfield Air National Guard Base is seriously flawed as we have pointed out! Please keep this F-16 pilot training capability in tact until it is no longer a programmatic need!

WRIGHT-PATTERSON AIR FORCE BASE.

Mr. Chairman, your analysts were provided data on the Joint Cross Service Group issues. I bring this to your attention because a portion of Wright-Patterson Air Force Base sits in my district.

With that in mind, I would like to comment on the DOD recommendation for the realignment of the Development and Fielding Systems Group (DFSG) and the Operational Support Systems Group (OSSG) elements from Wright-Patterson Air Force Base, Ohio to Hanscom, Massachusetts.

Time might prevent me from reading this in its entirety, so I will submit my full statement for the record and provide a brief summary.

Again, the Air Force data is seriously flawed in terms of the numbers of personnel that will be displaced by this action. The BRAC analysis does not include the 715 direct, on-site contractor employees required to sustain this operation at either location.

The recommendations assume that 2400 positions will be eliminated by this move. However, no documentation is provided that supports this assumption. If these positions are added back to the analysis, it will drastically change the outcome!

I seriously doubt that many of these displaced personnel would move to the Boston area, which has been identified to receive this mission.

Furthermore, why would we realign 359 out of 606 civilian positions to the east coast into a high cost area, which is short of developable land when it would be much easier to move 20 people from Hanscom to Wright-Patterson AFB? The latter approach would have the added advantage of collocating all of the resources for the Air Force Materiel Command (AFMC) together, which is where the functional owners of the business processes that these information systems support are.

The business information systems acquisition organization is not appropriately categorized as a Command, Control, Communication, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) function. The business systems acquisition mission should remain collocated with the AFMC Headquarters functional managers to enhance the efficiency for fielding commercial off-the-shelf business management systems and subsequent support of the war fighting mission.

The functional managers are the Air Force's designated representatives for the business information management systems. They are the critical elements to understanding the business processes that put needed supplies into the hands of the warfighters.

Separating these individuals from the development and fielding of information management systems will exponentially increase the risk for successfully implementing an effective Enterprise-wide information management capability. This has been validated by the efforts of the other services and their course corrections. In particular, the Army model now follows exactly this recommendation of keeping the functional managers and the business management systems together.

The Miami Valley community believes there was a deal made by politicians from the Hanscom area to pay for approximately 410 million dollars of construction to make these changes happen! You probably saw this in the Boston Globe as recently as this month (attachment 1).

I doubt there is a creditable Master Plan for the Hanscom site to show where the Air Force would construct the 800 housing units, provide the approximately 650,000 square feet of building space, expand the base entry points, enhance the supporting local area roads to receive the increased traffic, increase the utilities, and create the required parking as a minimum to support this move.

Again, Hanscom is very limited in the amount of available land for this level of construction.

How you can “shoe horn” all of these facilities and people into the limited infrastructure for the Hanscom site is more than just a challenge! DOD BRAC guidance does not allow the consideration of capital from the local community. But this is what it will take to make the currently proposed solution work. The Hanscom area contains many historical sites so any effort to construct facilities at that location could be tied up through regulatory actions for years to come! The cost for these referenced actions and the impacts are not adequately addressed in the COBRA data. Who will pay for it? If it is the taxpayer, we have not reduced any burden by eliminating excess capacity! This is WRONG!

I don't disagree with the Joint Cross Service Group's efforts to establish Centers of Excellence; it's just that the Air Force shaped this one by political intervention to move in the wrong direction.

Why would the Air Force want to move this critical capability to support the warfighter away from its logical collocation with the functional owners of the business processes the information systems support. The Air Force could move less than one hundred jobs from Hanscom to a lower cost area, and have a true center of excellence with all of the resources in one location! If you really want to consolidate everything into one location where you can maximize support to the warfighter, Wright-Patterson is the best location. We have the land, people, and it is the

home of the functional managers and AFMC Headquarters!

Please review the data provided to your analysts and locate this management information systems capability at Wright-Patterson AFB, Ohio!

It's not about C4ISR, it's about the development and fielding of business enterprise management systems rightfully collocated with the functional customer!

THE DEFENSE SUPPLY CENTER COLUMBUS.

Mr. Chairman, and Commissioners, The Defense Supply Center Columbus (DSCC), which is located in Whitehall, Ohio, is in my district as well.

More than a decade ago, I supported the consolidation of DOD resources at a single location in a geographic area, and we have transformed what appeared to be an abandoned Air Force Base into a model that Dr. Fiori, whom most of you know, called the right Reserve Component model for this BRAC round! I would like to see this model put in place across this country. I have worked to sponsor this at DSCC!

DSCC is a perfect location to be a receiver site for consolidations of enterprise efforts. We have invested in efforts to move some of the Army Guard units onto this site, and with this round of BRAC, will close a number of Armories and Reserve facilities in the Columbus area to relocate them at DSCC. The new Reserve Component facilities will be jointly used, and the DSCC site provides

enhanced security for these Reserve Component facilities once they are moved onto the property. The site can be used seven days a week.

DSCC also provides a great central Ohio location for the consolidation of compatible units and will enhance efficiencies. The BRAC data indicates we have accomplished this in concert with the Adjutant General Dept for Ohio and the Army Reserve. It was done by including them in the vision and the BRAC discussions!

They were not excluded from the table in the discussions, unlike the Air Force process prior to the BRAC announcements.

The result of the DSCC effort is the closure of several facilities in the greater Columbus area and their consolidation at DSCC. This is what BRAC was created to do!

In addition to these efforts, I have worked with Chairman Principi to fund a VA Clinic on the DSCC site, and this effort is well underway. The 94.8 million dollar construction for this clinic will start soon. This will support sharing arrangements for the fitness center, conferencing facilities, technology and multimedia support, ground maintenance, and childcare services!

I'm pleased that the BRAC-05 efforts have identified the fact that DSCC is a great location, has the capacity to accept additional missions, is a joint facility, and meets all the criteria to be a receiver location for consolidation of operations!

I understand the emotional pain that comes to the communities who might lose some of their resources to the DSCC site, and I will work with the Ohio communities to transform their loses into productive capacity for their community as well!

Thank you for allowing me to testify today.