2005 BRAC COMMISSION HEARINGS

THURSDAY, AUGUST 11, 2005

MORNING SESSION

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COMMISSIONERS:

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ANTHONY PRINCIPI

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WITNESSES:

PANEL ONE:

PHILLIP GRONE, DEPUTY UNDERSECRETARY OF DEFENSE FOR INSTALLATIONS AND ENVIRONMENT;

JAMES WOOLFORD, DIRECTOR, FEDERAL FACILITIES RESTORATION AND REUSE OFFICE;

PATRICK J. O'BRIEN, DIRECTOR, OFFICE OF ECONOMIC ADJUSTMENT

PANEL TWO:

MIKI SCHNEIDER, BOARD OF DIRECTORS, ASSOCIATION OF DEFENSE COMMUNITIES;

DANIEL J. SCHNEPF, CHAIRMAN AND CEO, MATRIX DESIGN GROUP INC.;

DAVID KNISLEY, PARTNER, GARRITY & KNISLEY LAW FIRM

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ANTHONY PRINCIPI: Good morning. I'm Anthony Principi and I'm pleased to be joined by my fellow commissioners, James Bilbray, Philip Coyle, Harold Gehman, James Hansen, Lloyd Newton, Samuel Skinner and Sue Turner for today's hearing.

This commission observed in our first hearing that Congress entrusts our armed forces with vast but not unlimited resources. We have a responsibility to our nation and to the men and women who bring the Army, the Navy, the Air Force and Marine Corps to life to demand the best possible use of those limited resources. Some of those resources are committed to the protection of environmental values and in compliance with environmental laws and regulations.

The commission committed to the Congress, to the president, to the American people that our decision will be based on the criteria set forth in the statute. The Congress has a clear and direct interest in how the BRAC process responds to issues of environmental impact, both by DOD and by the commission. Their concern is manifested in the language of the statute, and it was clearly emphasized to me, clearly and directly, in the

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Senate's confirmation hearing on my nomination for chairman of the commission.

Congress directed the Department of Defense, and therefore the commission, to assess the environmental impact of recommended closures and realignments, including the cost of restoration, waste management and environmental compliance. The Defense Department includes the cost of waste management and compliance with environmental laws and regulations and the computation of costs and savings for BRAC Criterion 5 -- for example, the cost of compliance with the process requirements of the National Environmental Protection Act.

However, DOD does not include the cost of environmental restoration required by the so-called Superfund legislation in its compilation of costs and savings. Those costs are real and sometimes substantial and they will be paid by the American taxpayer. We are committed to understanding the substance of the environmental impact of DOD's recommendations and methodology and assumptions behind them. We need to know the extent to which the environmental impact of a DOD recommendation and the costs for relating to them can be predicted and the range of uncertainty around those predictions. We now have the benefit of experience based on prior BRAC rounds: what impacts and costs were

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predicted for prior closures and realignments and how accurate were those predictions; did we have any surprises; do we know what we don't know about the environmental impact of the proposed recommendations and how can we find out?

We understand that DOD believes that $949 million would be required to clean up at the 33 major installations DOD recommended for closure in this round. Is that allocation realistic? On Tuesday, an article in the Washington Post indicated that the environmental restoration at Fort Monroe alone could approach a billion dollars. I certainly don't know whether the Washington Post is correct in that assessment.

This morning's testimony will be presented by two panels. The first panel is comprised of representatives from the Department of Defense, the Environmental Protection Agency, and the Office of Economic Adjustment. The second panel is comprised of representatives from the Association of Defense Communities and witnesses from the private sector legal community, and developers. Each panel has been allotted a generous block of time, and we would greatly appreciate it if you would adhere to your time limits.

I'm certainly pleased to welcome Secretary Phil Grone, Mr. James Woolford, and Mr. Patrick O'Brien to

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today's hearing. I would ask you to stand to take the oath required by the BRAC statute. The oath will be administered by our federal compliance officer, Rumu Sarkar.

(The witnesses were sworn.)

MR. PRINCIPI: Mr. Grone, you may proceed.

PHILLIP GRONE: Thank you, Mr. Chairman. I've prepared a written statement for the record and ask consent that it be included in the record at this point.

MR. PRINCIPI: Without objection.

MR. GRONE: Mr. Chairman, distinguished members of the commission, I appreciate the opportunity to appear before you today to discuss the consideration of environmental factors in the development of the department's base closure and realignment recommendations, the status of the Defense Environmental Restoration program and costing methodologies, the department's restoration policies in our approach to reuse and redevelopment.

Environmental resource considerations were carefully integrated into military value analysis. On calculating military value, environmental factors were important in discerning the availability and condition of land facilities and associated airspace as required by Selection Criterion 2, and the ability to accommodate

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contingency mobilization surge and future total force requirements, as required by Selection Criterion 3. Each military department specifically included environmental resource attributes into their quantitative assessments based on their operational needs and missions. Three of the seven joint cross-service groups -- education and training, technical and industrial -- factored environmental concerns into their respective military value plans based on the functions for which they were responsible.

A number of resource areas, including but not limited to air quality, soil resiliency, dredging issues, noise, land constraints and water quality, were assessed. Environmental and encroachment attributes measured an array of constraints, costs, and capabilities associated with balancing an activities mission, and compliance with federal and state environmental regulation. This approach ensured that environmental aspects were considered early when all installations were being assessed, not just at the end of the process. In addition to consideration as part of military value, as required by Selection Criterion 8, the department assessed the environmental impact generally, including the impact of cost-related to potential environmental restoration, waste management and environmental

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compliance activities of the closure and realignment recommendations.

The department considered the impact of cost related to potential environmental restoration through the review of certified data for preexisting known environmental restoration projects at installations identified during recommendation development as candidates for closure or realignment. The costs of environmental restoration did not dictate any installation closure decision but was noted in the analytical process supporting Selection Criterion 8.

The presence of installation restoration sites was considered as a land-use constraint for installations receiving missions as a result of a realignment decision. Since the Department of Defense retains a legal obligation to perform environmental restoration without regard to whether a base is closed, realigned or remains open, environmental restoration cost at closing bases were not considered in the cost-of-closure calculations. This approach was consistent with procedures used in prior BRAC rounds and response to Government Accountability Office concerns. Any other approach to the consideration of such environmental restoration costs could have provided a perverse incentive that would reward, through retention, polluted sites and close clean

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sites, undercutting the value and purpose of military value as a primary selection criterion.

In order to consider the impact of costs related to waste management and environmental compliance activities, the department identified recurring and non-recurring environmental compliance and waste management costs for each scenario and subsequent recommendation, evaluated as part of the scenario development and recommendation process. These one-time waste management and compliance costs were noted in the Criterion 8 reports and also identified in the cost of base realignment actions, or a COBRA tool, to ensure these costs were part of the payback analysis. The department then used three different reports to evaluate and document the consideration of Selection Criterion 8 as the recommendation process unfolded. The first report was an installation environmental profile that displayed certified environmental data arrayed by the 10 environmental resource areas identified and included installation restoration cost data to present the current picture of that installation's environmental condition and its ability to assume new missions, given that condition.

The second report was the summary of scenario environmental impacts that assess the environmental

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impacts of a particular scenario. The summaries consisted of an overview of the certified data and potential impacts in the 10 identified resource areas, including the impacts of costs related to potential environmental restoration, waste management and environmental compliance activities, as noted earlier.

When recommendations were integrated in the last stage of our process, the department developed revised summaries that evaluated all of the actions affecting the integrated recommendations. The final report was the summary of cumulative economic impacts on a particular gaining installation. That report summarized cumulative environmental impacts of all candidate recommendations affecting a given installation. Assessing these concerns as part of military value and as part of Criterion 8 helps provide stronger recommendations from an environmental perspective.

With regard to our environmental restoration program and cost estimation, the Defense Environmental Restoration program, performed under the 1986 Superfund Reauthorization Act, has been operating across active and BRAC installations for the past 20 years. However, the services have had formal environmental cleanup programs in place since the early 1970s. Under the DERP program, DOD conducts environmental restoration activities through

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a well-planned, carefully implemented and outcome-driven process. This process includes investigations and analyses that characterize the environmental condition of DOD installations, remedy selections, design and construction of remedies to protect human health and the environment, monitoring and restoration completion.

It includes restoring sites by prioritization based on risk and setting goals for when clean must be completed. The program also includes an estimation of the cost to complete for program and budget purposes. DOD estimates the cost to complete by using a commercial benchmark-estimating model that has been modified to estimate restoration cost. PricewaterhouseCoopers LLP, in July 2001, validated the model and the annual process the department uses to update the model, based on best commercial business practices.

Within the program, the department works with regulatory agencies to include federal EPA and states and local communities to address concerns of interested parties. The department has signed cooperative agreements with 48 states to engage and to support financially state agencies to assist us in restoration efforts. In addition, the services engaged local communities through restoration advisory boards on which the Department of Defense, the Environmental Protection

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Agency, and local regulators are all members. Meeting periodically, these boards provide a forum for local concerns about environmental cleanup to be presented to both the Department of Defense and the lead regulator. These boards are a valuable way for the department to engage with the community to better understand and address their concerns. And the department recently published a draft Restoration Advisory Board rule in the Federal Register and is currently reviewing public comments received during the public comment period prior to a final publication.

From a base-reuse perspective, the department will enter implementation of BRAC '05 with a mature restoration program where installations already have information on environmental conditions, restoration projects are already identified and in various stages of completion, and our required funding and goals have already been established to achieve required environmental actions.

The department has mature relationships with both federal and state regulators as well as local communities. In each of the states where DOD has recommended an installation closure, the department has signed agreements to engage and financially support state agencies to assist us in restoration efforts, and 16 of

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the 33 major installations on the recommended closure list have an existing operating restoration advisory board.

Of the 180 major and minor installations recommended for closure, half contain restoration sites. These 90 installations, 10 of which are on the national priorities list, contain over 1,200 individual restoration sites, and 6 percent of those contain either military munitions or munitions constituents.

For the installations recommended for closure, 84 percent of those sites, over 1,000, have remedies in place or response complete for the installation restoration and military munitions response programs combined. For the 33 major installations recommended for closure in this round, there are a total of 843 -- nearly three-quarters of the total -- restoration sites. Seventy-eight percent of those sites report either "response complete" or "remedy in place."

The certified estimate for the cost to clean up all the installations recommended for closure was approximately $1 billion, based on fiscal 2003 data, as reported to the commission. This figure includes both the cost for traditional cleanup as well as for the Military Munitions Response Program.

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The department's approach for this BRAC round is to take lessons learned from past efforts and focus on getting property transferred expeditiously by using the full range of tools available to us in the public and private sectors. The lessons learned from prior rounds include conducting a more rigorous process for transferring property within the federal government, using a wider variety of property disposal methods, integrating cleanup and redevelopment more closely, sharing full information on the condition of property early in the process, and involve all interested parties earlier in that process. And out of these lessons, the department has developed an environmental strategy for 2005 consisting of the four main elements:

Streamline the process, consisting (sic) with existing law and regulation.

Make the process more market-oriented, using the full range of tools available for transfer.

Leverage the mature environmental assessments available for each installation to provide critical environmental information early to all parties for planning purposes.

And lastly, involve the DOD components and all interested parties in early planning.

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The department will use early transfer authority to the maximum extent practicable allowed under CERCLA to return property to productive use as quickly as possible. Early transfers require the approval of the governor for non-NPL sites or the EPA administrator, with the concurrence of the governor, for NPL sites. This early transfer authority can be used in combination with any of the property conveyance instruments available to the department to convey property faster, so that redevelopment can begin sooner. Such conveyances can be structured with the government retaining responsibility to complete the cleanup, or the remaining cleanup can be completed by the new owner as part of the redevelopment activity.

Early transfers simply permit reuse to occur in advance of the environmental cleanup having been completed. They do not eliminate the department's responsibility to ensure that all necessary response action will be taken. And it is a responsibility we take very seriously.

The department undertook a robust approach to factoring environmental concerns into the development of the recommendations before you and is committed to ensuring transferred property is protective of human health and the environment. Concurrently, DOD is

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revising its processes, wherever possible, to provide the taxpayer and local communities with early return of productive property to the tax base.

Thank you, Mr. Chairman.

MR. PRINCIPI: Mr. Woolford.

MR. WOOLFORD: Mr. Chairman, I've submitted a written statement to the commission and asked that it be included for the record.

MR. PRINCIPI: Without objection.

MR. WOOLFORD: Mr. Chairman and distinguished members of the commission, EPA is pleased to have the opportunity to appear before the commission to discuss its role in the Base Realignment and Closure environmental cleanup and property transfer processes.

In my written statement I submitted for the record, I address the statutory requirements and guidance for EPA's cleanup and property transfer activities at BRAC properties. I provided the historic perspective on EPA's participation in BRAC I through IV properties and discussed some differences we anticipate for the current round of BRAC.

I'd like to take a few minutes to summarize my written statement.

First of all, I'd like to say that EPA has had a strong partnership with DOD, the states, the communities,

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in addressing environmental contamination and transferring property to the communities, and we expect that relationship to continue through the BRAC 2005 process. Currently EPA's BRAC program has approximately 54 positions working at 75 of the prior BRAC round bases. Of that total, 34 positions are assigned to 34 bases on the National Priorities List. At some bases, we have as many as four staff dedicated to that base, while at some other sites, we have one staff working as little as 100 or 200 hours a week. It depends on the nature of the contamination and work required at the base. At the height of the program some eight years ago, EPA had 140 staff people working at 107 installations.

While there are 34 bases on the NPL -- and this gets a little complicated here -- two of the bases have two separate NPL listings. That makes the total for 36 NPL sites, as opposed to bases. Of the 36 sites, seven have had all their remedies constructed, and at one site, it has actually been deleted from the National Priorities List. All of these sites have had enforceable cleanup agreements put in place, and we have seen overall that extensive environmental progress has been made since the first round of BRAC. I think that's reflected by the fact that we have 60 percent fewer staff now working on BRAC properties than we did eight years ago.

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The Superfund NPL represents some of the most heavily contaminated sites in the country. Principal types of contaminants we see at DOD installations include heavy metals, solvents, petroleum product spills, volatile organic compounds. We also see contamination associated with older structures, such as lead-based paint, PCBs in paint, asbestos and pesticides.

We also see the presence of unexploded ordnance at a small number of sites, but that presents a significant challenge. To DOD's credit, they have made significant investments in research and development in this area, and they have been working closely with EPA, the states, other federal agencies, to address this challenge.

As I said, EPA has worked very closely alongside the Defense Department and others since 1988. State environmental programs likewise are very active in BRAC cleanup and the property transfer processes as provided through federal law and through state statutes. Similar to EPA's role at NPL sites, they oversee and approve investigation and cleanup actions at facilities not on the National Priorities List. To date, EPA has had a hand in the transfer of approximately 400,000 acres at the BRAC 1 through 4 bases. That's out of the 500,000 acres that are available.

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EPA's participation in this process has primarily occurred through BRAC cleanup teams, or BCTs. EPA believes that the BCT approach has been instrumental in expediting and facilitating the cleanup and property transfer process. We also make available technical expertise as needed. Our workforce is supported by funding from DOD, and that really enables our participation. However, any contractor assistance that we need to help out our employees is paid out of the EPA appropriations.

At all BRAC installations, EPA is responsible for reviewing and commenting on related National Environmental Policy Act documents associated with the transfer. We're also responsible for reviewing and commenting on leasing of contaminated properties and determining where remedies are operating properly and successfully.

For BRAC installations that are on the National Priorities List, EPA has statutory responsibilities for entering into enforceable agreements with the services, regulatory oversight, and approval of site investigation, remedy selection and remedy implementation. We also have specific duties related to the transfer of contaminated property.

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When DOD released their recommendations for the BRAC 2005 list in May, my office compared that list to the military facilities that are currently on the National Priorities List. Our analysis identified a total of 68 facilities recommended for closure or realignment actions that have NPL sites. As Mr. Grone said, 10 of the proposed closure actions have NPL sites; 27 of proposed installations slated for realignment have NPL sites; and 31 of the installations that are proposed to gain personnel and functions have National Priorities List sites. Nine of the 10 closure sites have a federal facility cleanup agreement in place. The one site that does not is Willow Grove in Pennsylvania, and the Navy is working with EPA in putting an agreement in place there.

Compared to the previous BRAC rounds, investigation and cleanup and work at most of these sites is already well under way. In some cases it's complete or nearly complete. Future owners of BRAC properties are well protected from environmental liability for contamination found after the transfer. Protections come through the indemnification provisions in Section 330 of the 1993 Defense Authorization Act, as well as through a CERCLA and the 2002 Federal Brownfields law. Under the contaminated property transfer revisions of CERCLA, when contaminated property is transferred by deed, the federal

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government must provide in the deed a covenant that all remedial action has been taken, and a second covenant that any additional remedial action found to be necessary is the responsibility of the United States government. And as I understand it, the bona fide perspective purchaser provisions provided for under the BRAC law can apply to new owners of BRAC property, provided that they meet that law's requirements.

To date, EPA has had minimal involvement in the DOD BRAC 2005 process. We have had no role in estimating the cost of environmental cleanups at the BRAC facilities; although, we do work very closely with DOD at the NPL sites, and that duty is DOD's alone. Nor have we done any independent review of the cost estimates. So we're not really in a position to comment on DOD's overall environmental cost estimates for this round of BRAC. Based on our conversations with DOD, and as Mr. Grone alluded to, we anticipate that DOD will make more extensive use of the Early Transfer Authorities available under CERCLA 120 H-3. And that occurs when property is transferred prior to the completion of cleanup.

For an NPL facility to be transferred prior to cleanup completion, EPA must approve that transfer based on the set of criteria established in the Early Transfer Authority, and the governor of the host state must also

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approve that transfer. And that governor also approves the transfer at non-NPL sites, and EPA has no role at the non-NPL sites. DOD may also seek to privatize more cleanups, and in that case, a third party will be responsible for conducting the remaining cleanups themselves. In some cases, this may be combined with early transfer. Under this scenario, EPA expects to enter into an enforceable agreement with a third party to ensure that the cleanup milestones are met and they're not delayed. And in the event that the third party cannot complete his or her responsibilities, DOD will remain liable and responsible for completing the cleanup.

While we anticipate these and other changes in the current BRAC round, I want to reiterate EPA's dedication to supporting the affected communities through achieving long-term (protectiveness?) through cleanup and productive reuse at all sites where we are involved. We look forward to working together with the communities, DOD, the states and others as we implement this new round of BRAC.

I want to thank the commission for the opportunity to appear before you today, and I'll be happy to answer any questions you may have.

MR. PRINCIPI: Thank you, Mr. Woolford.

Mr. O'Brien.

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MR. O'BRIEN: Mr. Chairman, I would ask that my written statement, as it was provided to your staff, also be included in the record for this hearing.

Mr. Chairman, distinguished members of this commission and staff, thank you for the opportunity to appear before you today to discuss the Office of Economic Adjustment and our role in assisting communities that are affected by base closures and realignments. Given the fundamental national security mission of DOD, OEA is a unique field activity within DOD which exists solely to assist communities affected by DOD activity, including BRAC.

Simply stated, this is a community-based program that must respond to local needs. OEA is a first responder for communities in need. We guide communities through a very complex process. The environment is but one piece of the puzzle.

We are fortunate to have helped many communities to capably respond to previous BRAC actions. In fact, over the previous four rounds of base closure, OEA assisted over 100 communities with technical guidance and funding, ranging from multi-year grants for significantly impacted communities to single-year grants for minimally impacted communities. Combined, these local efforts to date have established a heritage that has created over 115,000 new

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jobs, or 88 percent of the nearly 130,000 civilian jobs lost through BRAC. This heritage is available to communities today looking at the BRAC decisions you are looking at, to draw upon those experiences and not necessarily reinvent the wheel as they move forward.

It is clear from these experiences that economic recovery does not occur without a genuine partnership between the military departments and the affected communities. Likewise, it is important to recognize that this necessary military-community partnership needs to be flexible and needs to adapt to the local specific market forces found at each location.

Communities impacted by the BRAC actions you are considering will find OEA offering an adaptive program of financial and technical assistance to enable communities to effectively plan and carry out adjustment strategies, engage the private sector in ventures to plan and/or undertake economic development and base redevelopment, and, importantly, partner with the military departments as they execute these actions in support of the DOD mission.

Key to our programs' effectiveness is understanding the local perspective through an OEA project manager working closely with the affected community. We must gauge the true effects of the closure and realignment

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actions and then tailor a program that is responsive to the local circumstances. No two communities are alike, and this is never routine.

In the case of a downsizing event, civilian reuse of the former installation is often one of the greatest challenges a community will face. For some communities, former military property presents unique opportunities for the civilian redevelopment of ideally situated property with strong prospects for higher redevelopment uses due to their location near or in the midst of rapidly growing, prosperous communities. For other communities, the redevelopment opportunity may be much more difficult to recognize due to factors such as a stagnant or declining local economy, few competitive advantages of the local labor supply, an isolated location or limited resources to address these problems.

This BRAC round may also include situations where an installation will realign with a large reduction in personnel, but no property will be made available for civilian reuse. In these instances, the economic adjustment effort will likely seek local business development opportunities to assist affected workers.

Where there is an increase in military activity, the challenge will likely focus on local capacities to absorb an influx of personnel, which may place excessive demands

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on off-base community services and facilities. Our experience suggests housing and school impacts are areas of concern. Communities will strive to maintain and improve upon the quality of life for their local residents, including the new military personnel and their dependents.

BRAC '05 communities should recognize OEA is prepared to assist their efforts through the organization, planning and implementation phases of adjustment. Let me briefly address each for you.

First, through the organization, the affected community must organize to speak with one voice on behalf of the impacted workers, businesses and other interests as soon as possible. This is especially challenging where more than one jurisdiction or state may be involved. The organization must have the political and financial backing or ownership of the locale. In the case of a downsizing action, where property will be available for civilian reuse, a local redevelopment authority, or LRA, must be recognized by the secretary of Defense through OEA within six months of the closure approval date under statute. The LRA is responsible for preparing the base redevelopment plan and/or directing implementation of that plan. While not mandated in statute, in situations of growth the community might

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establish a task force or some other entity to coordinate with the local installation and assess and respond to the impacts of growth on the community.

In instances where property is available for reuse, the planning effort must formally begin no later than when the military department determines what property is surplus to the federal government and available for civilian use. This plan must yield a consensus for civilian use as economically and environmentally feasible and sustainable, and, under statute, reflect a balance between local homeless and community economic development needs.

The importance of this plan to the overall process cannot be emphasized enough. In BRAC 1988, when many of us first started with this, it took communities an average of 1,457 days to come up with a plan alone, let alone get going on redeveloping the base, whereas in BRAC '95, it took communities an average of 600 days. Not only must the department give substantial deference to this redevelopment plan in preparing a record of decision or other decision or other decision document for the disposal of property, but private, local, state and federal actions are driven by this plan.

Where no property is made available through the BRAC action, plans may be necessary for activity elsewhere in

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the community to offset job losses and other economic impacts. In the case of growth, a management plan may be necessary to gauge the impacts on local services and develop appropriate responses.

When communities are ready to start executing their plan, we term that the implementation phase. The extent to which the affected community is engaged in the redevelopment of a former base or implementation of the plan is determined by how it chooses to respond to local factors. For instance, some communities may elect to assume their existing land development roles with an emphasis on zoning and impact fees for public infrastructure. Other communities, perhaps with more challenging redevelopment circumstances, may choose to operate as public redevelopment authorities to ensure that reuse is initiated, accelerated and sustained. It is also possible that states will assume an active role throughout these processes as well.

OEA is joined by other federal agencies in assisting communities through these phases. Interagency coordination ensures that an optimal and responsive level of assistance is provided. Through previous four rounds of base closure, federal agency grants assistance totalled $1.6 billion and extended to such activities as assistance in the transfer of property for public

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purposes, administration of school impact aid, and regulatory oversight. The coordination of these various forms of assistance occurs under the auspices of the President's Economic Adjustment Committee, or EAC, as it supports the Defense Economic Adjustment Program, both of which are established under an executive order. In recognition of their significant contributions to this program, the Departments of Commerce and Labor were designated as co-chairs of the EAC this past May, when the executive order was updated in response to BRAC '05.

I also serve as the executive director of the EAC, and we are working to ensure a responsive program of assistance is available for communities impacted by this round of closures and realignments. As an example, OEA provided technical support to the Department of Labor on its recent award of nearly $30 million across 37 states, the District of Columbia and Guam for early workforce transition planning. These awards, under Labor's National Emergency Grant Program, will help states develop responsive programs to assist affected workers and complement an extensive program of assistance offered through the military departments' human resource components.

Our experience, combined with feedback obtained through focus group sessions with communities with which

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we have previously worked, suggests community adjustment is successful if the affected community starts its organization and planning as soon as possible, involves OEA early in the process, paces itself throughout the redevelopment effort, and understands the BRAC regulatory process.

In closing, Mr. chairman, I want to reiterate an observation by Secretary Rumsfeld in testimony before you on May 16th: The changes that will occur will affect a number of communities. Communities in the past have warmly embraced nearby military installations for a good many years. The department will take great care to work with these communities with the respect that they have earned.

These words underpin the program I have just described and motivates our commitment to field the best we have to offer. Thank you.

MR. PRINCIPI: Thank you, Mr. O'Brien. We'll proceed to questions.

I want to see if my understanding is correct. The environmental restoration costs DOD projects only includes the costs to clean up a military installation to a current-use standard. So if you have a shipyard, like Portsmouth Naval Shipyard, DOD will clean up that yard to

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an industrial-use standard when it turns it over to the community.

If, during the course of implementation of the closure and the transfer, it decided to be redeveloped to a higher standard, maybe an office park or a residential area, who bears the cost of cleaning it up to that standard? Is that -- does Defense work through that with the community, with the city or the state? Is that an EPA responsibility?

And in that vein, let's just take -- go down the turnpike a little bit to Connecticut, to New London Submarine Base. You projected a restoration cost of $23 million for New London Submarine Base. The governor of Connecticut, if I recall correctly, told us that there were Superfund sites at New London Submarine Base. Twenty-three million dollars doesn't seem realistic to me in terms of cleaning up that base even to an industrial standard, given a hundred years or whatever of all of the contamination you mentioned -- battery, PCPs, et cetera, et cetera.

Who really bears the cost now of cleaning it up? Is it the developer? Is it the taxpayer? Is it the state, federal government? Can somebody shed some light on that for me?

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MR. GRONE: Mr. Chairman, there are a number of issues involved in your question. Let me try to take them serially, and if I miss something, please let me know.

With regard to the standard of cleanup at a given installation, our obligations under CERCLA and under other forms of federal law are to clean to current-use standard. Those are the estimates that are regularly utilized in the development of the Defense Environmental Restoration Program.

Ultimately, when property is transferred, the department is responsible for the selection of the method of remedy. We will, in the course of the context of base reuse, take into account the local redevelopment plan as it is developed by the local community. We also have an obligation, under the statute, to select a cost-effective remedy. So there would be a dialogue.

In many cases where we are looking toward the early transfer of property, while we would not be vacating our ultimate liability under federal law, we frankly are looking toward other ways of privatizing the cleanup responsibility or accelerating the cleanup responsibility by bringing private-sector entities, either through performance-based contracting; or in the event where we transfer the property, where that liability would

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transfer with the book value of the property, are there ways where we can accelerate cleanup, accelerate reuse and redevelopment by bringing other parties who would have an interest to bear to the equation, to help defray that cost?

So it is a very complex question. As Mr. O'Brien indicated, it is one that will be very site-dependent.

One of the things that we will work with local communities on is first, of course, by working with them on the local redevelopment plan, finding a way to play to the strengths of their assets, of their available labor force, to have a redevelopment plan that is sustainable and viable, and then work with them on appropriate cleanup strategy to ensure effective transfer of those properties.

So it's a -- we ultimately will bear CERCLA responsibility, as I say. But the question of who pays for what really will depend on the method of transfer and how that remedy is constructed.

With regard to cleanup issues as affecting those two particular installations, I have noted that there's been a number of questions that have been posed to the commission and questions that commissioners have posed with regard to the cleanup, much of it having to do with assumptions on the radiological side of the question.

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I have a response I can submit for the record that details the Navy's rigorous radiological control program and how that factored into these estimates of cost to complete at those two given locations. The Navy has extensive experience in this area, and during, for example, the verification sample and remediation process at Charleston and at Mare Island, the total amount of naval nuclear propulsion program radioactivity found in the environment that required actual cleanup was only two to three microcuries at each facility, about the amount of radioactivity in a single home smoke detector.

The Navy's very confident that its ongoing programs and processes, at least with regard to that part of the program, is very solid. As we've worked through, with both communities assuming the recommendations that the department has made are affirmed by the commission and enacted into law, we will work with them on appropriate cleanup and base redevelopment strategies. And we'll adjust those costs if there should be something we have missed. But the Navy's very confident about the estimates that they have made.

MR. PRINCIPI: Okay. Can I ask about this $23 (million) or $24 million cleanup for New London? I mean, is that an accurate projection?

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And Mr. Woolford, I don't understand all the particulars of Superfund and the responsibilities. If in fact you do have Superfund sites on a military installation or locality, how do you clean up that -- who's responsible for cleaning up those Superfund sites? Twenty-three million dollars doesn't seem like an awful lot of money, to me, to accomplish that. And maybe, based upon your experience, you can shed some light as to what can be expected.

MR. WOOLFORD: Well, it depends on the nature and extent of the contaminants there, how far it's been released into the environment, the concentrations and all that.

I think the Navy -- first of all, EPA was not involved in estimates that DOD produced for this round of BRAC. But I would say that the Navy has worked with EPA and the state in coming up with those estimates, and those are our best guess right now. It may be that when we look closer at the sites, we may find more, we may find less, the costs may go up, the costs may go down.

You know, typically, what we see at DOD sites like this -- again, assuming they clean up to the industrial standard -- is that you do a lot of digging up of the contamination, hauling away and disposing of it at --

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appropriately. I know there are wetlands issues, for example, at the New London site.

But right now I think -- given where the site is in terms of the investigation, I think the Navy has come up with a reasonable estimate. And I think the estimates have gotten better over time as we've gotten more experience. I know that the estimates from the prior BRAC rounds were probably -- well, they were as good as they could be, given the instruments we had. Now I think we have more rigorous cost-estimating techniques out there.

But I think it's -- while I know DOD has a number, I think it's too early to say that the exact number's going to be 23 million (dollars), 20 million (dollars), 30 or 40 million (dollars), frankly, until we get the remedies selected. The remedies are dependent on the future use of the properties. If the future use of the properties is not industrial, that can make the cost go up.

I mean, in reality, what we have seen, though, is that in most of the BRAC facilities to date, the current use is basically what becomes the future use. And there are notable exceptions to that, but generally that's what we see.

MR. PRINCIPI: My only concern is it's 230 million (dollars) or a lot higher, not 23 million (dollars), and

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who bears the cost of that, and this effort is designed to save dollars that can be better used to meet our national security needs. And if it's not only not going to save money but cost the taxpayer money, whether it comes directly from Defense or indirectly out of the Treasury though some other Superfund budget, wherever that might be --

MR. WOOLFORD: It would not come from the Superfund budget.

MR. PRINCIPI: I'm sorry?

MR. WOOLFORD: It would not come from the Superfund budget.

MR. PRINCIPI: Well, wherever it comes from, ultimately the taxpayer pays the tab, and if it's paid in one bucket, it's not available for Defense in another bucket. And that's what we're trying to get. That's why I think this is so important, to get a good understanding.

Let me defer now to my colleagues. Admiral Gehman.

ADM. GEHMAN: Thank you, Mr. Chairman.

Maybe you can help here -- help me, help this commissioner try and see his way to make choices here.

The first question is, under the COBRA runs, under the DOD report of the recommendations to this commission, environmental cleanup costs were not included in the

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COBRA runs. The rationale, as I understand, from the department was that these environmental costs are going to be incurred in any case, whether the base is open or closed, because you're going to -- they're going to clean up -- you have a plan, and we know what the numbers are, and therefore it's inappropriate to include them in the COBRA runs.

But the statute requires us to take them into account. In other words, we do have to take environmental cleanup costs into account when we -- it's one of the criteria.

So to follow on to the chairman's question, if this commission were to look at a particular base; we look at the COBRA run; we have a payback period; we have a net present value of some savings; we then factor in the environmental cleanup costs, even -- not in -- not -- even if we don't double them or triple them, like the local communities would like us to do, but even if we use your numbers for, let's say, out of the congressional research, for -- I mean, I don't know -- I'm just pulling one out of -- just pulling one off the list here -- Otis National Guard Base -- according to this, according to the Congressional Research Service, you still have $372 million worth of environmental cleanup to do yet.

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Now if we included that data, there is no payback. Not only is there no payback within the six years required, but even in the 20-year calculation of the net present value, there is no payback.

So following up on the chairman's point, in which one of the issues that the Secretary made to us and one of the guidances that we have in the statute is that we're supposed to generate funds for transformation here, if this is going to end up costing the department money, how would you recommend we view your recommendation to -- how can we reconcile your recommendation that we're supposed to be generating money for transformation when it's going to cost you a lot of money to do this? How do -- how should I look at -- how should I balance that when I'm trying to make a decision on the department's recommendations?

MR. GRONE: Well, Commissioner Gehman, let me try to highlight a couple of points.

The department did not include those costs in the COBRA runs, again, consistent with prior BRAC rounds and consistent with prior General Accounting Office review, for a couple of principal reasons. I want to highlight them again.

The first and most important is, as you mentioned, they are costs that the department will bear without

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regard to whether the installation is open, closes or realigns. Those resources, to the extent that those resources are within the program window or the FYDP, are already housed in the department's budget. So those costs will be -- those costs will be --

ADM. GEHMAN: Excuse me for interrupting. Excuse me for interrupting.

I just want to restate the question perhaps more precisely. I'm not challenging whether you should have included the data in the COBRA runs or not. I don't have any problem with that.

I'm asking you to look at this from our point of view. We have certified data from both you and the EPA on what the remaining environmental costs are going to be on the 33 major bases to be closed. We are to consider, we may consider, we have been directed by the legislation to consider the environmental impact.

Is it the department's position that you still want us to approve the secretary's recommendation for the closure of a base for which there is no payback ever, when you include the environmental costs?

MR. GRONE: Commissioner Gehman, the secretary's and the department's recommendations are the secretary's and the department's recommendations. And we believe that those recommendations are well balanced, that they

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enhance military value to the components, and that they should proceed.

ADM. GEHMAN: I'll take that as a yes.

MR. GRONE: I think -- yes, sir.

ADM. GEHMAN: Now I am going to -- thank you very much. I appreciate that. And I don't know where that leaves me, but I appreciate that, making that clear.

Now we will get to the second part -- or the second part. I'm reading from a Congressional Research Service report here, which goes back to the first BRAC and tallies up the $7.2 billion which the department has spent on environmental restoration of all the sites in the first four BRACs, or $8.3 billion, if you want to include money which has been obligated but not spent. If you take an average since, you know, '95 BRAC, '93 BRAC, maybe it's been -- and this includes 2005 data -- 15 years, divide $7 billion into 15 years it comes out to some number like $600 million, $500 million a year that the department has spent on environment cleanup over that period of time. And I'm gathering that what you're telling us is that no matter how many sites are closed or no matter what the cost is, you're going to spend $500 million or $600 million a year on environmental cleanup. You might move it from one -- if you got to put it at -- one of the sites is to be closed, you'll move the money

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around. But that's what you're going to spend, and it doesn't make any difference what we do; therefore, that's why we should not include environmental cleanup in our calculations, because you're not going to spend any more money on it in any case?

MR. GRONE: Mr. Gehman, I don't --

ADM. GEHMAN: You got -- you got what's in the budget, and that's what's in the budget, and that's what you're going to spend.

MR. GRONE: I don't know that I would -- I don't know that I would put it that way. We will expend the funds that are necessary to fulfill and comply with existing federal and state statute and regulation, and based on cost estimates that we have, the cost estimates are what the commission has before us.

One of the points that I do want to highlight about trying to compare this round 10-years on from everything that has come before is the nature of the Defense Environmental Restoration Program itself. When we were talking about BRAC round one, we were very early in the environmental restoration process. We were still doing a significant amount of site characterization. There were a lot of known unknowns about the condition of installations and what it would cost to remediate them.

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And as the gentleman from Utah and I recognize from our service together as staff and member on the House Armed Services Committee during the early `90s, there was a lot of consternation expressed by congressional oversight committees at the level of -- just simply studies that were being done. In reality, those studies had to be done in order to position you for cleanup.

All of the activity that we have undertaken in the BRAC program, the dollars that you cite has having been expended on environmental remediation, are there because the law specifies that the BRAC account is the sole account for that activity. So all of those activities for investigations, for cleanup, for an immature program were contained within that program for the first four rounds of BRAC.

We are in a significantly different position today than we were even in 1995 with regard to our understanding of environmental site characterization aboard our installations. And with regard to cost estimation and the fidelity of those, we went back and looked at the only round for which we have site-level characterization on the front end of the process -- was the 1995 round. And to put it in current-year dollars, our estimated cost to complete, when those recommendations worked their way finally through the

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commission process and to the end, and we had to provide a budget justification to the Congress, was approximately $2.6 billion.

Given the funds that we have expended on BRAC `95 environmental cleanup, given the changes that have occurred in our -- in the greater fidelity in our estimating process, today, with the cost to complete for the 1995 round combined with what we've spent, that total amount would be about $3.2 billion -- about a 5(00) to 600 million dollar change over a 10-year period as our cost estimation techniques are a fixed-price remediation contracting process, our maturing relationship with state regulators improved. On balance, the process worked and worked fairly well.

And so when we provide to the commission the certified data that suggests that environmental remediation would be at a certain level, for a given site, those numbers could change based on something we don't know today. But on balance, law of large numbers, those estimates are pretty solid. And so I wouldn't want to say that it is a case of that there's a huge swath of things that we do not know, or that there is an enormous amount of certainty out there. There are certain aspects of the program about which there would be some modest

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uncertainty, but that uncertainty is not in the baseline Environmental Restoration Program.

MR. PRINCIPI: Congressman Hansen.

MR. HANSEN: Thank you, Mr. Chairman.

As the secretary stated, we worked on some of these issues when we worked in the House Armed Services Committee together. A lot of it I think is the background of where we are. There are few things that are kind of throwing me on this thing, and possibly it's how the use of the ground. If we have one that is declared it's closed, the ground is declared excess and we sell it to the -- whatever the procedure is, and the (free ?) title goes to the state or the county or the city and they decide they want to put a school on it, would that be different in your minds than if they want to put an industrial park on it, you EPA folks?

MR. WOOLFORD: Yeah. Yes.

MR. HANSEN: So you would have to come up with more dollars possibly and bring it to a higher standard than you would with the industrial side, is that right?

MR. WOOLFORD: It would all depend on the type and nature of contamination that would be present at that given site.

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MR. HANSEN: Well, where is the statute of limitations when the military can back away and it doesn't have to be involved in it?

MR. WOOLFORD: It would depend on the nature of the transfer agreement that the Department of Defense, the service has with the entity they are transferring it to.

MR. HANSEN: Do you ever take into considerations some of the environmental laws like the -- I can't see where you would use the '64 Wilderness Act, but I guess you could. The '69 NEPA Act. It seems like that would come up and hit you between the eyeballs. The '76 FLPMA act could probably come up. The '73 Endangered Species Act, and of course the Superfund restoration. All of those -- do you take all of those into consideration?

MR. WOOLFORD: Yes, we do, as does the Department of Defense.

MR. HANSEN: Have you ever had a case -- was any of these in your prior rounds where the '73 Endangered Species Act has come into consideration. You know the '73 Endangered Species Act is the most powerful act Congress ever passed in my mind. People don't believe it until they have to face it and the military has had to face that a number of times and suffered big time over it. You look at the lumber industry in Oregon and

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Washington was brought to their knees over that -- a little bird called the Spotted Owl.

Other people in the Mojave area with the desert tortoise and the list just goes on and on and on for the -- it just seems to me -- and I don't know if the secretary was still with us at the time, but three committees in Congress held extensive feelings with military folks on what the effect of that act had done to their bases or the use of their bases. A case in point of course is Camp Pendleton, where they can't even do foxholes anymore. Every state has one and I have never seen military officers as exasperated as they were there. That doesn't -- will you have done anything on that?

MR. WOOLFORD: There is -- I am sure we have. I'll have to take the question for the record and get back to you. Along with what my colleagues from DOD, I know that they are -- it has been involved at least in one site in Fort McClellan, but I'm sure there are others.

MR. GRONE: Mr. Hansen, if I might add, just of the purposes of the record, based on my review on the environmental documentation supporting the major closure recommendations, four of the 33 major closure installations have a threatened or endangered species associated with the installation itself. As we would go through the reuse process, we will work with the -- our

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federal and state land management, natural resource management agencies as well as the local community to accommodate any consideration of those in development of a local redevelopment plan. But I don't see any that would be -- at this point, that would be critical, a critical impediment to community reuse at the present time.

MR. HANSEN: Four out of 33.

MR. GRONE: Yes.

MR. HANSEN: And they don't seem to be a problem to you. You know, I think you have got a problem in the future. I think it's going to come at you. And I can't understand why the military, after they have such an issue over to Congress -- why someone doesn't suggest that they exclude military property from the Endangered Species Act. That may shock some people but it happens to be something that -- we would exclude a lot of things in Congress, and to me, that would sure make your life easier, a suggestion that will probably fall on deaf ears, but I would make it anyway.

Thank you, Mr. Chairman.

MR. O'BRIEN: Commissioner Hansen, if I may, working with communities through previous realms, we have had several instances where communities have had to deal with the presence of plan and/or animal species. And there is

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a lengthy, complex process for civilian redevelopment to work through if indeed they want to do something with property that contains those species. If you exempt or in some way excuse the department from those requirements, certainly the civilian side of this will still have to deal with those, and we are still grappling with the regulatory environment to work through to some kind of a transaction on those properties.

MR. HANSEN: Oh, yeah, you have really got your work cut out for it because the intent of the act has been construed so far beyond what it was. I mean, there was -- go read the act; there is nothing about plants in it, but the courts had construed plants. There was nothing about subspecies in it; they have construed subspecies. You can take some things you can hardly believes and the administration of the act blows your mind. Colorado squawfish in the Colorado River is endangered. The Colorado squawfish in the Columbia River is a predator, and it is the same fish. And there is countless examples of things such as that. They are just totally ridiculous. And I think that Congress, should give that some serious consideration. That is just my comment from John Q. Citizen.

MR. PRINCIPI: Thank you, Congressman. Commissioner Coyle.

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MR. COYLE: Thank you, Mr. Chairman. Gentlemen, thank you for your testimony. Mr. Woolford, you have an interesting example in your testimony of the historic hanger at Moffett Naval Air Station, which was not suspected to have been a source of contamination at all. And now the estimate to clean up the soil under that hanger ranges up to, you say, almost $30 million. Considering that example, how can the cost to complete environmental cleanup at a place like New London, where there have been operations involving nuclear materials with decades, how can it possibly be $23 million?

MR. WOOLFORD: I am not prepared to talk about New London. I can tell you that when Moffett field was closed, again, based on the estimates then over 10 years ago, that hanger was not seen as a source of contamination. And it is not necessarily, by the way, contamination of the soil; it's contamination from the building itself. The paint in the building has PCBs in it, asbestos, and lead, and it is flaking off and getting into the drainage system. And eventually, it works its way to a wetland.

So when the base was closed in '95, the UPA, the state, everyone who looked at it didn't expect that as being a source of contamination. I would say at New London -- on the other hand, my guess is that has been

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closely scrutinized by EPA, the state, and the Navy, in this case, just because we know its operational history, we know it has radioactive substances there. But ultimately, I would have to defer to Mr. Grone and the Navy on their precise cost estimates for that facilities, but I do know it's one that has been investigated more fully than this hanger out in California.

MR. COYLE: You have an interagency standard for environmental cleanup involving radioactive materials that you call MARSSIM, Multi-Agency Radiation Survey On Site Investigation Manual standard -- interagency standard for environmental cleanup involving nuclear and radioactive materials. The Navy did not base their cost estimate to clean up New London on those MARSSIM standards. If they had, what would that do to the cost estimate of New London?

MR. WOOLFORD: I would have to get back to you on that, Mr. Commissioner. I just don't know off the top of my head. Can I get back to you on that?

MR. COYLE: That would be helpful. The Navy also did not base their cost estimate on the environmental standards of the State of Connecticut. If they had used the environmental standards of the State of Connecticut, what would that do to their $23 million cost estimate.

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MR. WOOLFORD: Again, I would have to get back to you on that. I can't tell you off of the top of my head.

MR. COYLE: What we are looking for is some way to estimate -- you know, when we see these numbers at various sites, are they a factor of 10 off, are they a factor of 100 off? Can you compare there predicted costs from past backgrounds with what the actual costs have been so far in environmental cleanup at those sites. We are looking at some way of getting a ballpark figure, otherwise I don't see how we can have any confidence in the DOD cost estimates.

Are there alternatives to complete their remediation, Mr. Woolford? Are there things that a site could consider that would allow that site to be used without going to complete remediation? By that, I'm talking about fences, deed restrictions, requirements to use alternative water supplies. Are there things of that nature that would allow a site to be used by a community, but at different standards, and what would that -- how would that influence the cost estimates?

MR. WOOLFORD: Certainly that would -- the answer is yes and certainly that would influence the cost assessments. When we go through the evaluation process of remedies, we look at a number of alternatives that would range from a no-action alternative, as you will, to

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leaving the site as it is to a fairly high level of cleanup. So we will look at different alternatives, we will cost out those alternatives, and the cost will be one of the factors we consider. We look at whether the remedy will be protected for the long term, whether it's protected for the short term. We will -- you know, we have factors we have to consider including state acceptance and community acceptance.

All of those factors go into the decision process, that we work jointly at the NPL sites with the Navy. And to give you an example at the New London sites, Connecticut would be involved in this as well. So all of those factors go into consideration before we would even propose a final -- the Navy would propose a final remedy, and then it would be selected. So all of those factors, including -- and how that meshes in with the future use of the property would end up affecting the final cost.

MR. GRONE: Commissioner Coyle, if I may, as we build cost estimates, as I mentioned in my remarks and in my written testimony, the models that we used are based on best commercial practices, but also where we have an NPL site, including the site, sites in Connecticut. The cost estimation techniques are worked carefully not just as a matter of the Navy's discretion, but also working

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with EPA, working with the state regulatory agencies to develop those cost estimates for those NPL locations.

I would be happy to take back to the Navy a request to give a detailed briefing to either you or any commissioner or the staff on how the Navy developed those cost estimates specifically and where they intersect with standards that you mentioned and the interaction with other parties in the development of those cost estimates because that is part of our process. I understand that there are folks that have differing views on whether or not that the end number will be the number that is represented in the department's cost estimates. But it is not entirely reflective of the process that we did them completely without consultation with other parties.

MR. COYLE: Well, as I say, I think what we need is some way of assessing these cost estimates. If the Department of Defense can provide information that shows what the Navy's track record has been, what did they estimate in the way of environmental cleanups -- cleanup costs at Navy bases in BRACs one through four and what have those costs turned out to be so far -- still not finished of course -- but what do they turn out to be so far, that would be helpful.

And Mr. Woolford, if you can provide information of that sort, considering both MARSSIM standards and the

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state of Connecticut standards, how that would impact cost, that would be very helpful also. Perhaps it should go without saying, but we only have another week. Thank you very much.

MR. WOOLFORD: We understand, sir.

MR. PRINCIPI: Thank you.

General Newton.

GEN. NEWTON: Thank you, Mr. Chairman.

With reference to time for the cleanup, some of these sites -- we just listed a couple like New London, other large sites where the operation has certainly been going on for a long, long period of time. Does that timing -- and your experience has been the timing fits within the six-year window that we're looking at? And if it goes outside of that, what kind of agreements do you make with the communities for what is acceptable for that time for the area to be cleaned up?

MR. GRONE: I'll let Mr. Woolford speak to some degree about agreements. We have, as part of BRACs 1 through 4 -- as some have referred to them, but the '88 through the '95 round -- the department expended approximately $24 billion in BRAC costs, and that roughly broke down into a third, a third, a third between military construction, O&M and other support, and environmental activity. And again, a lot of that was

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because of the immaturity of the environmental restoration program.

After 2001, upon the expiration of the implementation period for BRAC 2005, the department continued to budget for two things in relation to prior rounds of BRAC: environmental costs and property caretaker costs, where those would be required. Approximately 90 percent of the funds that we have expended since 2001 have been to remediate environmental liabilities at properties that we will be transferring to private sector use.

The agreements are the agreements that we make with federal and state regulators in the context of working with local communities. The Congress authorized the extension of the prior BRAC accounts specifically for this purpose. So the Congress would have visibility into the ongoing post-implementation environmental restoration costs so that there would be one account from which those funds could be drawn.

So if there are costs -- if there are costs it would be borne by the department after 2011. My expectation is that we would continue to carry those in a BRAC 5 account and we would liquidate those requirements over time until they were expunged.

MR. PRINCIPI: Any comment?

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MR. WOOLFORD: No, I would agree with Mr. Grone. I mean, the six-year window doesn't mean the work stops. I mean, it's continued on from the prior BRAC rounds. If work is necessary beyond the six-year window for this BRAC round, it will continue -- it will continue the agreements.

GEN. NEWTON: Help me with something. I'm guessing -- I'm anticipating that -- you know, we talked about the level at which we would initially clean up, and that's to the industrial standard. I would anticipate, though, that most communities -- and you can share whether this has been your experience or not -- most communities probably are requesting and are asking for this to be above that standard. Is that a fair assessment or has most of the past experience been going to the industrial level was fine for what those communities wanted to do?

MR. GRONE: I think -- and Mr. O'Brien can speak to some of this, no doubt, but a number of communities, as they've developed redevelopment plans, have, on balance, tried to play -- as we've sort of said, colloquially playing to their strengths, some have developed differing types of plans. But in many cases, port facilities that were port facilities for the Navy have been redeveloped as port facilities for private interests or for postcard mission or for some other purpose -- just to use one

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particular example. In the context of base reuse and redevelopment, we will work very closely with communities in that regard in the development of those plans.

Our recent experience, say the Navy's experience at Roosevelt Roads, which although the closure was authorized and mandated by the Congress, it was done so -- authorized to be done so within the context of existing base redevelopment statutes. As the Navy, working with the commonwealth, has put together a plan for the redevelopment of that installation, 35 percent of it was put over the sort of public sale for public purposes and private purposes within the context of the redevelopment plan. 55 percent of it was a conservation conveyance, and the other 10 percent was a number of parcels associated with either an economic development conveyance of another public-benefit-type conveyance to meet certain public purposes.

True intensive dialogue with communities is where those plans will emerge, and we can't now currently anticipate, nor should we anticipate as a department, what those plans ought to be. And it really isn't for the department to decide, unilaterally, what the end use for a specific parcel ought to be. That's a part of the dialogue with the local community and it's an intensive

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part of what we will be doing over the course of the early period of implementation.

GEN. NEWTON: If there is some already-existing agreements that you've made with the communities or the state -- and I'm thinking of Connecticut here now -- is it fair to think that you will continue to honor those agreements with reference to environmental standards that you have agreed with them on as you go forward with a possible closure?

MR. GRONE: Without knowing the character of the agreements to which you're referring -- I mean, I don't see an immediate reason why any of those agreements would be vacated, particularly if they are regulatory in nature.

GEN. NEWTON: Yes.

MR. GRONE: Those agreements would continue as far as I'm aware.

GEN. NEWTON: Good.

Thank you, Mr. Chairman.

MR. PRINCIPI: Congressman Bilbray.

MR. BILBRAY: Thank you, Mr. Chairman. You know, when you come down and you mention that the amount of $1 billion in cleanup -- in Section 4 are tabs that the commission has up here, but it's a GAO report -- GAO-05-785. On page 46 of that report it mentions that the Army

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estimates that -- the estimated environmental restoration costs are $723 million, yet on that same page it says, "The largest expected cost for any one location across DOD for Hawthorne is $383 million," which is roughly half of that. On top of that it says, for example, the Army estimated the range restoration at Hawthorne depot did not cost -- "not included in the table was an additional $27 million to $147 million in additional costs."

So I presume from what I'm reading here that this is going to be added into the Army figure, which means that of the Army's projections, almost 60, 70 percent of it, at one small facility in Nevada, and all the rest -- I mean, they're leaving about $300 million for all the other Army facilities in the United States -- Fort Monroe, Fort Monmouth, all these different facilities.

So how can -- I mean, to me it doesn't even make sense that the Army thinks they can clean up all the closed military bases for $783 million. If you have that report -- I mean, you can't explain how one facility -- and they have all these other facilities that are closed -- even little National Guard and Army Reserve centers. I remember in Las Vegas, Nevada we closed an Army National Guard center and they had to spend a lot of money just cleaning up that one little site that was about a third of a block or maybe half a block of

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property, and we have hundreds of facilities -- Army Guard centers, Reserve centers -- that are being consolidated across the country. Does it make any sense to me that the Army can really think that they can clean up all the remaining facilities for about $3 (hundred million) or $4 hundred million?

MR. GRONE: Look, Mr. Bilbray, I'd be happy to go back and take a look at the GAO report. And it's always difficult, without having the documents in front of me, to begin to talk about dollar figures. One of the things that GAO may have looked at is the question of whether or not changes associated with the Military Munitions Response program -- which, as I indicated in my earlier comments is not as mature as the organic Installation Restoration Program.

There are, between the certified data and -- which we used for '03 -- and the most recent report to Congress, based on better cost estimation and understanding military munitions response, an increase of what we would expect to see in terms of the clean up for munitions response areas. That may be part of what's at play here, I just don't know. I mean, the number 700 million sounds at least double beyond anything that the Army -- that I have seen. So I would be happy to go back and look at that and try to provide a detailed breakdown

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of that for you, as you've raised it, and to try to provide greater fidelity on that for the commission.

MR. BILBRAY: Okay, you got the GAO citation 05-785?

MR. GRONE: Yes, sir.

MR. BILBRAY: And we're on page 46, the table that estimates 949 million for all the services, which was 71 million for the Air Force, 154 million for the Navy, and 723 million for the Army. And again, on that page it points out that 383 million alone is for Hawthorne, but they also state that they did not include in that figure an estimated -- an additional 27 million to 147 million. They don't know what that figure is going to come in from Hawthorne. If the higher figure came in it would mean like 70 percent of the Army cleanup money was all at one location and the rest of the locations would be cleaned up for like 200 million.

So I would really like to see some data on this because I just think your estimates are going to be really low. I think it's going to cost 10 times to clean up these facilities that are closed than the figures that are being given to us by the Department of Defense.

MR. GRONE: Well, sir, I'm pretty -- I'm reasonably certain it will not take 10 times more. The GAO table to which you refer is one I'll have to go back and look at very carefully because I'm not quite sure exactly in

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terms of getting to the total amount what data they assessed because the '03 certified data, which is included in our annual report to Congress, and the '04 annual report to Congress, those total amount figures don't match the 949, so we'll have to do some comparative assessment in discussing that with our GAO colleagues to make sure that we give you the most precise answer that we can.

MR. BILBRAY: Thank you.

MR. PRINCIPI: Thank you.

Secretary Skinner.

MR. SKINNER: I would like to talk to talk a little bit about the standards that the IRP is built towards, and then the standards that once it's up for disposal you feel -- the Defense Department feels obligated to -- and then the goal even beyond that to its actual use.

As I understand it, the IRP, the program you were talking about that is the compliance program, that's an ongoing program, that you really clean to current use is the standard that you use -- or another word is in all those cases, current military use. And I assume it varies depending upon the type of use you have, but there is a standard. Then I hear the word -- you know, and I get the impression, and maybe I'm wrong, that when we dispose of property, we go to an industrial-use standard.

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And maybe Mr. Woolford can help me with that. And then obviously we move to a higher use, may go to a higher standard.

Now, it looks to me like you've been very successful in disposing of some properties by capping the exposure you have, to what level I'm not sure -- and each site is a little different -- and then turning it over to the development agency, which assumes -- takes the money, takes it up to that level, and if they have to take it up to a higher level they end up finding funding to do that, and that goes in as part of the development program. Have I defined correctly how it works? Maybe Mr. O'Brien can answer that as well as anybody. There are about four questions in there, so I apologize.

MR. O'BRIEN: I will speak to what's appropriate here for me, and that is the standards as it is absorbed into the community. I'd like to maybe recharacterize those somewhat.

Generally, when communities look at the base, they look at is as like use. You have housing, you have perhaps activities that might conform to industrial use. Generally speaking, when they take a look at that property, they look at it within the context of that local marketplace, and when these bases are built, they are never built for their optimal or highest and best

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use; they're built for their military use. And oftentimes as they mature, the communities around them mature, so at the time they're closed, the community has to take a look at what they have on their hands.

And rather than looking at is as industrial use, the community sits down with the military, with the property that's available for civilian use, and -- you know, housing, for instance. The standards for military housing and civilian housing may be the same or they may be different. In California we experience a lot of situations out there where the houses did not conform to seismic standards. The services don't necessarily have to address that aspect of it. But again, for civilian use they have to look at what it would take for the civilians to go in there.

It is a deliberative process that they sit down and basically work through with the services, and I would try not to characterize it as industrial use. I would perhaps say, you have military activity there today; can the community put something in there through adaptive reuse and use hangars as more or less the hangars exist today for activities that would not impose any higher, if you will, clean standards than what is currently in place today?

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MR. SKINNER: So then it's -- what I'm trying to do is quantify the cap, if any, on the government exposure. We understand, Mr. Grone, that we have a program underway at all these sites to clean to current use or military use, and that's an ongoing program and you spend a couple billion dollars a year working that through, and that's an obligation that's going to exist whether we keep it open or whether we close it.

What I'm trying to get at, and I think what some of the commissioners are trying to get at, if in fact as a result of our closure decision we are going to incur additional costs beyond what is required by the IRP that's been already developed, how do we quantify those? And I think what you're saying, Mr. O'Brien, is until you know what the use is going to be you can't quantify the total. And then I'm trying to figure out, do we have to pay all of that total or can't we -- because we're giving them, in many cases, this land away for development, and there's been a big debate over the last several months here about why we don't get maximum use like we did at Tustin and the air stations down in California, El Toro.

Why don't we, you know -- what are we obligated? What is the additional cost that's not already -- the government is already not going to incur? And how much of that is going to be paid by the Defense Department as

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they turn it over to a development authority? And how much of it is going to be paid by the developers and the residents of the new -- or users of the new property, who are the real beneficiaries?

MR. GRONE: Mr. Skinner, I will try to illuminate that a little bit, and I'm sure Mr. Woolford will be able to fill in or correct me where I may make a mistake.

Our obligation is first and foremost to protect human health and the environment, under federal statute, as well as to clean to current use, as you described. There is no intervening standard for on transfer for universal -- that the clean up is to an industrial-like standard. I believe that may -- that certainly may arise in some of the discussions about certain installations where individuals are trying to figure out what the standard of clean up might be and given the certain re-use scenarios. But there is not intervening, as far as federal law is concerned, intervening standard that would, in some cases as you described it, actually mean a lesser clean up standard when the property is transferred. That's not -- that's not the case.

Ultimately at the end of the day, the Department of Defense, the military department executing the program, is responsible for the selection of the remedy. And a foundational element of that -- foundational elements of

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that are the protection of human health and the environment based on existing law and regulation, the clean-to-current use standard, as well as the cost-effectiveness of any additional remedy that may be selected that takes into account a local redevelopment plan. In that dialogue, that's where the remedy will be selected.

In some cases, as we've discussed, the -- while the government retains liability for contamination that occurred and was placed there by military activity, the responsibility, in some cases, for the execution of that, or the financing of that liability, may be borne by a third party, pursuant to arrangement and agreement between and among the regulators and the department.

So it's difficult to put a number, or a figure, or a universal cap, as you call it, on a particular set of liabilities. But within the context of the mature program that we have, it is an ongoing dialogue that can work -- and work effectively -- to ensure that the department fulfills its obligation under statute, retains its liabilities, where appropriate, but that other financial resources, as they are needed to bring the community to a position where they can effectively re-use the property, can be brought to bear.

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MR. SKINNER: You can understand that, and it goes to the question Admiral Gehman asked earlier. We're trying to quantify that.

MR. GRONE: Yeah.

MR. SKINNER: You've got a certain obligation under IRP to build a military use and you're implementing that program. And over time, you'll get closer and closer to that. And is the money that's in the recommended environmental costs -- is that what is in the IRP that will be normally be spent to get you to current use?

MR. GRONE: Yes.

MR. SKINNER: It is not what would be required to get the property available, in some cases, for transfer to a development authority or someone else? And what burden -- what portion of that is going to be borne by the Defense Department to meet the standards you're talking about versus what is going to be borne by the development agency and the developer?

And that sounds to me like it's ongoing dialogue, you know, site by site. And until you know what the use is going to be, it's impossible for us to quantify it. But we have to assume that it's probably -- the government is going to probably pay a greater share than the current amount that they would have spent to take it to military use or current use.

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Is that fair?

MR. GRONE: I think the best way that I can answer that question is to go back to the earlier dialogue I had; I believe it was with Commissioner Gehman. The best perspective we have on life cycle, in relation to estimates and in relation to actual practice, comes out of BRAC '95. And as I indicated earlier, when you put our initial estimates for BRAC '95 -- because it was the only round for which we had some degree of site-level assessments -- are then estimates in today's dollars was $2.6 billion for all the environmental remediation activity associated with those round's actions.

Based on the funds we've expended to date, and where current estimates are the cost to complete, that dollar amount is $3.2 billion. And that's in a process where our estimation techniques have gotten better, that the installation and response program, the actual cost to complete that, is declining as we apply performance-based contracting, other innovative techniques, to the process.

And so, I'm not -- when folks argue that there are sort of factors of 10 or 15 or 20 involved in environmental remediation beyond the department's estimate, I have, based on the record, a difficult time seeing that that's a likely outcome.

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MR. SKINNER. All right. But we have in our budget, in our budget, we have in -- you have in your projections that we're going to spend about a third of that in this BRAC round. I mean, that's -- as I understand it, it's $900 and some million. So it's about a third -- round it off a little bit. I was not quite even a third.

MR. GRONE: A third of what?

MR. SKINNER: What are you -- what are we -- what does the Defense Department believe, if all of the recommendations were implemented, the environmental cost would be to clean up all of them?

MR. GRONE: Based on the certified data that accompanied the recommendation is approximately just a little bit over $1 billion.

MR. SKINNER: A billion dollars? So, it's one third. And do you by chance know what the recommendation was in the '95 BRAC versus what actually happened?

MR. GRONE: That's what I, Commissioner Skinner, where I tried to describe --

(Cross talk.)

MR. SKINNER: I know what you spent, but was the recommendation 3 billion (dollars) at that time, or --

MR. GRONE: The recommendations in today's dollars was $2.6 billion.

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MR. SKINNER: So 2.6 (dollars) last time, and it went to 3.2 (dollars). And now we've got a billion. And if you use the same formula, it would go to a billion three, or something like that? If we use -- under your logic, if we used past history.

So you're saying in this round, we'll have environmental costs because you've got a lot of other things they've done in the last 10 years, it's going to be half, more than -- it's going to be half of what -- plus a little, or minus a little, of what it cost in the '95 round.

MR. GRONE: That is one way of looking at the question. Yes, sir.

MR. SKINNER: Thank you.

MR. WOOLFORD: If I may, Mr. Commissioner? I realize you can take that algorithm, but I think the sites are much better characterized now. So, it may not be -- I know it's all sort of guesswork on one level, but I don't think it would be -- I think the estimates are more precise and better now just because we're much further down, and the sites are better characterized.

When -- you raised a question about current use. It's clear -- and then you mentioned that when you dispose of property it's an industrial use. I think it's better to think of the, at least, that is a point

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departure for consideration when the department is doing their estimates. They're estimating current use because that their point of departure. But when you look at a site individually, as you were pointing out, you may look at what was a former metal plating area, and the military's use may now be for a housing area for the soldiers. And in that case, they would come in and clean it up to a residential use.

MR. SKINNER: I understand.

MR. WOOLFORD: Which would be a much higher standard, and theoretically more costly.

MR. SKINNER: Right. And let's just assume, hypothetically -- this is just a hypothetical -- that we close -- I'll pick one out of the air, the Portsmouth Naval Yard -- and we decided we wanted to have a -- it's on the water, it's a very beautiful area, and we wanted to have a housing development. We wanted to build a master community, much in the way has been done at Fort Sheridan or Naval Air Station Glenview. Wouldn't the amount of money that would have to be spent environmentally to get it ready for that be substantially greater than what you've got in the budget? Obviously if it's an industrial use, if somebody came in and said, we're going to do shipyard repair, it would be pretty

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easy. But if you were taking it to that level, it would be much different, would it not?

MR. WOOLFORD: It may be. It depends on the environmental technologies one puts in place. And --

MR. SKINNER: All right. And you really just got to do it site by site, so you're just saying -- because we don't know the use of it, the ultimate use, that the development authority use nor what percentage of, what the burden would be and what percentage the developer would be, using some kind of metric that quantifies past history may be about as good as we're going to get right now without doing a site by site, which we can't do until we know what the use is.

MR. WOOLFORD: Right.

MR. SKINNER: Is that fair? Is that what you're saying, Mr. Grone?

MR. WOOLFORD: We got to have some kind of number to figure this.

MR. GRONE: We think the cost estimates we provide to the commission are reasonable and correct, based on what we know today.

In the scenario that you've posited, and I would make a it a more generalized rather than making it to a specific location.

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MR. SKINNER: Dangerous, because something will read into it when pick that up, that's why I picked it out of the air.

MR. GRONE: We shouldn't entirely forget that as a community increases the standard as a matter of the re-use process, they're deferring re-use until the actual clean up is accomplished. So a factor in the dialogue with the local community that they will have among themselves is, sort of -- it's a cost-benefit question. How much am I prepared in redevelopment to defer waiting for clean up, either by the government directly, or through fixed-price remediation contract, or because the developer is going to liquidate that liability as part of the development process? How far in the future am I prepared to defer that re-use in order to secure a different use for the property than what it is used for today? And that's part of -- I don't want to call it an uncertainty principle -- but that's part of what communities will wrestle with as they try to map out an approach to the re-use of a former military installation. But it's not an entirely free good without some constraints that one can just --

(Cross talk.)

MR. SKINNER: Do we have a site by site of what we would expend on all these properties that are recommended

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for closure to get to the IRP standard? And maybe we could ask that be provided. That would give us some help, at least to know what you're already committed to spend.

MR. GRONE: There's a table in my statement --

MR. SKINNER: I saw that --

MR. GRONE: -- that details --

MR. SKINNER: That's it. Thank you, sir.

MR. PRINCIPI: General Turner?

GEN. TURNER: Thank you, Mr. Chairman. In the interest of time, since we do have another panel, I'll just pitch one question to Mr. O'Brien.

There's a number of communities across the country who are faced with a significant potential negative impact if the base in their community is closed. So I would ask you for small-town America, with limited employment outside of the base, and perhaps limited potential for redevelopment, how would your organization support individuals whose jobs will go away when, if the base closes, and who have virtually no opportunity to gain employment in their town in the near-term?

MR. O'BRIEN: Thank you. We would approach this in as holistic manner as we could. We have to recognize at the end of the day this is a community-based issue, and it has to be resolved locally, if at all possible.

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Previously we worked with similarly challenged communities, and the way we've done this is basically going out to them, sitting down with them to really try to get a handle on what are those impacts locally? The job losses are certainly part of it.

Previously we've also had to deal with a lot of family stress issues, et cetera. And really, what we have to do is bring those people to the table and understand what their skills are and then start working with the services of the local community. Ideally, we'd like to have the state come in in those particular situations, as well, to bring the technology, the resources and the support of other entities to help with the local recovery effort. And then collaboratively, sit down and start looking at what you can do, not just with that base, but if there are any other activities.

And just as an example, previously these type of facilities found niches in the area of back-office operations, with technology -- the advent of certain technologies through the 1990s -- you didn't have to be right on top of your parent company, et cetera, to perform the work. With C3 lines, et cetera, you can make calls, process claims, et cetera. We have to look at what the technology is. If that area is not hooked up to

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the technology, work with the other federal agencies to try to bring those resources together to help them.

And just real candidly speaking, some of these areas don't get by relying solely on market forces. We have got to also take a look at institutional-type uses. Are there other federal activities? Are there other types of public uses that can go in there? And sometimes those activities provide the catalyst for local economic recovery.

Not having a particular location in mind, it is very incumbent on that community to recognize it's not easy, to pace themselves, to get the frustrations out of their system and really work with us as we seek to try to come up with some strategies. And as I represented in my statement, there are other federal agencies. Certainly, governors are very interest in assisting those type of areas. And we want to work with them.

But until we can sit down with them and really start, if you will, peeling away what the issues are, we won't really be able to go anywhere.

GEN. TURNER: I understand what you're saying. I'm having a little difficulty in the case of locations that are basically built around the existing military installation and who are not nearby a bustling metropolis. It seems like from the date that their job

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ends to the date that there might be something in the future could be an extremely long period of time. And I don't think I'm hearing you, and I know we're talking in generalities here, but I'm not hearing you get specific about what individuals can look forward to.

MR. O'BRIEN: Sure. Let me try to be more -- maybe put this in the context of an actual base we've worked with in a rural area.

Very early on, we try to go in locally to explain to everybody what this is going to entail. You don't lose your job the day after closure is approved. There is some time involved in this. So generally speaking, I mentioned the Department of Labor, for instance. The Labor Department is working with states to develop and infrastructure in this particular situation. The local base human resource office has an extensive menu of services that they bring to the service members locally. To complement those services for civilian employees, the Department of Labor, through their workforce investment boards, also bring those services locally.

So within the first, I would say, few months of this action becoming final, people are coming into that community, sitting down with those affected people, and understanding what their anxieties are, starting to gauge what their skills are and starting to think about are

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there opportunities for retraining, et cetera, that we can look at today, before the base closes and they actually have to find other employment.

When you start doing that, that occurs parallel to a community taking a look at the military base and seeing are there other types of activities we could put onto that base? Could we attract other investment today that would be able to re-employ those individuals or to take a look at the other skill mixes of their spouses? Is there something we could do today with the base to help to facilitate that? And we start plugging that into the equation.

We also, beyond the base, -- and this happens where you may not have real estate available -- we have to also take a look at are there other business development opportunities in that community? Is there a plant that wants to expand their operations? We had a food processing plant up in northern Maine who did this before the based closed. And because they were concerned about the ability for that area to recover, the economic development administration actually financed out the water and sewer improvements to help facilitate that plant's expansion before the base closed, just because we were concerned that when everything was said and done, the local market was not going to be as competitive, nor

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able to sustain the type of employment that was there with the base.

To go beyond that, once the base is closed, there is a period of anxiety. And there may be workers that cannot be treated, and we have to look at what we can do to assist those people. And that's really what happens in the few months after the closure is approved. We have other resources that go into the area and sits down with them to try to equate what the resources are, what their skills are. Then we marry that up with whatever opportunities may be out there.

Does that help a little bit?

GEN. TURNER: Thank you.

MR. O'BRIEN: We don't walk away. I think you heard testimony from Mr. Wynne from the department. This is not an overnight issue. We're not going to walk away from this. And quite frankly, some of these areas, it takes five to six years just to stabilize, let alone start growing again. And we have to recognize that for some --

MR. BILBRAY: Mr. Chairman, can I ask one follow up on this?

MR. PRINCIPI: Yeah. I'm going to have a quick second round. I'm going to have to ask your indulgence for a quick second round.

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I'd like to try to reconcile some numbers here. And I was reading this shard in -- CRS had a listing of clean-up costs by military installations for this round. And they come up with a bottom line of $1 billion $500 and rough -- $1 billion $500 hundred and almost $50 million -- $1.55 billion for the base closures projected for this round. And that has with zero for Cannon and only 35 million (dollars) for Portsmouth.

But when I read the footnotes, it said that this is based upon the defense environmental program's annual report to Congress that was submitted in April of 2005. So I'm wondering, that this listing, based upon DOD information, has 1.55 billion (dollars). You've reported to us that it's 948 million (dollars). That's a $600 million difference. What is that based on? Am I -- have I misinterpreted this data?

MR. GRONE: I don't know that I would entirely agree with either number because I'm not sure how they were constructed for the context of the CRS table.

The table that is contained in the testimony and the number to which I referred is the certified data upon which the recommendations were based. Those numbers are derived from the FY '03 annual report to Congress governing defense environmental restoration program.

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In the FY '04 report, there were two things that occurred. First, the overall installation response program, the IRP program, for those major installations that are listed, declined from 542 million (dollars) to 388 million (dollars) a year every year, based on investments that we had made in fiscal year '03, based on a number of regulatory modifications, based on efficiencies in performance-based contractor and whatever the factors might be at a given location, the IRP program declined.

As I indicated earlier, our assessment of the munitions program is still ongoing. And as we would expect, or as anyone would expect, is a program that is not yet quite at maturity, cost estimates continue to fluctuate for the MMRP program to some degree. By 2003, we had only completed assessments of half the inventory, based on munitions response.

So when the FY '04 program numbers were reported to Congress, it showed an increase in the munitions program -- basically the cleanup of UXO, which is still a factor -- a limiting factor -- in the disposal of the 48,000 acres that remain unutilized from prior rounds of BRAC. The limiting factor there is unexploded ordnance. That cost estimating increased to $931 million.

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So in the net netting of everything that's going on inside the program, the year-over-year change would be from about a billion dollars to $1.3 billion. I'm not quite sure what the $1.5 billion number is. I'd have to take a look at it.

MR. PRINCIPI: That's in the CRS report. But again, it's based upon your report to Congress, which went up in April of '05. But anyway -- maybe we -- if you could reconcile that for the record --

MR. GRONE: My understanding, Mr. Chairman, and staff just reminded me, when CRS compiled the numbers, it included -- in the context of the Otis Air National Guard Base, it included all of the activity associated with the Massachusetts military reservation.

MR. PRINCIPI: That's only $372 million. It's still --

MR. GRONE: But the difference to get from the 1.55 (dollars) that's in the CRS number, and the 1.32 billion (dollars) that we've reported in the annual report to Congress -- I mean, the difference is the Otis Massachusetts military reservation. There's some accounting going on there.

MR. PRINCIPI: One other quick question. The same report, as Admiral Gehman indicated, you've spent 7 billion (dollars) to date and your report to Congress,

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the same report I referred to, indicates that Defense indicates that they will spend in excess of $3 billion to finish up the prior rounds, the 91,000 acres of the 28 percent that have not been turned over, or have been leased and have not been totally cleaned. So let's just say that's between $11 and $12 billion that you've either spent, obligated, or need to spend. That's over previous four rounds, on average, maybe close to $3 billion a round. This is the largest BRAC round of all previous rounds, and you're estimating one third. Is that realistic?

I mean, you spent $3 billion in '88, '91, '93, '95. You now have the largest major base closures of 33 major bases, and you're projecting somewhere around a billion dollars?

MR. GRONE: What I think would be useful, Mr. Chairman, is again to recall that that snapshot of a billion dollars, that assessment going forward, or if you go beyond the certified data upon which the recommendations were built, the most recent annual report to Congress, which does include the additional increase in the munitions program and say it's 1.3 billion (dollars). That's on a going-forward basis.

In the past 10 years, we've made significant investment at all of those installations. And so trying

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to directly compare the estimate for today on a going-forward basis and ignoring all of the -- which I don't believe you intend to do -- but ignoring all of the prior investments that have been made. As opposed to the earlier rounds of BRAC where the program was less mature, and fundamentally all the investment that was going to be made had to be part of the BRAC account and was in that process, is not quite as equitable a comparison, which is why I, in the dialogue with Commissioner Gehman and Commissioner Skinner, go back to the only round for which we have some degree of life cycle understanding from estimation to actual practice level, and that's the '95 BRAC.

But I do think it's important to recognize that environmental restoration at installations recommended for closure in this round of BRAC do not start upon the disposition of the closure recommendation. We have been making significant investments in environmental remediation at those installations for some time. And those investments are reflected in, frankly, the cost-to-complete assessments. And as I say, the organic baseline environmental remediation program cost to complete, as we improve efficiencies and we take into account prior investments, is actually declining.

MR. PRINCIPI: Thank you.

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Mr. Bilbray?

MR. BILBRAY: Yes. I just want to point out to Mr. O'Brien. One of the things that you mentioned is how you try to help these communities reestablish itself. And I was thinking of Loring Air Force Base, which you put a DFAS facility in, and now you're closing it in this round, the same thing you put in the previous round. Should we, as a committee, or commission, look at this the fact that, you know, you go to try to help the community and then another BRAC down the line, the Department of Defense decides to close the facilities you put in to help the previous community get along?

MR. O'BRIEN: Commissioner, I'm not necessarily involved with the decision of keeping or closing these facilities. I would only state, and I have a very personal knowledge of Loring since I worked with them for about 10 years, and my response to Commissioner Turner about it's very important that this remain a local issue. When the suits come out from Washington and attempt to tell communities this is it or whatever, there is a very strong problem with that.

I don't want to comment on whether DFAS should stay or not at Loring. I would only stipulate that institutional uses for these rural areas are often times critical to their successful economic recovery.

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MR. BILBRAY: Thank you.

MR. PRINCIPI: Thank you.

Commissioner Coyle?

MR. COYLE: Thank you, Mr. Chairman. I'd like to ask all three of you to address for the record the question that the Chairman raised about the cost of environmental clean up at Cannon Air Force Base in New Mexico being zero. I'd like all three of you to say, if you think it's going to be zero, why think it's going to be zero? And if you think it's going to be some other number, what you think a more likely number would be? And in your case, Mr. O'Brien, what role the community, the governor, the State of New Mexico, would play in determining what those costs -- those environmental costs -- might be?

MR. PRINCIPI: Are there any other questions? I want to thank our panel.

MR. : (Inaudible) -- an answer.

MR. PRINCIPI: Oh, I thought it was for the record.

MR. COYLE: It was.

MR. PRINCIPI: Oh, I'm sorry.

MR. COYLE: It was for the record. Yes, sir.

MR. PRINCIPI: If there is nothing further, I very much appreciate your testimony, your indulgence. We'll

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take a five-minute recess and then we'll proceed to our second panel.

(Recess.)

MR. PRINCIPI: Good morning. I'm sorry. It's almost afternoon.

MS. SCHNEIDER: Good morning.

MR. PRINCIPI: Good morning and welcome to round two, Ms. Schneider, Mr. Schnepf. Did I pronounce that correctly?

MR. SCHNEPF: Yes, chairman.

MR. PRINCIPI: And Mr. Knisely.

MR. KNISELY: Yes, sir.

MR. PRINCIPI: Would you please stand for the administration of the oath required by the BRAC statute.

(The witnesses were sworn.)

MR. PRINCIPI: I would like to ask you if you would please try to limit your testimony to seven minutes each or shorter. This will afford the commission an opportunity to ask questions that they might have with regard to the issues, and I appreciate you taking the time to testify before the commission on this very important subject.

Where shall we start? Ladies first? Ms. Schneider.

MS. SCHNEIDER: Thank you very much.

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Good morning, Chairman Principi, and distinguished members of the commission. Thank you for the opportunity to appear before you today. My name is Miki Mahan Schneider, and I'm the director of planning for the McClelland Joint Powers Authority in Anniston, Alabama, the agency tasked with redeveloping the former Fort McClelland.

I appear before you today representing the Association of Defense Communities, ADC, formerly the National Association of Installation Developers. I've served on the board of directors for five years and currently serve as an officer. I have submitted my formal comments for the record, and appreciate the opportunity to share our experience. For nearly 30 years, ADC has been the voice of communities impacted by BRAC. We are the nation's leading membership organization supporting 250 communities with active, closed and closing installations. It is my privilege to be joined on the panel this morning by two leading experts in the field, David Knisely and Dan Schnepf. They represent the wealth of knowledge in ADC's members.

I would also like to thank the members of the previous panel for their support and commitment to defense communities.

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While we may not always agree, we appreciate their willingness to listen to the needs of our communities. I would also like to recognize OEA, Office of Economic Adjustment, for their exceptional efforts in supporting communities with BRAC. They are the lifeline for communities affected by base closures. In many ways, we owe our success to OEA.

The members of ADC value the commission's service and recognize the difficult choices that you will make in the weeks to come. While some of our members may not agree with the decisions you may make, they are grateful for the respect and dignity that you have shown throughout this BRAC process. As an organization, we do not get involved with the issues of whether they should or should not close. Our greatest concern is ensuring that impacted communities are given every opportunity to achieve their recovery efforts.

This morning's speakers have talked a great deal about process, policies and procedures. While this is important, when BRAC hits home it is about people, jobs and a way of life. It is a community issue. Communities are the ones left with the ultimate responsibility to make something happen. Communities must be in charge. Just as we would never tell DOD how to fight a war, DOD should not tell impacted communities how they should

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redevelop. Federal policies must focus on economic recovery first and not the financial return to DOD. When the focus is on economic recovery, great things can happen.

There is life after BRAC. There are many obstacles to redevelopment. But dealing with environmental issues remains the primary obstacle to speedy recovery. While innovations like early transfer and environmental insurance have been valuable tools for communities, many barriers still exist. My experience with base closure involves the former Fort McClelland in Anniston. When the flag was lowered in September of 2000, the future of this 22,000-acre property was uncertain. Almost overnight, the showplace of the South became dark and empty and home to deer and turkey instead of soldiers.

The McClelland Joint Powers Authority, or the JPA, was created to redevelop the property and return it as an active part of the community. Now recognized as one of Alabama's premier economic redevelopment projects, McClelland is slowly being transformed. We have made a great deal of progress over the last five years, most notably creating 2,800 jobs, but environmental contamination left by the Army from heavy military use since World War I, and the Army's attempt to address it has hampered our efforts to redevelop the post. We did

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not learn the full extent to which the property was impacted with unexploded ordnance, or UXO, until 1999, four years after McClelland was slated for closure. That was also when we discovered there were 10 landfills, 38 underground storage tanks and at 5,000 acres, half of the land available to support economic recovery, could not be developed until the concerns over unexploded ordnance are handled.

Until recently, buried munitions hindered our recovery. Our community lost two large industrial clients, and the promise of over 200 local jobs because the Army could not move more quickly to clean up a parcel for companies to locate new facilities. To address that problem, the JPA made the decision to use the early transfer authority and privatize the clean-up. We are now able to respond much quicker to the needs of prospective tenants. If a firm needs 50 acres for a manufacturing facility, the JPA can arrange for a clean-up contractor to make that a priority. Redeveloping a former base is a dynamic process, and communities have to be able to adapt to changes.

The Anniston community received McClelland from the Army under a no- cost economic development conveyance, but as the Mayor of Anniston, Chip Howell, says, free ain't cheap. Without adequate funding to remove UXO and

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replace the dilapidated infrastructure the redevelopment authority's ability to implement reuse plans is severely constrained. While every base is unique, my experience echoes the stories of hundreds of communities who have faced the same issue.

This morning, I would like to share with you four ways the environmental clean-up process can be improved. First, community redevelopment plans must be the mandatory standard for clean-up. One of the first steps in economic recovery is preparing a redevelopment plan. This is a document that lays out the community's vision. This is a vital economic resource. For a development plan to succeed, you must know what environmental contamination exists and receive a guarantee from the military that it will be cleaned up. In many cases, communities were just not given the information, and if they were, negotiations and legal fights over clean-up have forced them to start from scratch. Delays like these slow down economic recovery.

While there is a general DOD policy that the property will be cleaned to a level necessary to support the reuse plan, this policy is not a legal requirement and is not judicially enforceable. That policy must change. We must empower communities working in collaboration with the military to come up with plans

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that work from the beginning. Even when the plan moves forward, communities are often left out of big decisions in the clean-up process. An example is the base clean-up team, or the BCT. This is an organization that is established to coordinate clean-up activities among federal and state regulators. Missing from this group are the people doing the actual redevelopment. The LRA must be a party to the BCT. I fought for three years to have a seat on our BCT. If we had been involved from the very beginning, we could have made a reuse plan that took the property's actual conditions into account. Redevelopment plans must have power. Communities need to be at the table, and we need to do a better job linking redevelopment planning to environmental clean-up.

Our second recommendation concerns the timely release of environmental information. Creating the plan is only possible if communities have all of the information about the environmental conditions of the property. In previous rounds, the information often was missing as communities work to develop realistic, market-driven plans for redevelopment. This lack of coordination between environmental and redevelopment planning has resulted in delays and unnecessary expenditures. Not only do communities need all available

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information, but they must receive that information in a timely manner and early in the process.

In the last several years, DOD has been collecting data on the environmental conditions of bases that may close. It is our hope that the information gathered from these bases will be of sufficient quality and depth to expedite clean-up. There will always be unknowns, and when it comes to environmental clean-up surprises will happen, even after property is transferred. Environmental-site characterization needs to be thorough and conducted in accordance with commercial practices and standards.

Our third recommendation is that community redevelopment plans must be the standard for environmental clean-up, and they also must deal with the reality of environmental conditions. Communities must take a commonsense approach to planning and realize that some redevelopment projects will not work because of environmental contamination left behind by the Army. This doesn't mean that DOD isn't responsible for the clean-up, it just means that there should be a balanced approach when planning.

Our fourth comment is that we can improve environmental clean-up is through the use of private sector. Ten years ago communities trying to redevelop a

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former military base had limited options when it came to clean-up; the military was in charge. New approaches such as early transfer and privatization allow communities to clean property back into productive use as quickly as possible. Where it is feasible, we encourage DOD and the communities to use these innovations. Environmental insurance is another tool.

Thank you very much for your time.

MR. PRINCIPI: Thank you, and the balance of your statement will be made part of the record.

Mr. Knisely.

MR. KNISELY: Thank you, Chairman Principi, distinguished members of the Commission. I would like to extend my thanks for the opportunity to be here today. I have submitted my statement for the record. I would appreciate it being accepted.

I'm a private attorney with the law firm of Garrity and Knisely in Boston, Massachusetts. Over the past 10 years, I've had the pleasure of representing communities in all parts of the country where base closure and realignment has occurred. I want to be very brief and leave you time for questions. Let me just cover a few kind of major issues as I see them to follow off on what Mr. Grone had to say and also what Mrs. Schneider had to say.

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A number of contentious issues often arise in base closure between communities and DOD and a number of cooperative issues. But the one big, common objective that both have is to get property transferred quickly. It hasn't happened very well in the first round. And you can't really place fault necessarily; it's a difficult process. But the single biggest issue that's been the impediment has been the completion of the environmental clean-up. Under the standard process in the early rounds, DOD would essentially -- or the military department -- would kind of build a bureaucracy to do the clean-up, work with the environmental bureaucracy that regulated the clean-up and really leave the ultimate property owner off to the side. It just didn't work very well. I think all parties acknowledge it didn't work very well. Today, properties from the '93 round, '95 round, still not transferred. We're still working hard to get that done.

The innovations that Ms. Schneider talked about, and that I'm very pleased that DOD is now oriented this way, of early transfer combined with clean-up privatization have made a huge difference. And the reason they make a huge difference is because they have the right parties doing the right things.

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Let me just very quickly elaborate on that. In that context, the military department funds the clean-up. That's their legal obligation; that's what they have to do. There's a lot of negotiation as to what that cost to complete is, and that negotiation, as Dan will elaborate a bit on, certainly has everything to do with balancing the reuse plan and current use. In my experience, that balance in these contexts have happened pretty well. It's been a good negotiation with good faith on both sides, but the LRA has to be central to that.

Second -- so you have the DOD funding obligation; then you have the LRA actually performing the cleanup. And the LRA or the property recipient is the exact right party to do that. It's that party that should be dealing with the regulators. It's that party that should be, in essence, negotiating the cleanup standards with the regulators, because they're going to be the long-term user.

You can bring all kinds of private sector innovations into the mix when that happens, and you can get over federal precedent issues, you can get over -- I mean, DOD is often worried about, well, if we do it at this base we'll have to do it at that base. You can overcome those issues by having the LRA or property recipient negotiate cleanup standards with often the

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state regulator, often with oversight from EPA, and proceed forward in a much more efficient way.

Finally, part of the cost to complete can be purchasing environmental insurance. And environmental insurance mitigates the risk for everyone. If there are unknowns found after closure, after transfer, prior to DOD's legal obligations kicking back in, you often have a good deal of environmental insurance that can come into play to mitigate the risk not only for the LRA, but also for DOD, and you can get these unknowns taken care of quickly.

So from a big picture point of view, the innovation of where we transfer and privatization have made a huge difference. And you have many bases now -- I mean, I could easily give you a list of '93 and '95 closures that are finally now getting to privatization and early transfer, and it is making a huge difference as far as having the right people, doing the right things, negotiating with the right parties.

Let me just quickly talk about some recommendations and observations I have going forward for this round of closures. That's certainly one of them. I do have to say that DOD and all the military departments seem to be very focused now on early transfer. The first recommendation or observation I'd say is that really does

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have to be the first option, as opposed to the first option being, well, we may retain it, we may do it on the military department side. Put that on the table immediately with the LRA.

Work toward that goal of early transfer, privatizing the cleanup and deal with the state regulators and the LRA as the team that is going to do the cleanup. It's a much more effective say to proceed. It doesn't work in every case. There are times when you do early transfer and DOD retains the cleanup, but the key is, get the right people negotiating with the right parties, and do that quickly.

Second, as far as cleanup standards are concerned, again, you often have, you know, the DOD and state regulators at loggerheads, not for bad reasons, but this can be overcome with the LRA, frankly, in the driver's seat putting together what the cleanup standards are; going back to DOD and working through a negotiation process; coming to a funding decision based on that reuse planning -- and DOD's concerns and then moving forward.

One of the instruments used in this funding cycle, or the DOD's ability to fund privatized cleanups, is called an environmental services cooperative agreement, a very important authority. It's now limited to two years. That needs to be extended. Cleanups take longer than two

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years, and that could be an impediment to privatization going forward.

And finally, unknowns are found. Unknowns occur. You find things after closure happens. In my experience, all the services have taken this very seriously, especially if there's an immediate emergency -- human health and the environment -- they've responded quickly. They've certainly responded quickly in the UXO category. The difficulty arises when you have a situation where it's not a human health or environment emergency, clearly some DOD liability. They're looking forward saying, we have all these new bases to close, we really -- it just takes time, and it takes too much time, frankly, for them to kind of get back into the mindset, yes, we have to deal with this, when we're looking forward to deal with the new bases.

Some innovations there, too, it recently Lowry Air Force base, the Air Force it was a back and forth for a couple of years, with the big unknowns found. The Air Force stepped to the plate and privatized those unknowns, that cleanup, which are now close to closing that deal and will proceed quickly. So it's difficult, because third parties -- LRAs are often put in the situation of saying, do we wait for DOD or the military service to come to a conclusion here and work this through -- and

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they are big bureaucracies -- or do we just take on the cleanup itself. So they have taken it seriously, but it's a challenge when they have a new round of BRAC coming forward, another reason privatization is really effective. You have an insurance policy in place to deal with those immediate issues.

Thank you.

MR. SCHNEPF: Chairman Principi and honored members of this commission, I, too, would like to express my thanks for the opportunity to speak today. I am Chairman and CEO of Matrix Design Group, a private consulting and engineering firm providing remediation and redevelopment services at former military installations, and other major redevelopment and brownfield sites nationwide.

I have been providing a variety of BRAC-related services since 1984 when Norton Air Force Base closed and was realigned to March Air Force Base in Southern California. Over the past 20 years I've had the ability to work on detailed redevelopment planning, engineering, cost modeling, environmental analysis and the remediation of numerous Department of Defense facilities for affected communities in all parts of the country where base closure and/or realignment has occurred.

I'm excited about the opportunity to support another BRAC round and look forward to helping its goal for early

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redevelopment, replacement of jobs, and relocation of installations for community use. I'd like to comment on the specific challenges I have experienced in the areas of environmental analysis, restoration and its relationship to redevelopment in closed and realigning sites.

In addition to what you've heard from Mr. Knisely and Ms. Schneider, I would like to focus on some specific issues that relate to the cost of environmental restoration and the interrelationship of these costs to the process for transfer and redevelopment of the installation. The process we follow in analyzing sites for restoration and reuse involves a testing of baseline environmental studies performed by Department of Defense contractors. This process is a paper exercise where a community relies on historical site analysis and data prepared by others from field worked performed in the past to estimate the costs to remediate environmental constraints to the redevelopment.

The environmental data is generated either with respect to a reuse scenario envisioning like use, or without regard to a market-based reuse plan. In either case, the cleanup challenge is exacerbated, because the cost to remediate the environmental process, and the environmental process for regulatory approval for the

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redevelopment mandated by the state agencies requires that the standard for cleanup match the intended use.

We have experienced many successes through the application of a privatized cleanup approach, where developers and private-sector companies have worked with the community and the state regulators to facilitate a market-based approach to remediation that takes advantage of leading-edge technologies, risk-based cleanup contracts and remediation based on financial returns for the redeveloped property leveraged with federally sponsored cleanup funds.

Putting the analysis of restoration costs in the hands of the party responsible for the actual cleanup and redevelopment, and allowing them to facilitate the actual process through the state regulators is a fundamentally sound approach that results in more accurate remediation cost, and a quicker reuse of the property. We are currently managing the remediation of three landfills in conjunction with the construction of a major arterial parkway that runs through the former Fitzsimons Army Medical Center in Aurora, Colorado.

We employed a technique on this project that allowed for leveraging of federal cleanup funds with development objectives to achieve a cleanup in a shorter period of time, and at much less cost. We combined contracting for

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the construction of the parkway with the cleanup of the landfill to achieve a economies in the handling of materials, to provide a source of fill close to the construction site and take advantage of single haul operations for disposal site.

These simple construction techniques that are typically not used in the remediation of landfills by the Department of Defense in the absence of the redevelopment of a parkway resulted in significant remediation cost savings of approximately 20 percent on the landfill project, a cost of $13.4 million. Using the program manager approach the development and cleanup also enabled us to use pollution insurance to indemnify the Army, while achieving redevelopment objectives immediately.

This early transfer and privatization of cleanups is viewed by both the Department of Defense and the local community as a tremendous success, and is emblematic of what can be achieved with public-private partnerships. Another example of a successful privatized remediation was the cleanup of trichloroethylene-contaminated ground water at the Lowry Air Force Base in Colorado. The contaminated plume was approximately three miles long, and it traveled off-site beneath residential neighborhoods. A contract was recently let for a clean-

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up contractor and a guaranteed fixed-price remediation for the destruction of the TCE plume.

The LRA is allowing advanced cleanup methodologies approved by the state based on insitu-injection of potassium permanganate through a series of direct push borings, versus permanent wells throughout the impacted ground water column. In order to reduce remediation times contractors chose concentration of potassium permanganate that was 10 times more potent than what we had originally anticipated for the complete destruction of TCE and its byproducts. The LRA also placed insurance to mitigate these risks associated with the quality of the clean up and the cost of the process. The overall effect was to achieve a cleanup in a shorter period of time, at less cost, that allowed for more immediate development and reduced risk to the community. This small project shows how privatization can be a win-win for the federal government and for the community.

Finally, at Fort McClellan in Anniston, Alabama we're now in the process of applying $48.5 million in federal cleanup funds to a privatized site cleanup that combines the remediation of both hazardous and toxic wastes with the analysis and remediation of munitions and explosives of concern. The fundamental approach involves a partnering agreement between the local redevelopment

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authority, the privatization contractor, state regulators and the Department of the Army to expedite the redevelopment and generate economic activity, reduce the overall costs to remediate the site, manage the risks involved with remediation and to facilitate the regulatory requirements for the new use of the property.

As Ms. Schneider has eloquently expressed, this process has been arduous and at times contentious, but in the long run has been essential for the success of the redevelopment. The original government estimate provided by the federal contractor for the same cleanup at McClellan was between $80 and $120 million, and was to take place over a period of 20 years. We used this early-transfer process, the environmental services cooperative agreement and a coordinated environmental cost study in association with the state-approved cleanup agreement to facilitate less costly cleanup in a privatized fashion that directly coincides with redevelopment.

At McClellan one potential way that we've been able to control risks and increase funds available for cleanup, while remediating the hazards of this site, have been to apply a unique approach involving environmental cleanup in bands of development adjacent to existing infrastructure, where immediate land value may be

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captured and partially used to fund additional cleanup. Once again, this process seeks to leverage cleanup funds from the federal government with private-sector contributions that may be required by the community.

If we apply cleanup funds to a rigorous standard of cleanup by the property reuse for the first, say, 400 feet of development adjacent to a roadway, and then provide physical barriers and land use controls beyond that, finally using deed restrictions in the outer section, we can let the property develop and increase its value and then help to fund additional square footage of cleanup in bandwidths beyond the roadway.

I, too, have developed a list of important considerations over the years, things that we have learned in the redevelopment of these sites. And I'd like to depart and give you some of those here now.

We believe that the next round of BRAC will continue to evolve in a positive fashion, if the tools for processing excess property that we have discussed here continue to be used with an even bigger focus placed on private-sector involvement in the remediation and redevelopment, we will find nothing but success.

There have been many lessons learned from years of work that have gone on toward the cleanup and redevelopment of former military installations. The

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following are just some of the important lessons that we have learned. We use guaranteed fixed-price remediation that controls budgeted dollars and insures their adherence. This way we can achieve remediation at the negotiated price.

Understanding existing environmental conditions of a property through a thorough technical review of existing environmental documentation is critical. We need to perform adequate site characterization. In the past we've found this characterization to be less than adequate, although the Department of Defense has gotten much better at its site characterization.

We need to develop an appropriate reuse plan that accounts for the environmental condition of the property. And it's a two-way street. The reuse plan and the community has to work closely with the contamination that's on the site to make a reuse plan that makes sense.

MR. PRINCIPI: Could you please summarize for us. We're running out of time.

MR. SCHNEPF: Yes, sir. In closing I'd just say that some of these lessons that we've learned are critical and need to be applied on a site-wide basis. David spoke about the negotiations required for a coordinated environmental cost study that details

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pricing, and I think that's critical to the closure of sites, as well.

Mr. Chairman, members of the commission, I appreciate your time for these important discussions, and look forward to answering any questions you may have.

MR. PRINCIPI: Thank you. I have one quick question, then I'll turn the chair over to Admiral Gehman.

Based upon your experience and possible knowledge of the 33 bases slated for closure, is the roughly $950 million estimate realistic to clean up those bases? Do you want to just give me a quick answer, if you could,

Ms. Schneider?

MS. SCHNEIDER: I could not state to whether or not that number is realistic. I don't know.

MR. PRINCIPI: Mr. Schnepf?

MR. SCHNEPF: I'd like to just comment on Mr. Grone's -- I'd like to add to what he had said. I think the process is getting better. The understanding of contamination is getting more contained.

We get into intense negotiations with the Department of Defense when we're doing a privatize cleanup. And we're finding that the information transfer and the sharing of data is resulting in better costing. We're also applying more advanced technologies for cleanup, and

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I think that there's as good a chance on a site-by-site basis to find a reduction in costs if you apply what we're talking about in privatization.

MR. PRINCIPI: Do you think $35 million is an adequate sum to clean up a naval ship yard, nuclear power naval shipyard? Yes or no? (Laughter.)

MR. SCHNEPF: Sir, again, I would have to look at the details of that cleanup.

MR. PRINCIPI: Okay, thank you.

Mr. Knisely.

MR. KNISELY: My sense is is that there's going to have to be some negotiation between existing use, or current use, and planned use. And although I think existing technologies and other innovations may reduce the costs, that will probably increase the costs. And there will have to be some balance there, because that negotiation will take place and current use won't always be the use going forward.

MR. PRINCIPI: Thank you very much.

Admiral Gehman.

ADM. GEHMAN: Thank you.

For my colleagues, in the interest of time, I'm going to ask -- I'm going to go around and ask everybody to ask one question. And then we'll go around -- if you've got more questions, we'll come back to you.

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Commissioner Coyle.

MR. COYLE: Thank you, Mr. Chairman.

Thank you all for your testimony.

Ms. Schneider, you said that federal policies must focus on economic recovery first and not the financial return to DOD. Some people would say just the opposite, that the military should benefit from the sale of these properties and not just give them away. And in fact, in your testimony you gave an example where the Army did give Fort McClellan away and the economic development still has not gone well.

So my question is: Wouldn't the incentives for economic development work better the other way around? If, say, the Army or the Navy, the Air Force were going to benefit from the sale of a property, wouldn't they have a stronger incentive in order to get the whole thing done?

MS. SCHNEIDER: Wouldn't they have a stronger incentive?

MR. COYLE: Yes. If they don't get anything until they clean it up, mightn't they clean it up faster than if they're never going to get anything anyway?

MS. SCHNEIDER: I think the difficulty there lies with their understanding of the end use of the property. There is always a difference in what they believe is

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going to be the best end use for the market versus what we as the community believe is the best end use of the property.

And regarding getting the property for free: Had McClellan not been the beneficiary of the No-Cost Economic Development Conveyance, we would not be where we are today, sir, with 2,800 new jobs sitting at McClellan. That was a real benefit for our community. We are more of a rural community. And being in that location and not having access to an urban environment, that was a real benefit for us to be able to jump right into marketing the property and not have the cost of having to pay for the base, especially with the environmental issues that we have to face at McClellan, with so much of our land being impacted by unexploded ordnance.

MR. COYLE: Thank you.

ADM. GEHMAN: Do you want to comment on that, Mr. Knisely?

MR. KNISELY: Certainly. I do think -- well, I'll say two things.

The first is I think DOD now, independent of how they dispose of the property, whether they use public sale, EDC, are much more motivated to get rid of the property, get property off their books. They don't want

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the carrying cost. That's a good thing for communities because obviously communities need to get the property.

The second comment I'd make -- and Mr. Grone raised the Roosevelt Roads issue, which I've been involved in that redevelopment -- it wasn't -- it was actually a good exercise for the Commonwealth of Puerto Rico to go through to say okay, what makes sense? Does anything make sense here for public sale? What are the public uses? Big airport there, nice port provision. And we went through a process of analyzing what made sense for the commonwealth, taking certainly into consideration what made sense for the Navy. Came to I think a hybrid model that works for the commonwealth because the commonwealth will get its airport, which is needed; get its port, which is needed, which supports the value of the property; have some public sale done on property that makes sense for private development, and then lots of conservation areas being conveyed as conservation area.

So you know, I think there's a way to put it through that screen. I mean, I think it's naive to think you can -- well, okay, we're going to public sale -- you know, we're going to do by public sale a lot of these facilities. But there may be lots of facilities where a hybrid model works. There will be some where perhaps the whole base could be in certain market areas, in others

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where public sale won't work at all. But it's not a bad exercise to go through.

MR. COYLE: Thank you.

ADM. GEHMAN: Mr. Bilbray?

MR. BILBRAY: I have no questions.

ADM. GEHMAN: Okay, thank you very much.

Mr. Hansen.

MR. HANSEN: Let me just say this, Mr. Kinsley (sic). You brought out the idea -- I think you said that the best thing they could do was get the property transfer quickly. That would be the best idea.

MR. KNISELY: Yes.

MR. HANSEN: I've seen 11 congressional hearings on why it takes so long for the United States government to transfer, to sell, to swap. And the average time, if you ever got it down, was between 12 and 15 years. Because there's no profit motive, so it just doesn't happen. So finally, Congress started a thing where they took a plan and had every state tell them what they needed, and they would transfer it in an omnibus bill.

And that's the only way it got done. And if you happen to know a way to cut through that morass, I think that 535 members of Congress would be eternally grateful to you -- (laughter) -- because it just doesn't happen.

It's like an EIS; it took years and years, and finally I

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think it was Senator Frank Moss put in legislation that said it had to be done in certain time limits to get it done. But it's a great idea. I commend you for the idea, but I don't know how you bring it about.

Thank you, Mr. Chairman.

ADM. GEHMAN: Commissioner Newton.

GEN. NEWTON: Just one quick question. Clearly this is a very difficult and emotional problem and issue. Is there any one group or individual or firm that might -- would have what I would call a generic process that can best balance all of these interests that would be involved that could help both government and communities -- in other words a guide that communities and government could use to help get them through this process faster than what we have experienced in the recent past?

MS. SCHNEIDER: I certainly think ADC, which is the organization, the Association of Defense Communities, that I represent -- that's what we are doing, and we're trying to help the communities prepare that are going to be impacted.

GEN. NEWTON: That leads me to a follow-on question quickly. Is this a document that both government and communities have bought into, or is this a document that's clearly only developed by your organization?

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MS. SCHNEIDER: We are -- we're going to be going out into the communities and we have forums that we'll be presenting across the country that communities can attend.

GEN. NEWTON: Okay. Thanks.

ADM. GEHMAN: Commissioner Skinner. (No audible reply.) Nope.

Commissioner Turner.

GEN. TURNER: Thank you. Thank you.

Mr. Knisely, you mentioned the environmental insurance.

MR. KNISELY: Yes.

GEN. TURNER: What is the premium based on? Is it estimated cost of cleanup, or how do you -

MR. KNISELY: I'll let Mr. Schnepf answer that.

MR. SCHNEPF: Commissioner, it is an intricate and difficult question to answer because, again, it's going to come down to site by site. However, we've worked on a number of placements of insurance, both pollution, legal liability and cost-cap insurance. And what happens is is they take the three data points or three sets of data that are created -- the insurance agency does, does their own thorough review of that. Sometimes they'll even go and do site investigations after they've reviewed the Department of Defense data, the local redevelopment

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authorities' environmental consultants' data, and they may even go out and take additional samples or look at data that they find suspicious on site before they'll even talk to you about what the premiums might be for the risks that you're asking them to assume.

I find it interesting that they've even been very open to placing insurance on MEC sites where explosives and munitions are very concerning to the community and obviously the Department of Defense. But we're able to place insurance even on difficult problems like that. The insurance community is definitely in the risk business. And they make their money through making good estimates of premium. And they do study the problem with us.

GEN. TURNER: All right. Thank you very much.

ADM. GEHMAN: Thank you all.

I have a question. It's kind of a hypothetical question, and I would understand if you want to duck it. But from the communities' point of view, you have listed a number of measures which would improve the process and make the process more efficient and things like that. But if you were to take your list of recommendations and improvements and take the reverse situation -- that is those improvements that are not possible or couldn't be done or the Department of Defense won't do it or

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something like that -- you could come up with, it would seem to me, a formula for a situation in which the Department of Defense, as a good neighbor, as a custodian of land and property and things like that, that you could come up with a formula in which the Department of Defense ought to hold on to a piece of property. In other words, the best economic, environmental, good-neighbor, good-citizenship, good-government decision might be that even though the Department of Defense doesn't want to operate it as a base anymore, they still -- they ought to own the thing. I mean, they shouldn't be able to just give it -- you know, get rid of it.

Can you -- has that ever occurred to you? And could you envision a situation -- you know, you take some of the most awful cases where a base was closed in '99 or -- I mean in '91 or something like that and is still not off the rolls -- in retrospective are there a set of conditions you could envision which this commission ought to view that this is such an impossible situation that if the DOD owns this thing they ought to be made to just keep on owning it? And do you want to comment on that?

MS. SCHNEIDER: I will indicate that in my testimony I do talk about the fact that the communities need to be realistic when it comes to environmental planning and that there are -- and there may be cases on certain bases

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where the environmental issues are such that there is not the money to clean a particular site up on that base. And they need to be able to say we're not going to clean this section of this base up. You have to be realistic about your planning in that case.

And in my case, what I say at McClellan is: We're going to put a fence around this piece of property, and it's going to be passive recreation and the bugs and bunnies are going to run around on it, and we're just going to look at it, and it's going to be an open space for the rest of our lives. I think that's realistic and that's working together with the services on a piece of property. And as a planner, I have to do that. And I guess I think the commission needs to consider that.

I personally do not know of a base where you should write that particular base off; maybe my colleagues do, but I do not. But I have done that at McClellan.

ADM. GEHMAN: Mr. Schnepf.

MR. SCHNEPF: Yeah, I'd like to comment. I believe that there's an inherent problem that's been discussed today related to urban-centered bases and rural bases. And if you look at the problems that have been encountered -- and I could name some of them -- Pueblo Chemical Depot, for example, where it was an '88 round of closure, and it took -- and it's still not quite

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complete. The partnership between the Department of Defense and their commitment to clean it with the community has been good. The private sector has been invigorated to help solve the problem because the Department of Defense has provided funding and the profit motive has been, you know, put in play.

In places where they're extraordinarily rural and there are less opportunities for investment by the private sector, I think that there could be a case where it might make sense to extend the time period for closure and cleanup or even put the base -- you know, let it lay fallow and protect it from encroachment. But those cases would be, again, on probably a very rural location and probably in a place where there's not a lot of economic activity.

MR. KNISELY: I guess I would say, if I were a commissioner -- I don't know all of your legal authorities. I do closure; I don't get involved in these decisions, and these are tough decisions.

I could certainly envision a case where you have a base in a very rural area that had a very difficult, environmentally challenging mission; the jobs were critical. I could certainly see considering -- I mean, I hate to see any base mothballed, because then you really hurt the community and, you know, no chance for

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redevelopment and the jobs are gone. But I could certainly see making the decision of keeping a certain facility open, keeping the jobs in that community, because there's really very little hope that they'll ever be replaced.

I would say in most cases I've dealt with, whether rural or more urban, ultimately, you know, with good work and good planning and good LRAs, the jobs over time are replaced. But there certainly are facilities that I'm aware of and I'm sure you're aware of that there's very little hope. I just say don't mothball them to keep the jobs in the community.

ADM. GEHMAN: Second round, commissioners? All right.

Thank you all, witnesses, very much. Your testimony has been very helpful. It is a very difficult issue for us to deal with, and you have added a lot of information for us. And we appreciate your time.

This hearing is closed. We reconvene I believe at 1:00. Thank you very much.

(End of morning session.)

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