

Headquarters and Support Activities (H&SA) Incorrect Costs and Savings

DOD Recommendation: Consolidate Defense Information Systems Agency and Establish Joint C4ISR D&A Capability, Relocate Army Headquarters and Field Operating Agencies, Collocate Missile and Space Defense Agencies, Consolidate Army Test and Evaluation Command (ATEC) Headquarters, Collocate Miscellaneous Army Leased Locations, Relocate Miscellaneous Department of Navy Leased Locations, Collocate Defense/Military Department Adjudication Activities, Collocate Miscellaneous Air Force Leased Locations and National Guard, Headquarters Leased Locations, etc...

Justification: Vacate leased office space and reduce DOD presence in the NCR.

Payback: Various

Economic Impact: Various

Community Infrastructure Assessment: Various

Environmental Impact: Various

Substantial Deviation: Incorrect Costs and Savings

In their report to Congress, the Government Accountability Office identified a number of concerns with the costs and savings that the H&SA JCSG used in estimating savings associated with BRAC recommendations. The GAO and the DOD Inspector General identified two particular areas of concern, one time savings associated with vacating leased office space and consistency in rounding to estimate personnel savings. According to the GAO, corrections made in this data would reduce the net present value savings would be reduced by \$268 million as a whole, and for one recommendation, it would result in a net cost over the 20 years.

The Government Accountability Office also determined that 92 percent of the annual recurring savings would result from personnel reductions and the elimination of lease payments.

The GAO suggested that the Commission more carefully review these recommendations and the analysis that accompanied them since they are so dependent upon personnel savings and lease costs that have been called into question.

For example, contrary to the service a the certifying authority, the leadership of the H&SA group decided to impose a 7 percent personnel elimination based on expected economies of scale from co-locating the command with one of its major subordinate activities. Since the Army and not the group leadership will ultimately have to staff and operate the Army Materiel Command, their assessment is probably more accurate and the 7 percent personnel reduction should not have been imposed.

The GAO also questioned the assumed AT/FP costs associated with all leased buildings since these were not based on actual data that could have been collected. The H&SA JCSG applied a one-time arbitrary savings of over \$28 per square foot of leased space as a future cost avoidance, ignoring the Department's criteria that force protection/antiterrorism measure would not need to be implemented for leased where DOD personnel occupy less than 25% of the total building. In some cases, such as the Joint Forces Command in Suffolk, Virginia, or the Navy human resource service center at the Stennis Space Center, would be minimal at best since they are already

located in secure facilities.

In the five recommendations focusing on leased space the H&SA JCSG also derived substantial savings from a questionable assumption of the amount of square footage of new military construction required to compensate for vacating leased office space. For example, the recommendation to relocate miscellaneous Air Force and National Guard Bureau leased space to Andrews Air Force Base and the Arlington Hall would result in the reduction of 532,000 leased gross square feet. Yet, the costs of new construction in the recommendation proposes to construct 358,485 of gross square feet. The capacity analysis for Arlington Hall reveals an existing deficit of 61,815 square feet, while Andrews AFB has a surplus of 42,019 square feet. Neither the COBRA footnotes nor the proposed reduction in military personnel and contractors can justify the reduced square footage required to support the recommendation

Also, the H&SA JCSG did not use certified data to estimate the savings to be gained by vacating leased office space. Although initial data calls attempted to gather the costs associated with leased space, this information was eventually abandoned and replaced with an arbitrary cost per square foot expected to be incurred in future leases. No attempts were made to determine the conditions of the leases to be affected, expiration dates, and current usage, in contrast with other military departments and JCSG's which incorporated actual lease costs and supporting costs into their analysis. In certain cases, savings were taken as part of the BRAC recommendation for personnel previously planned to return to the Pentagon upon completion of renovations.

Furthermore, contrary to the BRAC law, the H&SA also failed to include the costs associated with lease payments that the General Services Administration will be responsible for after DOD entities vacate the space.

According to the GAO, *"after the final recommendations were released to the BRAC Commission, the group found errors in some recommendations, affecting one-time estimated savings and other costs and savings, which were still in the process of being corrected"* at the time that GAO issued its report.

There is also a problem associated with the savings that are assumed by the movement of miscellaneous Air Force activities from leased space to Andrews Air Force Base. The report outlining the Secretary's recommendations state that there is a one year payback and a \$30.8 million annual savings after implementation. However, the minutes of the meeting on this subject that was held January 13, 2005, state that there is a 100 + year payback and an annual savings of only \$0.7 million. What happened to dramatically change the numbers. The Department packaged this recommendation with an unrelated National Guard recommendation that did achieve savings. Would it not have been a wiser course of action, one that would save more money for the American taxpayer, to just move the National Guard function and leave the Air Force activities where they are? This would have been the prudent course of action if the legislated criteria to achieve savings were used in making the decision. However, since it was the OSD "imperative" to vacate leased office that was driving the decision, the DOD officials sought to manipulate the data by packaging them together in a way to achieve savings, but of a smaller scale.

Was this the result of “gaming” the numbers as is asserted in the minutes of the H&SA meeting on February 24, 2005 where, as a result of the decision by the Chief of the Army Reserve to approve an increase from 7% to 20% personnel savings associated with moving the Army Reserve Command to Fort Detrick, “*members express concern that people are beginning to do some gaming with the numbers now and they intend to make the ISG aware.*” Perhaps. Since 32% of BRAC savings are to be achieved through personnel reductions, and since it is difficult to demonstrate that the assumed savings from personnel will ever be achieved. The proposed savings must be called into question.

It must also be remembered that in the case where military value is associated with the people, any savings from the loss of people would also result in a lower military value. You may remember the comments that the representative from the Missile Defense Agency made at the briefing to Secretary Principi in the Commission offices. He and the other technical commands (DARPA, ONR, DISA, etc...) stated that they would lose people and risk mission. Military value was given the highest priority in law. In the case of the activities in these leased office spaces, whether it is DARPA, ONR, DISA, MDA or many of the others, the military value is provided by the people. As you and I have all heard, many of these people have no intention of moving and will simply seek other jobs. DOD itself acknowledges this in their savings analysis. However, these people cannot be easily replaced. They have advanced degrees and as you know, it is difficult to hire people of that caliber and even harder to hire those who can get a clearance. Even if they can get a clearance, the current backlog is 328,913 people awaiting clearance that will take years. Rather than advance military value, these savings would dramatically hinder it.

The failure to use accurate, certified data, and the failure to include costs that would be incurred by other federal agencies as a result of the recommendations was a substantial deviation and calls into question all of the assumed savings resulting from the H&SA groups recommendations to vacate leased space.