

**GAO**

**Statement Before the Defense Base  
Closure and Realignment Commission**

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**MILITARY BASES**

**Observations on DOD's  
2005 Base Realignment and  
Closure Selection Process  
and Recommendations**

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# GAO

Accountability, Integrity, Reliability

## Highlights

Highlights of GAO-05-905, a statement before the Defense Base Closure and Realignment Commission

### Why GAO Did This Study

On May 13, 2005, the Department of Defense (DOD) submitted 222 base realignment and closure (BRAC) recommendations, involving an unprecedented 897 BRAC actions, to the Defense Base Closure and Realignment Commission for its review. DOD expects the proposals, if approved, would generate net annual recurring savings of about \$5.5 billion beginning in fiscal year 2012 and net savings of nearly \$50 billion over a 20-year period, despite an expected cost of over \$24 billion to implement the recommendations. The Commission is charged with reviewing these proposals and submitting its own list to the President by September 8, 2005. The Commission requested GAO to provide testimony before the Commission summarizing the results of its report, issued on July 1, 2005, on the 2005 BRAC process. This statement presents GAO views on (1) whether DOD's selection process in developing BRAC actions was logical and reasoned, (2) selected issues regarding the recommendations, and (3) certain challenges associated with implementing the BRAC recommendations, if approved.

### What GAO Recommends

GAO is not making new recommendations in this statement. However, in its July 1, 2005 report on the BRAC process (GAO-05-785), GAO recommended that DOD establish mechanisms for tracking and updating BRAC savings estimates. DOD agreed.

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## MILITARY BASES

### Observations on DOD's 2005 Base Realignment and Closure Selection Process and Recommendations

#### What GAO Found

DOD established and generally followed a logical and reasoned process for assessing its bases and considering potential BRAC actions. The process was organized in a largely sequential manner with an emphasis on ensuring that reliable data were obtained and used, with special audit assistance from military service audit agencies and the DOD Inspector General. Despite some overlap in data collection and other phases of the process, the three military departments and seven joint cross-service groups generally followed the sequential BRAC process to evaluate facilities and functions, and identify recommendations in their respective areas. DOD's analytical process also addressed requirements of the BRAC legislation regarding the certification of data, basing its analysis on its 20-year force structure plan and emphasizing use of military value criteria as a primary basis for decision making—including consideration of such facets as homeland defense and surge capabilities—which the Congress added for emphasis in 2005.

GAO did, however, identify a number of issues with the proposed recommendations that may warrant attention by the BRAC Commission. For example, while GAO believes savings could be achieved from DOD's proposals, there are certain limitations associated with the magnitude of the savings projected by DOD. About 47 percent, or \$2.5 billion of DOD's projected net annual recurring savings is associated with eliminating jobs currently held by military personnel. However, rather than reducing end-strength, DOD indicates the positions are expected to be reassigned to other areas, which may enhance capabilities but also reduce or eliminate dollar savings available for other uses. Sizeable savings are also projected from efficiency measures and other actions related to a variety of recommendations, but underlying assumptions have not been validated and may be difficult to track and achieve over time. GAO also identified many recommendations requiring far longer periods of time for savings to offset the costs associated with implementing the recommendations than was typical in the 1995 BRAC round, raising questions about the cost/benefit ratio of selected recommendations.

There are significant implementation challenges that lie ahead, to the extent proposed recommendations are approved, which could have a bearing on the ultimate savings realized and overall success of the BRAC round. They include the need for (1) transition planning to minimize the adverse impacts on operations, including steps to mitigate the potential loss of specialized human capital skills; (2) mechanisms to monitor implementation of recommendations in line with approved actions, along with mechanisms to ensure the tracking and periodic updating of savings that DOD expects from implementing the recommendations; (3) plans to address and adequately fund environmental restoration of unneeded property in order to expedite property transfer and put property to productive reuse; and (4) assistance for both losing and gaining communities affected by BRAC recommendations, including costs to DOD and other federal agencies.

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Mr. Chairman and Members of the Commission:

I appreciate the opportunity to be here today to provide you with the results of our work on the defense base realignment and closure (BRAC) 2005 selection process and recommendations. First, I would like to commend you, Mr. Chairman, and your fellow Commissioners for undertaking the very important, complex and controversial task of reviewing the Department of Defense's (DOD) list of proposed recommendations and recognizing you have to forward your recommendations to the President in September of this year. I am well aware that your task is especially demanding, given the limited time in which you have to do your work and the broad scope of your responsibilities. However, I would like to point out that your work is of critical importance since, while reasonable people can and will differ on specific recommendations, it is clear that DOD must reduce its excess support infrastructure in order to generate savings for higher priority needs, including the military and business transformation efforts in light of 21<sup>st</sup> century trends and challenges.

We have frequently reported in recent years on the long-term challenges DOD faces in managing its portfolio of facilities, halting degradation of facilities, and reducing unneeded infrastructure to free up funds to better maintain enduring facilities and meet other needs. Because of these long-standing issues, DOD's management of its support infrastructure has been included in our list of high-risk areas since 1997. While the previous four rounds of closures and realignments have helped reduce excess infrastructure and generate savings, DOD's infrastructure costs continue to consume a larger-than-necessary portion of the DOD budget, and as a result, DOD has not been able to devote funds to more critical needs.

While the 2005 BRAC round affords the department an additional opportunity to further reduce infrastructure and generate savings, it will not, in itself, be sufficient to stem the overall rising costs of DOD's operations and much more will need to be done to transform the department. It is critical that DOD continue to search out ways to reduce unnecessary spending and significantly improve its business processes. Further, it must recognize that tough choices need to be made in connection with a variety of initiatives (e.g., weapons systems) and areas (e.g., health care) that are not affordable or sustainable over the longer term, given our large and growing long-term deficits. Moreover, reducing unnecessary defense costs and creating more efficiency within DOD is an important step in addressing the nation's growing fiscal imbalances. Over the long term, the nation's growing fiscal imbalances, if left unchecked, will ultimately impede our economic growth; have an adverse impact on

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our future standard of living; and in due course, affect our ability to address key national and homeland security needs. These factors create the need to make choices at a national level that will only become more difficult the longer they are postponed.

Now, if I could turn your attention to the specifics of the 2005 BRAC round. On May 13, 2005, the Secretary of Defense publicly announced his list of recommended realignment and closure actions. The department's list consists of 222 recommendations involving an unprecedented 837 closure and realignment actions—including 33 major base closures and 30 major realignments, plus numerous other closures and realignments. The department expects that these recommendations, if approved, would generate net annual recurring savings of about \$5.5 billion beginning in fiscal year 2012 and nearly \$50 billion in net present value savings over a 20-year period, despite an up-front expected cost of over \$24 billion to implement those recommended actions. In my testimony today, I will address (1) whether DOD's selection process in developing the recommended actions was logical and reasoned; (2) selected issues regarding the recommendations that the BRAC Commission may wish to consider as part of its analysis of DOD's recommendations; and (3) certain challenges we see in implementing DOD's proposed BRAC recommendations, if they are approved.

To analyze the BRAC selection process and the proposed recommendations, we monitored various aspects of the process as it evolved over time leading up to and following the public release of the Secretary of Defense's recommendations. We sought to assure ourselves that DOD followed a logical, reasoned, and well-documented decision-making process leading to the proposed recommendations. With the approval of the large number of recommendations occurring in the final weeks of the process, the broad scope and complexity of the recommendations, and the limited time available for us to report our results, we generally focused greater attention following the announcement of the proposed closures and realignments on those issues affecting more than one recommendation than on issues pertaining to the implementation of individual recommendations. However, as time permitted, we visited selected installations to better gauge the operational and economic impact of the proposed recommendations. We generally experienced good access to relevant documentation and to key senior officials and staff involved in the BRAC process.

My statement is based primarily on our July 1, 2005, report on the 2005 BRAC selection process and recommendations, which was provided to

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you at that time.<sup>1</sup> Our work was performed in accordance with generally accepted government auditing standards.

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## Summary

DOD's decision-making process for evaluating its facilities and studying potential recommendations was generally logical, well documented, and reasoned, although there were delays in making the supporting data available to the Commission and to the public after the Secretary announced his proposed recommendations on May 13, 2005. DOD established a structured and largely sequential process for obtaining and analyzing data that provided an informed basis for identifying and evaluating BRAC options. At the same time, initial difficulties in obtaining complete and accurate data in a timely manner often added to overlap and varying degrees of concurrency between data collection efforts and other steps in the process. That notwithstanding, DOD's process relied on certified data<sup>2</sup> and the use of various analytical models to evaluate the data. Further, as the military services and joint cross-service groups assessed the importance of installations, facilities, and functions, they were consistent in following the key considerations set forth in the BRAC law—such as military value—although they varied somewhat in their analytical approaches based on unique aspects of the functions being evaluated. As Congress mandated, DOD prepared and considered its 20-year force structure plan in completing its BRAC analysis.<sup>3</sup> Further, DOD focused on the military value selection criteria as the predominant decision-making factor, including legislatively mandated emphasis for this BRAC round on such elements as homeland defense and surge capability. As in previous rounds, military judgment was also interwoven throughout the process. While the effort to ensure the accuracy of the voluminous amounts of data used in the process proved challenging for the services and joint cross-service groups, the DOD Inspector General and the military service audit agencies played key roles in pointing out data limitations, fostering corrections, and improving the accuracy of the data used in the process through their validation efforts, and generally found the data sufficiently reliable to support BRAC decision making.

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<sup>1</sup> GAO, *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, GAO-06-786 (Washington, D.C.: July 1, 2005).

<sup>2</sup> During the BRAC process, data were certified by senior officials at DOD offices and installations. Each official certified that the information was accurate and complete to the best of his or her knowledge and belief.

<sup>3</sup> P.L. 101-510, section 2912(a)(1)(A) required DOD to develop a 20-year force structure plan as the basis for its BRAC analysis.

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While we believe savings could be achieved, there are certain limitations associated with DOD's savings projection. Much of the projected net annual recurring savings (47 percent) is associated with eliminating jobs currently held by military personnel. However, rather than reducing end-strength levels, DOD indicates the positions are expected to be reassigned to other areas, which may enhance capabilities but also reduce or eliminate dollar savings available for other uses. Furthermore, about \$500 million of the net annual recurring savings is based on business process reengineering efforts, but some assumptions supporting the expected efficiency gains have not been validated; while savings are likely to be realized, the precise magnitude of the savings is uncertain. For example, one of DOD's recommendations—to create fleet readiness centers in the Navy by integrating different levels of maintenance to reduce repair time—is estimated to yield \$215 million in net annual recurring savings as a result of overhead efficiencies, but such assumptions have not been validated and actual savings likely will be shaped by how the recommendation is implemented. We have also identified issues regarding lengthy payback periods associated with some proposals, which is the time required to recoup up-front investment costs for closing or realigning a facility or function and vacating lease space. Collectively, the issues we identified suggest the potential for reduced savings that are likely to be realized in the short term during the implementation period, which could further reduce net annual recurring savings realized in the long term. The short-term impact is that these reduced savings could adversely affect DOD's plans for using them to help offset the up-front investment costs required to implement the recommendations and could further reduce or eliminate the amount of dollar savings available for transformation and modernization purposes.

Significant challenges lie ahead for implementing BRAC recommendations that I would like to bring to the Commission's attention—challenges that if not adequately met, could greatly affect how successful the BRAC round will be viewed retrospectively. First, a need exists for proper transition planning to minimize the impact of the loss of specialized human capital skills in implementing recommended actions for ongoing defense operations. For example, if the decision is made to close the Naval Shipyard Portsmouth, Maine, with the expected loss of skilled personnel associated with maintaining nuclear-powered submarines at the shipyard, these skills, which Navy officials stated may take up to 8 years to fully develop, will need to be replicated at other shipyards assuming the future workloads. A similar concern was expressed by Army officials regarding the planned closure of Fort Monmouth, New Jersey. Second, as we previously recommended, DOD needs to establish mechanisms to monitor implementation of the recommendations, including the tracking

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and periodic updating of savings estimates. This was not a routine practice in the previous BRAC rounds. Third, DOD needs to ensure that it has plans to adequately address and fund the environmental restoration of unneeded property in order to expedite property transfer to other users. Our prior work on the previous rounds has shown that environmental restoration constraints have delayed the services from rapidly transferring unneeded property to other users that can put the property to productive reuse. Finally, as has been the practice in previous rounds, there will likely be a need for assistance from various sources for communities losing large numbers of jobs and personnel as a result of BRAC recommendations. This time, assistance will also be needed by communities faced with a significant influx of personnel, if the relevant BRAC recommendations are approved, including costs to DOD and other federal agencies.

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## Background

The legislation authorizing the 2005 BRAC round, enacted as part of the National Defense Authorization Act for Fiscal Year 2002, required DOD to give priority to selection criteria dealing with military value and added elements of specificity to criteria previously used by DOD in prior BRAC rounds.<sup>4</sup> In large measure, the final criteria closely followed the criteria DOD employed in previous rounds, with greater specificity added in some areas, as required by Congress. To ensure that the selection criteria were consistently applied, the Office of the Secretary of Defense (OSD) established a common analytical framework to be used by the three military departments and the seven joint cross-service groups.<sup>5</sup> Each service and group adapted this framework, in varying degrees, to its individual activities and functions in evaluating facilities and functions and identifying closure and realignment options. Despite the diversity of bases and cross-service functions analyzed, each of the groups was expected to first analyze capacity and military value of its respective facilities or functions, and then to identify and evaluate various closure and realignment scenarios and provide specific recommendations. The analysis relied on data calls to obtain certified data to assess such factors as maximum potential capacity, current capacity, current usage, excess capacity, and capacity needed to meet surge requirements.

The military value analysis consisted of assessments of operational and physical characteristics of each installation, or specific functions on an

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<sup>4</sup> P.L. 107-107, Title XXX (Dec. 28, 2001).

<sup>5</sup> The seven joint cross-service groups were Education and Training; Headquarters and Support Activities; Industrial; Intelligence; Medical; Supply and Storage; and Technical.

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installation related to a specific joint cross-service group's area of responsibility. These would include an installation's or function's current and future mission capabilities, physical condition, ability to accommodate future needs, and cost of operations. This analysis also relied on data calls to obtain certified data on the various attributes and metrics used to assess each of the four military value criteria and permit meaningful comparisons between like installations or facilities with reference to the collective military value selection criteria.

The scenario development and analysis phase focused on identifying various realignment and closure scenarios for further analysis. These scenarios were to be derived from consideration of the department's 20-year force structure plan, capacity analysis, military value analysis, and, as appropriate, the exercise of military judgment through consideration of transformational options, applicable guiding principles, objectives, or policy imperatives identified by individual military services or joint cross-service groups.

The BRAC 2005 round is different from previous base closure rounds in terms of number of actions, projected implementation costs, and estimated annual recurring savings. While the number of major closures and realignments is just a little greater than those in individual previous rounds, the number of minor closures and realignments, as shown in table 1, is significantly greater than those in all previous rounds combined.<sup>9</sup> DOD data indicate that over 200,000 military and civilian personnel jobs, exclusive of personnel returning from overseas locations, will be affected by the implementation of the DOD's BRAC recommended actions, if they are approved. Further, it is likely that thousands of contractor personnel will be similarly affected.

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<sup>9</sup> DOD defines a major closure as one where plant replacement value exceeded \$100 million. DOD defines plant replacement value as the cost to replace an existing facility with a facility of the same size at the same location, using today's building standards. DOD defines a major base realignment as one with a net loss of 400 or more military and civilian personnel.

**Table 1: Comparison of BRAC 2005 with Previous Rounds**

Dollars in billions

Round	Major bases			Total actions	Costs	Net annual recurring savings
	Closure	Realignments	Minor closures and realignments			
1988	16	4	23	43	\$2.7	\$0.9
1991	26	17	32	75	5.2	2.0
1993	28	12	123	163	7.6	2.6
1995	27	22	57	106	6.5	1.7
<b>Total (for previous BRAC rounds)</b>	<b>97</b>	<b>55</b>	<b>235</b>	<b>387</b>	<b>\$22.0</b>	<b>\$7.2</b>
<b>Total (for 2005 BRAC round)</b>	<b>33</b>	<b>30</b>	<b>774</b>	<b>837</b>	<b>\$24.4</b>	<b>\$5.5</b>

Source: DOD.

The large increase in minor closures and realignments is attributable partly to actions involving the Army National Guard, Army Reserve, and Air National Guard and vacating leased space.

DOD's projected cost to implement the proposed actions is \$24.4 billion compared to a \$22 billion total from the four previous rounds through 2001, the end of the 6-year implementation period for the 1995 BRAC round.<sup>7</sup> The increase in costs is due partly to significant military construction and moving costs associated with Army recommendations to realign its force structure, and to recommendations to move activities from leased space onto military installations. For example, the Army projects that it will need about \$2.3 billion in military construction funds to build facilities for the troops returning from overseas. Likewise, DOD projects that it will need an additional \$1.3 billion to build facilities for recommendations that include activities being moved from leased space.

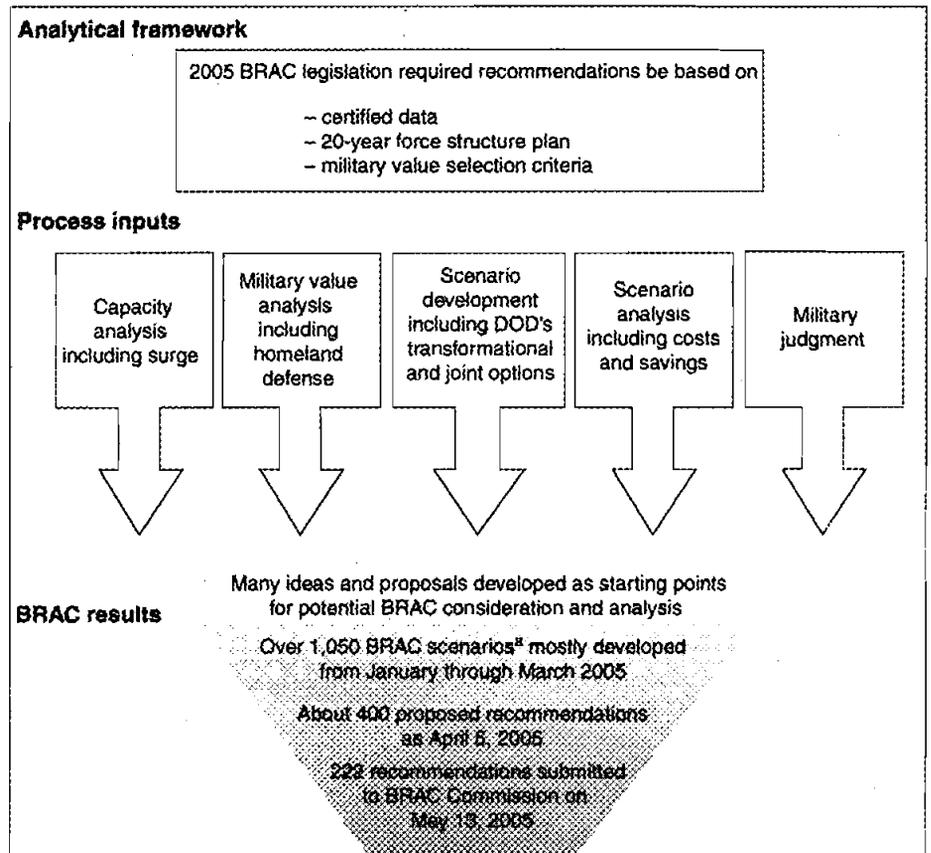
<sup>7</sup> We most recently reported that these costs were \$23.3 billion through fiscal year 2003 and they excluded an estimated \$3.6 billion in costs that are needed to complete environmental cleanup at BRAC bases in future years. Also, they did not include about \$1.9 billion in costs incurred by other DOD and federal agencies to provide assistance to communities and individuals affected by BRAC as a result of prior BRAC rounds. GAO, *Military Base Closures: Updated Status of Prior Base Realignments and Closures*, GAO-05-138 (Washington, D.C.: Jan. 13, 2005).

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## DOD Developed a Generally Logical and Reasoned Process for Making BRAC Decisions

DOD's decision-making process for evaluating its facilities and studying potential recommendations was generally logical, well documented, and reasoned, although there were delays in making the supporting data available to the Commission and to the public after the Secretary announced his proposed recommendations on May 13, 2005. In establishing the framework for the 2005 BRAC round, DOD provided overall policy guidance for the BRAC process, including a requirement that its components develop and implement internal control plans to ensure the accuracy and consistency of their data collection and analyses. These plans also helped to ensure the overall integrity of the process and the information upon which OSD considered each group's recommendations. OSD also established a common analytical framework used by each military department to analyze its service-unique functions and by each of the seven joint cross-service groups to analyze its common business-oriented functions. The military departments and each joint cross-service group adapted this framework, in varying degrees, to its individual activities and functions in evaluating facilities and functions that shaped its analysis. The process began with a set of sequential steps by assessing capacity and military value, developing and analyzing scenarios, then identifying candidate recommendations, which led to the final list of recommendations. Military judgment also played a role throughout the process. Figure 1 illustrates the overall sequential analytical process generally employed to develop BRAC recommendations.

**Figure 1: Analytical Process Leading to BRAC Recommendations**



Source: GAO.

<sup>a</sup>A scenario is a proposal that has been declared for formal analysis by a military department or joint cross-service group deliberative body and is officially accounted for and tracked by the Office of the Secretary of Defense (OSD).

It must be noted, however, that while the process largely followed the sequential process, initial difficulties associated with obtaining complete and accurate data in a timely manner added to overlap and varying degrees of concurrency between data collection efforts and other steps in the process. To assist in the process for analyzing and developing recommendations, the military services and joint cross-service groups used various analytical tools that helped to ensure a more consistent approach to BRAC analysis and decision making. For example, all of the groups used the DOD-approved Cost of Base Realignment Actions

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(COBRA) model to calculate costs, savings, and return on investment for BRAC scenarios and, ultimately, for the final 222 BRAC recommendations. DOD has used the COBRA model in each of the previous BRAC rounds and, over time, has improved upon its design to provide better estimating capability. In our past and current reviews of the COBRA model, we found it to be a generally reasonable estimator for comparing potential costs and savings among various BRAC options.

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### BRAC Process Incorporated Key Legislative Requirements

The BRAC process follows a historical analytical framework with many elements of the process being carried forward or building upon lessons learned from previous rounds. For example, the selection process essentially followed a framework similar to that employed in previous BRAC rounds, with more specificity in selected military value areas like surge and homeland defense as required by Congress. At the same time, DOD incorporated into its analytical process other legal considerations for formulating its realignment and closure recommendations. As required by BRAC legislation, DOD certified the data used in the selection process and based its recommendations on the congressional specified selection criteria, its 20-year force structure plan, and gave priority consideration to the military value criteria.

DOD collected capacity and military value data that were certified as to their accuracy by hundreds of persons in senior leadership positions across the country.<sup>8</sup> These certified data were obtained from corporate databases and from hundreds of defense installations. In total, DOD projects that it collected over 25 million pieces of data as part of the BRAC process.<sup>9</sup> Given the extensive volume of requested data from the 10 separate groups (3 military departments and 7 joint cross-service groups), we noted that the data collection process was quite lengthy and required significant efforts to help ensure data accuracy. In some cases, coordinating data requests, clarifying questions and answers, controlling database entries, and other issues led to delays in the data-driven analysis DOD originally envisioned. As such, some groups had to develop strategy-based proposals. As time progressed, however, these groups reported that they obtained the needed data, for the most part, to inform and support their scenarios. At the same time, because of data limitations, a few of the

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<sup>8</sup> Each official who submitted data for BRAC analysis certified that the information was accurate and complete to the best of his or her knowledge and belief.

<sup>9</sup> Noted by the Secretary of Defense in his testimony before the BRAC Commission on May 16, 2005.

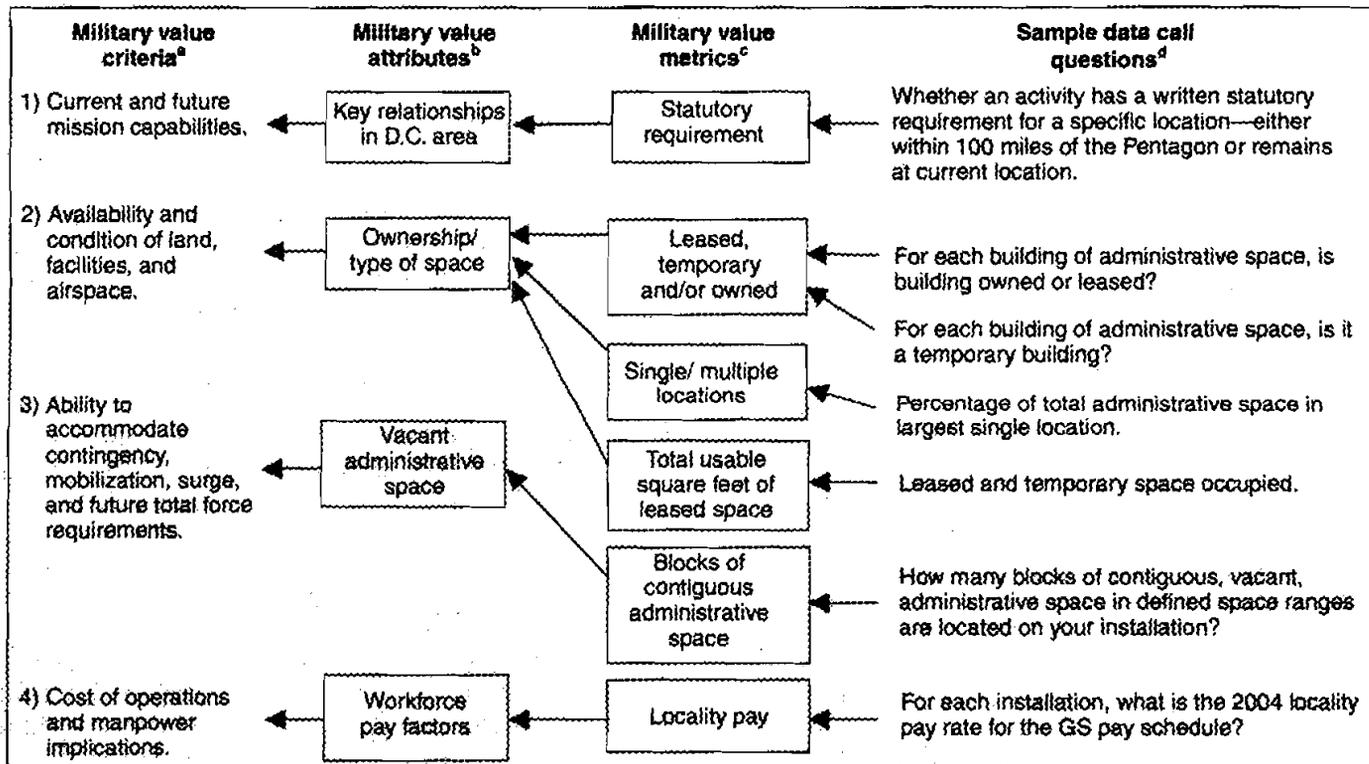
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joint cross-service groups relied on some data from commercially available databases to support their decision making. While it was difficult for these data to be validated in a fashion similar to most other DOD collected-data, the data came from widely used databases and were approved by the chairs of the relevant joint cross-service groups.

Each of the military services and the seven joint cross-service groups considered DOD's 20-year force structure plan in its analysis. DOD based its force structure plan for BRAC purposes on an assessment of probable threats to national security during a 20-year period beginning with fiscal year 2005. DOD provided this plan to Congress in March 2004, and as authorized by the statute, it subsequently updated it 1 year later in March 2005. Based on our analysis, updates to the force structure affected some ongoing BRAC analyses. For example, the Industrial Joint Cross-Service Group reassessed its data pertaining to overhauling and repairing ships based on the updated force structure and decided that one of its two smaller shipyards—Naval Shipyard Pearl Harbor or Naval Shipyard Portsmouth—could close. However, as you know, much debate continues over the size of the Navy's future force structure.

DOD gave primary consideration to its military value selection criteria in its process. Specifically, military value refers to the first four selection criteria: an installation's current and future mission capabilities, condition, ability to accommodate future needs, and cost of operations. The manner in which each military service or joint cross-service group approached its analysis of military value varied according to the unique aspects of the individual service or cross-service function. These groups typically assessed military value by identifying multiple attributes or characteristics related to each military value criterion, then identifying qualitative metrics and measures and associated questions to collect data to support the overall military value analysis. For example, figure 2 illustrates how the Headquarters and Support Activities Joint Cross-Service Group linked several of its military value attributes, metrics, and data questions to the mandated military value criteria.

**Figure 2: Selected Attributes, Metrics, and Data Questions Used to Assess Military Value for Major Administrative and Headquarters Activities**



Source: GAO analysis of Headquarters and Support Activities Joint Cross-Service Group data.

<sup>a</sup> The BRAC military value criteria are the first four BRAC selection criteria.

<sup>b</sup> Military value attributes are characteristics of each criterion. The major administrative and headquarters activities subgroup used a total of 14 military value attributes.

<sup>c</sup> Military value metrics are measures for the attributes. The major administrative and headquarters activities subgroup used a total of 20 military value metrics.

<sup>d</sup> The major administrative and headquarters activities subgroup used a total of 31 data call questions.

Based on congressional direction, there was enhanced emphasis on two aspects of military value—an installation’s ability to serve as a staging area for homeland defense missions and its ability to meet unanticipated

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surge.<sup>10</sup> Each military department considered homeland defense roles in its BRAC analysis and coordinated with the U.S. Northern Command—a unified command responsible for homeland defense and civil support. Our analysis shows that all three military departments considered homeland defense needs, with the Air Force recommendations having the most impact. According to Air Force officials, the U.S. Northern Command identified specific homeland defense missions assigned to the Air Force, which it incorporated into its decision-making process. Navy officials likewise discussed the impact of potential BRAC scenarios on the Navy's maritime homeland defense mission with U.S. Northern Command, U.S. Strategic Command, and the U.S. Coast Guard. In this regard, for example, the Navy decision to retain Naval Air Station Point Mugu, California, was influenced, in part, because the U.S. Coast Guard wanted to consolidate its West Coast aviation assets at this installation for homeland defense purposes. According to Army officials, most of the Army's role in supporting homeland defense is carried out by the Army National Guard. The U.S. Northern Command reviewed the recommendations and found no unacceptable risk to the homeland defense mission and support to civil authorities.

DOD left it to each military service and joint cross-service group to determine how surge would be considered in its analysis. Generally, all the groups considered surge by retaining a certain percentage of infrastructure, making more frequent use of existing infrastructure, or retaining difficult-to-reconstitute assets. For example, the Technical Joint Cross-Service Group set aside 10 percent of its facility infrastructure for surge, while the Industrial Joint Cross-Service Group factored additional work shifts in its analysis. The military services retained difficult-to-reconstitute assets as the primary driver to satisfying the statutory requirement to consider surge capability. Both the Army and Navy gave strong consideration to infrastructure that would be difficult to reconstitute, such as large tracts of land for maneuver training purposes or berthing space for docking ships. For example, the Navy has a finite number of ships and aircraft and would likely have to increase operating tempo to meet surge needs. The Air Force addressed surge by retaining sufficient capacity to absorb temporary increases in operations, such as responding to emergencies or natural catastrophic events like hurricane damage, and the capacity to permanently relocate all of its aircraft stationed overseas in the United States if needed.

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<sup>10</sup> Homeland defense and surge considerations are in the military value selection criteria 2 and 3, respectively, as reflected in P.L. 101-510, section 2913(b)(2)&(3).

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As noted earlier, the BRAC process used in 2005 followed a historical analytical framework with many elements of the process being carried forward or building upon lessons learned from previous rounds. We have noted previously in examining lessons learned from prior BRAC rounds the general agreement that this framework has served the BRAC decision-making process well, even as improvements were made to the process for each BRAC round.<sup>11</sup> If future BRAC rounds are held, as suggested by the Secretary of Defense in transmitting his 2005 BRAC recommendations to the Commission, we believe it will be important to document lessons learned from this round to determine what actions might be needed to strengthen the process for the future. We believe that will be especially important given the broad range of realignment actions proposed for this BRAC round, compared with previous rounds.

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### **DOD Audit Agencies Helped to Improve the Accuracy of Data Used during the BRAC Process**

The DOD Inspector General and the services' audit agencies played an important role in ensuring that the data used in the BRAC analyses were accurate and certified by cognizant senior officials. Through extensive audits of the capacity, military value, and scenario data collected from field activities, these audit agencies notified various BRAC teams of data discrepancies for corrective action. The audit activities included validation of data, compliance with data certification requirements employed throughout the chain of command, and examination of the accuracy of the analytical data. While the auditors initially encountered problems with regard to data accuracy and the lack of supporting documentation for certain questions and data elements, most of these concerns were resolved. In addition, the auditors worked to ensure certified information was used for BRAC analysis. These audit agencies also reviewed other facets of the process, including the various internal control plans, the COBRA model, and other modeling and analytical tools that were used in the development of recommendations.

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### **Issues Related to DOD's Recommendations**

We identified issues regarding various DOD's recommendations that may warrant further attention by the BRAC Commission. The issues we are highlighting in this statement relate to cost and savings estimates, lengthy payback periods for many recommendations, and efforts to move DOD organizations out of leased space onto military bases. Other issues are further discussed in our July 1, 2005, report on the 2005 BRAC process.

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<sup>11</sup> GAO, *Military Bases: Lessons Learned From Prior Base Closure Rounds*, NSIAD-97-151 (Washington D.C.: July 25, 1997).

## Issues Related to Projected Savings

DOD projects that its proposed recommendations will produce nearly \$50 billion in 20-year net present value savings, with net annual recurring savings of about \$5.5 billion. While we believe the 2005 BRAC process could produce savings for DOD, we must emphasize that the majority of the projected savings are related to a small percentage of the recommendations (see app. I). Also, a large portion of projected savings are related to military personnel reductions but the lack of planned end-strength reductions reduces dollar savings available for other purposes. Also, we believe there is uncertainty regarding the magnitude of savings likely to be realized in other areas, given unvalidated assumptions regarding expected efficiency gains from business process reengineering efforts and projected savings from sustainment, recapitalization, and base operating support.<sup>12</sup> Table 2 summarizes the projected one-time cost, the cost or savings anticipated during the 6-year implementation period for the closure or realignment, the estimated net annual recurring savings, and the projected 20-year net present value cost or savings of DOD's recommendations.<sup>13</sup>

**Table 2: Projected Costs and Savings from BRAC 2005 Recommendations**

Fiscal year 2005 constant dollars in millions

DOD component	One-time (cost)	Net implementation (cost) or savings	Net annual recurring (cost) or savings <sup>a</sup>	20-year net present value (cost) or savings <sup>b</sup>
Army	(\$9,963.4)	(\$8,519.1)	\$497.6	(\$3,038.6)
Navy	(2,099.8)	440.7	753.5	7,713.7
Air Force	(1,883.1)	2,635.5	1,248.5	14,560.3
Joint cross-service groups	(10,466.1)	1,372.8	2,985.1	29,569.1
<b>Total</b>	<b>(\$24,412.4)</b>	<b>(\$4,070.1)</b>	<b>\$5,484.7</b>	<b>\$48,804.5</b>

Source: GAO analysis of DOD data.

<sup>12</sup> Sustainment refers to recurring maintenance and repair activities necessary to keep facilities in good working order. Recapitalization refers to major renovation or reconstruction activities (including facility replacement) needed to keep facilities modern and efficient in an environment of changing standards and missions. Base operating support refers to a collection of day-to-day programs, activities, and services, such as food services, grounds maintenance, and custodial services, needed to keep the bases and installations in running order.

<sup>13</sup> These projections exclude environmental restoration costs, which historically have not been included in BRAC costs and savings analyses because restoration is a liability that exists regardless of whether a base is closed, but are included in implementation budgets once BRAC recommendations have become binding.

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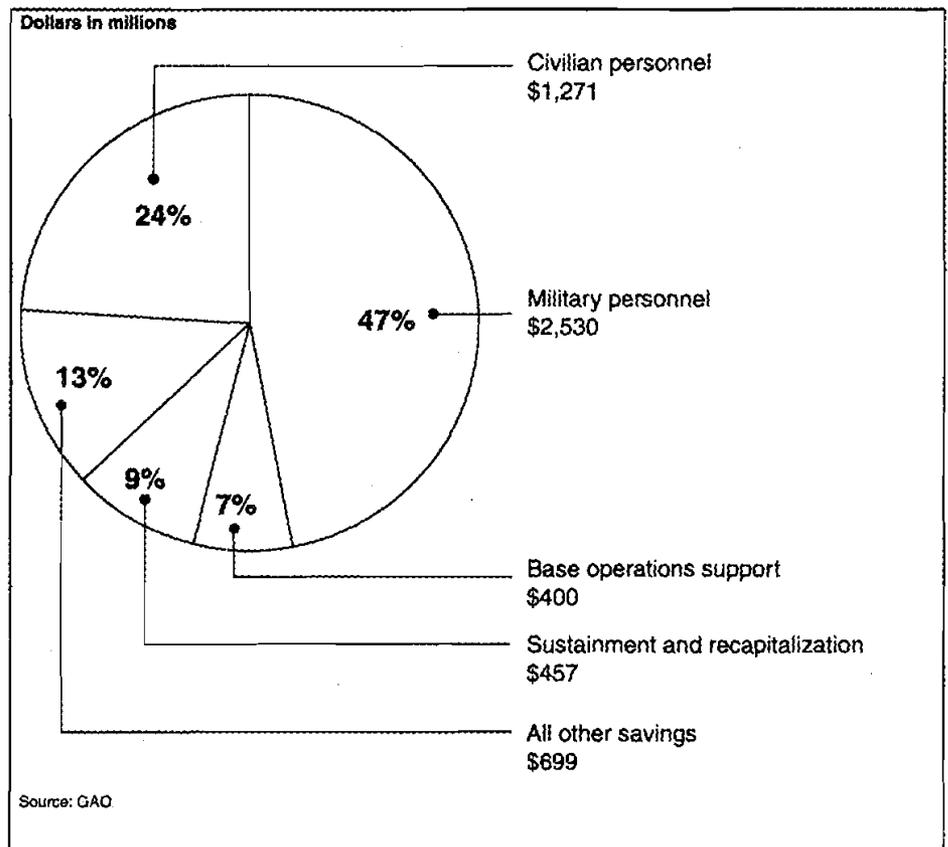
\*Projected annual recurring savings after the 6-year implementation period.

\*DOD used a 2.8 percent discount rate to calculate net present value.

Table 2 also shows the Navy, Air Force, and joint cross-service groups all projecting net savings within the 6-year implementation period, as well as significant 20-year net savings. In contrast, because of the nature of the Army's proposed actions and costs, such as providing infrastructure for troops returning from overseas and the consolidation and recapitalization of reserve facilities, the Army does not achieve net savings either during the implementation period or within 20 years.

As figure 3 shows, 47 percent of the net annual recurring savings can be attributed to projected military personnel reductions. About 40 percent (\$2.1 billion) of the projected net annual recurring savings can be attributed to savings from operation and maintenance activities, which include terminating or reducing property sustainment and recapitalization, base operating support, and civilian payroll.

**Figure 3: Estimated Net Annual Recurring Savings**



Note: Analysis does not include data from one classified recommendation.

Furthermore, about \$500 million of the “other” savings is based on business process reengineering efforts, but some of the assumptions supporting the expected efficiency gains have not been validated. Also, a significant portion of the projected savings involving sustainment and recapitalization is for space being vacated as functions and activities are moved from one base to another. However, in various instances, plans for the vacated space are uncertain as is the magnitude of the projected savings.

### Military Personnel Savings

Much of the projected net annual recurring savings (47 percent) is associated with eliminating positions currently held by military personnel; but end-strength levels will not be reduced as DOD indicates the positions are expected to be reassigned to other areas. Without reducing end-strength levels, there are no dollar savings from military personnel that

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can be applied elsewhere. At best, these freed-up resources could be viewed as a cost avoidance, if the resources are redeployed to an area of need and, as a result help offset any expected congressional action to otherwise authorize an increase in end-strength. On the other hand, if an increase in end-strength is not planned and you are simply redirecting the freed-up resources to another area of need, it could be viewed as enhancing capabilities and achieving more effective utilization of your personnel resources, not dollar savings.

For example, although the Air Force projects net annual recurring savings of about \$732 million from eliminating about 10,200 military positions, Air Force officials stated the active duty positions will be reassigned to relieve stress on high demand career fields and the reserve positions to new missions yet to be identified. Likewise, the Army is projecting savings from eliminating about 5,800 military positions, but it has no plans to reduce its end strength. Finally, the Navy is projecting it will eliminate about 4,000 active duty military positions, which a Navy official noted will help it achieve the end-strength reductions already planned. As we noted during our review of DOD's process during the 1995 BRAC round, since these personnel will be assigned elsewhere rather than taken out of the force structure, they do not represent dollar savings that can be readily reallocated outside the personnel accounts.<sup>14</sup> Not recognizing that these are not dollar savings that can be readily applied elsewhere could create a false sense of savings available for use in other areas traditionally cited as beneficiaries of BRAC savings, such as making more funds available for modernization and better maintenance of remaining facilities.

### Sustainment, Recapitalization, and Base Operating Support Savings

DOD is also projecting savings from the sustainment and recapitalization of facilities that are scheduled to be demolished, as well as from facilities that might remain in DOD's real property inventory when activities are realigned from one base to another. For example, the Industrial Joint Cross-Service Group is claiming about \$20 million in annual recurring savings from the recapitalization of facilities at installations responsible for destroying chemical weapons at three locations recommended for closure.<sup>15</sup> However, the Army had already expected to demolish these chemical destruction facilities upon completing the destruction of the chemical weapons at each site and the Army has not identified future

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<sup>14</sup> GAO, *Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment*, GAO/NSIAD-95-133 (Washington, D.C.: Apr. 14, 1995).

<sup>15</sup> The sites are the Newport Chemical Depot, Indiana; Umatilla Chemical Depot, Oregon; and Deseret Chemical Depot, Utah.

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missions for these installations. As a result, we do not believe it is appropriate for the Industrial Joint Cross-Service Group to claim any recapitalization savings related to these installations.

DOD is also projecting savings from the recapitalization and sustainment of facilities in cases where functions or activities would be realigned from one base to another. However, it is not clear to what extent the proposed realignments would result in an entire building or portion of a building being vacated, or if entire buildings were vacated, whether they would be declared excess and removed from the military services' real property inventory. Our analysis shows that the supply and storage group's recommendations project about \$100 million in sustainment and recapitalization savings from realigning defense distribution depots. The group estimates its recommendations will vacate about 27 million square feet of storage space. Supply and storage officials told us their goal is to vacate as much space as possible by rewarehousing inventory and by reducing personnel spaces, but they do not have a specific plan for what will happen to the space once it is vacated. In addition, until these recommendations are ultimately approved and implemented, DOD will not be in a good position to know exactly how much space is available or how this space will be disposed of or utilized. As a result, it is uncertain how much of the estimated \$100 million in annual recurring savings will actually occur.

#### Savings Based on Business Process Reengineering

DOD projected net annual recurring savings in the "other" category as shown in figure 3 include about \$500 million that is based on business process reengineering efforts. Our analysis indicates that four recommendations—one from the Industrial Joint Cross-Service Group and three from the Supply and Storage Joint Cross-Service Group—involve primarily business process reengineering efforts. However, the expected efficiency gains from these recommendations are based on assumptions that are subject to some uncertainty and have not been validated.

Our analysis indicates that \$215 million, or 63 percent, of the estimated net annual recurring savings from the Industrial Joint Cross-Service Group recommendation to create fleet readiness centers within the Navy is based on business reengineering efforts that would result in overhead efficiencies. Although the data suggest there is the potential for savings, we believe the magnitude of the savings is somewhat uncertain because the estimates are based on assumptions that have undergone only limited testing. Realizing the full extent of the savings would depend on actual implementation of the recommended actions and modifications to the Navy's supply system. The industrial group and the Navy assumed that combining depot and intermediate maintenance levels would reduce the

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time needed for an item to be repaired at the intermediate level, which in turn would reduce the number of items needing to be kept in inventory, as well as the number of items being sent to a depot for repair. These assumptions, which were the major determinant of the realignment savings, were reportedly based on historical data and pilot projects and have not been independently reviewed or verified by the Naval Audit Service, the DOD Inspector General, or us.

Furthermore, our analysis indicates that \$291 million, or about 72 percent, of the net annual recurring savings expected from the Supply and Storage Joint Cross-Service Group's three recommendations are also based on business process reengineering. In the COBRA model, the savings are categorized as procurement savings and are based on the expanded use of performance-based logistics and reductions to duplicate inventory.<sup>16</sup> Supply and storage group staff said that these savings accrue from reduced contract prices because the Defense Logistics Agency (DLA) will have increased buying power since it is responsible for purchasing many more items that before were purchased by each of the services. In addition, savings accrue from increased use of performance-based agreements,<sup>17</sup> a key component of performance-based logistics. The group estimates DLA can save 2.8 cents on each contract dollar placed on performance-based agreements. In addition, savings result from reductions in the amount of stock that must be held in inventory. Supply and storage staff said that these savings are attributable to reductions in the cost of money, cost of stock losses due to obsolescence, and cost of storage. The group estimates that together these factors save about 17 percent of the estimated value of the acquisition cost of the stock that is no longer required to be held in inventory. These savings estimates, for the most part, are based on historical documentation provided by DLA, which time did not allow us to validate. The extent to which these same savings will be achieved in the future is uncertain. As noted above, how these actions are implemented could also affect savings. We are concerned that this is another area that could lead to a false sense of savings and lead to premature reductions in affected budgets in advance of actual savings being fully realized, as has sometimes occurred in past efforts to achieve savings through business process reengineering efforts.

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<sup>16</sup> Performance-based logistics is defined as the purchase of weapon system sustainment as part of an integrated weapon system package based on output measures, such as weapon system availability, rather than input measures, such as parts and technical services.

<sup>17</sup> Performance-based agreements are defined as the negotiated agreements between the major stakeholders that formally document the performance and support expectations and resources to achieve the desired outcome.

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**Transformation Cited as Justification for Many Recommendations despite Lack of Clear Agreement on Transformational Options**

While furthering transformation was one of the BRAC 2005 goals, there was no agreement between DOD and its components on what should be considered a transformational effort. As part of the BRAC process, the department developed over 200 transformational options for stationing and supporting forces as well as for increasing operational efficiency and effectiveness. The OSD BRAC office narrowed this list to 77 options, but agreement was not reached within the department on these options, so none of them were formally approved. Nonetheless, each service and joint cross-service group was permitted to use the transformational options as appropriate to support its candidate recommendations. Collectively, these draft options did not provide a clear definition of transformation across the department. The options ranged from those that seemed to be service specific to those that suggested new ways of doing business. For example, some transformational options included reducing the number of Army Reserve regional headquarters; optimizing Air Force squadrons; and co-locating various functions such as recruiting, military and civilian personnel training, and research, development and acquisition and test and evaluation, across the military departments. In contrast, some options suggested consideration of new ways of doing business, such as privatizing some functions and establishing a DOD agency to oversee depot-level reparable.

While the transformational options were never formally approved, our analysis indicates that many of DOD's recommendations reference one or more of the 77 transformational options as a resulting benefit of the proposed actions. For example, 15 of the headquarters and support activities group recommendations reference the option to minimize leased space and move organizations in leased space to DOD-owned space. Likewise, 37 of the Army reserve component recommendations reference the option to co-locate guard and reserve units at active bases or consolidate guard and reserve units that are located in proximity to one another at one location. Conversely, a number of the scenarios that were initially considered but not adopted reference transformational options that could have changed existing business practices. For example, the education and training group developed a number of scenarios—privatizing graduate education programs and consolidating undergraduate fixed and rotary wing pilot training—based on the draft transformational options, but none were ultimately approved by the department.

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**Some Proposals Have Lengthy Payback Periods**

Many of the 222 recommendations DOD made in the 2005 round are associated with lengthy payback periods, which, in some cases, call into question whether the department would be gaining sufficient monetary value for the up-front investment cost required to implement its

recommendations and the time required to recover this investment. Our analysis indicates that 143, or 64 percent, of DOD's recommendations are associated with payback periods that are 6 years or less while 79, or 36 percent, of the recommendations are associated with lengthier paybacks that exceed the 6-year mark or never produce savings. Furthermore, our analysis shows that the number of recommendations with lengthy payback periods varied across the military services and the joint cross-service groups, as shown in table 3.

**Table 3: Payback Periods for BRAC Recommendations by DOD Component**

DOD component	Number of recommendations	Payback period			
		Immediate to 6 years	7 to 9 years	10 years and greater	Never
Army	56	26	3	22	5
Navy	53*	45	2	6	0
Air Force	42	29	6	7	0
Education and training	9	5	0	3	1
Headquarters and support activities	21	14	2	5	0
Industrial	17	13	3	1	0
Intelligence	2	0	2	0	0
Medical	6	3	1	2	0
Supply and storage	3	3	0	0	0
Technical	13	5	5	3	0
<b>Total</b>	<b>222</b>	<b>143</b>	<b>24</b>	<b>49</b>	<b>6</b>
<b>Percentage</b>	<b>100</b>	<b>64</b>	<b>11</b>	<b>22</b>	<b>3</b>

Source: GAO analysis of DOD data.

\*While the DOD BRAC report lists 21 Navy recommendations, several of these have multiple actions, thus bringing the total to 53 recommendations.

As shown in table 3, the Army has five recommendations and the education and training group has one recommendation that never payback, as described below:

- Army realignment of a special forces unit from Fort Bragg, North Carolina, to Eglin Air Force Base, Florida;
- Army realignment of a heavy brigade from Fort Hood, Texas, to Fort Carson, Colorado;
- Army realignment of a heavy brigade to Fort Bliss, Texas, and infantry and aviation units to Fort Riley, Kansas;
- Army reserve component consolidations in Minnesota;

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- Army reserve component consolidations in North Dakota; and
  - Education and Training Joint Cross-Service Group's establishment of Joint Strike Fighter aircraft training at Eglin Air Force Base, Florida.

According to Army officials, these five recommendations have no payback because, in part, they must build additional facilities to accommodate the return of about 47,000 forces currently stationed overseas to the United States as part of DOD's Integrated Global Presence and Basing Strategy initiative. According to the education and training group, its one recommendation with no payback period is due to the high military construction costs associated with the new mission to consolidate initial training for the Joint Strike Fighter aircraft for the Navy, the Marine Corps, and the Air Force.

We also identified some portions of DOD's individual recommendations that are associated with lengthy payback periods for certain BRAC actions but are imbedded within larger, bundled recommendations. The following example illustrates this point.

- A proposal initially developed by the Headquarters and Support Activities Joint Cross-Service Group to move the Army Materiel Command from Fort Belvoir, Virginia, to Redstone Arsenal, Alabama, had more than a 100-year payback period with a net cost over a 20-year period. However, the proposal did not include some expected savings that if included, would have reduced the payback period to 32 years. Concurrently, the group developed a separate proposal to relocate various Army offices from leased and government-owned office space onto Fort Sam Houston, Texas, which would have resulted in a 3-year payback period. The headquarters group decided to combine these two stand-alone proposals into one recommendation, resulting in an expected 20-year net present value savings of about \$123 million with a 10-year payback.

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## Vacating Leased Space

Fifteen of the Headquarters and Support Activities Joint Cross-Service Group's recommendations include a one-time savings of over \$300 million from moving activities from leased space onto military installations. These recommendations, if approved, would reduce total DOD leased space within the National Capital Region<sup>18</sup> from 8.3 million square feet to about 1.7 million square feet, or by 80 percent. While our prior work

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<sup>18</sup> The National Capital Region includes Washington, D.C.; the Maryland counties of Montgomery and Prince George's; and the Virginia counties of Fairfax, Loudoun, and Prince William and the City of Alexandria, Virginia.

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generally supports the premise that leased property is more expensive than government-owned property, the recommendations related to vacating leased space also raise questions about a limitation in projected savings and impact on local communities.

The one-time cost savings represents costs expected to be avoided in the future by moving from leased facilities into government owned and protected facilities rather than upgrading existing leased space to meet DOD's antiterrorism/force protection standards.<sup>19</sup> According to a DOD official, after the June 1996 Khobar Tower bombing incident in Dhahran, Saudi Arabia, the department created a task force of mostly engineers to develop minimum force protection standards for all DOD-occupied locations. The official also stated that the standards were not the result of a formal threat assessment. The force protection standards for leased buildings apply only where DOD personnel occupy at least 25 percent of the net interior usable area; only to the portion of the building occupied by DOD personnel; to all new leases that are executed on or after October 1, 2005, and to leases renewed or extended on or after October 1, 2009.

Initially, the joint cross-service group prepared military value data call questions that could determine whether a leased location met the force protection requirements. However, group officials stated that most of these questions were discarded because of inconsistencies in how the questions were answered. As noted in our July 1 report, we have also learned that the Pentagon Force Protection Agency will shortly begin 10-month antiterrorism and force protection vulnerability assessments of about 60 DOD-occupied leased buildings in the National Capital Region. One could question whether this action should not have been completed prior to recommending a broad-based divestiture of leased space.<sup>20</sup>

Another significant issue related to the leased space, at least in the National Capital Region, is the impact of such a major divestiture of leased space on community infrastructure. Four of the Headquarters and Support Activities Joint Cross-Service Group's recommendations involve moving personnel from leased space to Fort Belvoir, Virginia, increasing Fort

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<sup>19</sup> Unified Facilities Criteria: DOD Minimum Antiterrorism Standards for Buildings (UFC 4-010-01, 8 Oct. 2003).

<sup>20</sup> After DOD's recommendations were published, we obtained data from the General Services Administration indicating that leased termination costs associated with 10 leases that are scheduled to expire after the BRAC implementation period would be approximately \$76 million.

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Belvoir's population by about 10,700.<sup>31</sup> The recommendations include military construction projects to build facilities for these personnel on Fort Belvoir. In addition, the recommendations include \$55 million to improve roads and other infrastructure in the area surrounding the base. However, it is uncertain at this time whether this will be sufficient to fully support the impact on the surrounding community's infrastructure or the likelihood that local governments will seek federal assistance to help communities reduce the impact—costs that will have the effect of increasing one-time costs and offsetting short-term savings from the recommendations.

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## Significant Challenges Ahead for Implementing BRAC Recommendations

While we realize that the BRAC Commission is charged with reviewing DOD's proposed list of recommended BRAC actions and submitting its own list to the President by September 8, 2005, there are significant challenges ahead for implementing BRAC recommendations which I would like to bring to the Commission's attention—challenges that will likely affect how successful this BRAC round could be viewed historically. These challenges include the need for (1) transition planning to minimize the impact of the loss of specialized human capital skills in implementing recommended actions on ongoing defense operations; (2) mechanisms to monitor implementation, including the tracking and periodic updating of savings that DOD expects from implementing BRAC recommendations; (3) plans to address and adequately fund environmental restoration of unneeded property in order to expedite property transfer and put property to productive reuse; and (4) assistance for both losing and gaining communities affected by the BRAC recommendations.

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## Transition Plans for Minimizing Disruption of Operations due to Loss of Specialized Skills

A significant challenge facing the department is the need for transition plans to address the human capital skills that are likely to be lost and in need of replacement in order to provide for uninterrupted operations as BRAC recommendations are implemented. In its cost and savings analyses, the department estimated in most instances that, as a standard factor in its COBRA model, about 75 percent of the personnel at a facility being closed or realigned would move to the gaining installation receiving the mission or workload.

However, in some cases, this percentage may be overstated resulting in less actual movement than anticipated, which may in turn present challenges for gaining bases. For example, Industrial Joint-Cross Service

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<sup>31</sup> The Intelligence Joint Cross-Service Group is also proposing to move about 8,500 personnel to Fort Belvoir.

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Group officials told us that based on the Navy's prior experience in closing shipyards, they did not expect many personnel to move to other shipyards if the Portsmouth shipyard were closed. They further told us that because it takes about 8 years for personnel to become fully proficient in maintaining nuclear-powered submarines, this would present a challenge for the other yards to replicate the loss in skills due to the unwillingness of workers to move with the relocated workload. Officials at Fort Monmouth, New Jersey, expressed similar concerns regarding the planned closure of the base and plans for a large portion of the work to be transferred to the Aberdeen Proving Ground in Maryland. Information provided by these officials suggest that the potential loss of a large retirement age population must be balanced against the impact on ongoing mission activities providing real-time assistance to warfighters and transformation initiatives.

In other cases, the loss of personnel skills at a location may cause some concern but may not be as difficult to reconstitute. For example, DOD projects that about 7,400 personnel would move under the proposal to consolidate the Defense Finance and Accounting Service from 26 to 3 sites. While the actual number of personnel that may move is unknown, a Defense Finance and Accounting Service official stated that the accounting skills required are available at the receiving sites. Our analysis indicates that over 4,590, or 62 percent, of the workforce at the 26 sites are classified as accounting-related civilian positions at General Schedule grade 11 or below.

Should there be recommendations where the loss of personnel is extensive, particularly for those skills requiring extensive education, training, and experience, it could prove challenging to the department to satisfactorily provide for the replacement of these critical skills. In this regard, it is important that the department develop transition plans that would recognize the loss of human capital skills and provide for replacement capability to minimize disruption of ongoing defense operations. Without such a plan, the department could be at risk in providing the necessary support to our military forces.

**Mechanisms for  
Monitoring  
Implementation and  
Tracking and Updating  
Savings Estimates**

As noted in our July 1, 2005, report, the department has proposed various BRAC actions involving business process changes and other actions, such as in joint basing, where likely savings will very much depend on implementation actions, the details of which are yet to be developed. We believe it will be important that DOD monitor implementation of these actions to ensure compliance with proposed actions. With respect to savings estimates, we believe it is also critical that the department devise a

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mechanism to track and periodically update its savings estimates from the final recommendations in order to provide not only Congress but the public with a full accounting of the dollars saved through the BRAC process. Our interest in this area is evidenced by our recommendation in our July 2005, report to provide for this. However, given the problems in tracking savings from the previous rounds, and the large volume of BRAC actions that are more oriented to realignments and business process engineering rather than closures, along with our concerns about claimed military personnel savings, we believe it is of paramount importance that DOD put in place a process to track and periodically update its savings estimates.

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### **Plans for Addressing Environmental Restoration**

In accordance with long-standing DOD practice in previous rounds, estimated environmental restoration costs for bases undergoing closure or realignment are not included in DOD's cost and savings analyses. Such costs are excluded for comparative purposes based on DOD's position that restoration is a liability that the department must address regardless of whether a base is kept open or closed. Nevertheless, DOD did give consideration to such costs in addressing selection criterion 8, and included available information on estimated restoration costs as part of the data supporting its BRAC recommendations. DOD data indicate that estimated restoration costs for its 33 major base closures would be about \$949 million, as shown in table 4.

**Table 4: Estimated Environmental Restoration Costs for DOD's Recommended Major Base Closures**

Dollars in millions

Military service	Number of major closures	Estimated environmental restoration costs <sup>a</sup>
Army	14	\$723.3
Navy	9	154.5
Air Force	10	71.3
<b>Total</b>	<b>33</b>	<b>\$949.1</b>

Source: GAO analysis of DOD data.

<sup>a</sup>Estimated costs include some costs not specifically reported in DOD's May 2005 report to the Defense Base Closure and Realignment Commission. While the Army and Navy generally reported these costs, the Air Force did not but its costs were noted in supporting documentation.

As shown in the table 4, the Army is expected to incur the largest share of estimated restoration costs due to the proposed closure of several ammunition plants and chemical depots. While the DOD BRAC report does not specifically identify the potential for additional restoration costs at DOD installations, available supporting documentation does identify some additional costs. For example, the Army estimated that range restoration at Hawthorne Army Depot could cost between \$27 million to \$147 million in addition to the \$383 million reported and included in the estimates in table 4. Further, the Army recognizes that additional restoration costs could be incurred at six additional locations that have ranges and chemical munitions, but these costs have not yet been determined.

More recent environmental restoration cost data indicate that the estimates are increasing. As noted in a June 2005 Congressional Research Service report,<sup>22</sup> the estimates for the recommended 33 major base closures have increased by nearly \$600 million to over \$1.5 billion. Estimated costs to complete environmental restoration now exceed \$100 million at each of the following proposed major closures: Hawthorne Army Depot, Nevada (\$465 million); Otis Air National Guard Base,

<sup>22</sup> Congressional Research Service, *Military Base Closures: Role and Costs of Environmental Cleanup*, (Washington, D.C.: June, 27, 2005). The report used information from the Department of Defense, *Defense Environmental Programs Annual Report to Congress for FY 2004*, dated April 2005.

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Massachusetts (\$373 million); Fort Monroe, Virginia (\$201 million); and Deseret Chemical Depot, Utah (\$180 million).

Service officials told us that the projected cost estimates for environmental restoration are lower, in general, than evidenced in previous rounds, because the environmental conditions of today's bases are much better than those closed or realigned in previous rounds, primarily because of DOD's ongoing active base environmental restoration program. Nonetheless, our prior work has indicated that as closures are implemented, more intensive environmental investigations occur and additional hazardous conditions may be uncovered that could result in additional, unanticipated restoration and higher costs. Finally, the services' preliminary estimates are based on restoration standards that are applicable for the current use of the base property. Because reuse plans developed by communities receiving former base property sometimes reflect different uses for the property, this could lead to more stringent and thus more expensive restoration in many cases.

While it is uncertain at this point what the ultimate restoration costs at BRAC-affected bases will be, it is likely that environmental restoration has the potential to slow the transfer of unneeded base property freed up by the BRAC process to communities surrounding those bases. Our prior work has shown that environmental restoration is the primary impediment to the transfer of unneeded property to others for reuse. In our January 2005 report<sup>23</sup> we noted that, as of September 30, 2004, the reasons why most of the 140,000 acres from the prior four rounds remained untransferred were due to issues regarding environmental restoration. Such delays in the transfer of property have adverse effects on BRAC communities, as this property cannot be put to productive reuse. In this regard, we believe it is critical that the department adequately plan for and fund environmental restoration requirements to provide for the expedited transfer of unneeded property to others for subsequent reuse.

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### Assistance for BRAC-Affected Communities

The recommended actions for the 2005 BRAC round will have varying degrees of impact on communities surrounding bases undergoing a closure or realignment. While some will face economic recovery challenges as a result of a closure and associated losses of base personnel, others, which expect large influxes of personnel due to increased base activity, face a different set of challenges involving community

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<sup>23</sup> GAO, *Military Base Closures: Updated Status of Prior Base Realignment and Closures*, GAO-05-138 (Washington, D.C.: Jan. 13, 2005).

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infrastructure necessary to accommodate growth. These communities may likely require assistance from various sources to help them address the many challenges facing them as they plan for either economic recovery or infrastructure growth as a result of recommended BRAC actions.

DOD data indicate that most economic areas across the country are expected to be affected very little by DOD's recommended actions, but a few could face substantial impact. Almost 83 percent of the 244 economic areas affected by BRAC recommendations fall between a 1 percent loss in employment and a 1 percent gain in employment.<sup>24</sup> However, for some of these areas, the projected impact is fairly significant, ranging up to a potential direct and indirect loss of up to nearly 21 percent. In this regard, six communities—Cannon Air Force Base, New Mexico; Hawthorne Army Depot, Nevada; Naval Support Activity Crane, Indiana; Submarine Base New London, Connecticut; Eielson Air Force Base, Alaska; and Ellsworth Air Force Base, South Dakota—had negative employment impacts ranging from 8.5 percent to 20.5 percent.

Our prior work has shown that a variety of factors will affect how quickly communities are able to rebound from the negative economic consequences of closures and realignments. They include such factors as trends associated with the national, regional, and local economies; natural and labor resources; effective planning for reuse of base property; and federal, state, and local government assistance to facilitate transition planning and execution. Our prior work has shown that most communities surrounding closed bases in the previous rounds have been faring well in relation to key national economic indicators—unemployment rate and the average annual real per capita income growth rates.<sup>25</sup> In our January 2005 report, for example, we further reported that while some communities surrounding closed bases were faring better than others, most have recovered or were continuing to recover from the impact of BRAC, with more mixed results recently, allowing for some negative impact from the economic downturn nationwide in recent years.

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<sup>24</sup> Some of the recommendations had multiple actions that affected more than one economic area.

<sup>25</sup> GAO, *Military Base Closures: Updated Status of Prior Base Realignment and Closures*, GAO-05-138 (Washington, D.C.: Jan. 13, 2005); GAO, *Military Base Closures: Progress in Completing Actions from Prior Realignment and Closures*, GAO-02-433 (Washington, D.C.: Apr. 5, 2002); and GAO, *Military Bases: Status of Prior Base Realignment and Closure Rounds*, GAO/NSIAD-99-36 (Washington, D.C.: Dec. 11, 1998).

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The 2005 round, however, also has the potential to significantly affect a number of communities surrounding installations, which are expected to experience considerable growth in the numbers of military, civilian, and civilian support personnel. DOD indicated that about 20 installations are expected to experience a net gain of over 2,000 military and civilian personnel. This is particularly evident for several Army bases, such as Fort Belvoir, Virginia which is expected to have a net gain of over 20,000 military and civilian personnel, where personnel increases are likely to place additional demands on community services, such as providing adequate housing, schools, and other infrastructure support, for which the communities may not have adequate resources in the short term.

Based on the experience from the previous BRAC rounds, we believe it is likely that additional federal costs are likely to be incurred, although these costs are not required to be included in DOD's cost and savings analyses, for providing assistance to BRAC-affected communities. These costs include transition assistance, planning grants, and other assistance made available to communities by DOD and other federal agencies. As we reported in January 2005,<sup>26</sup> in the previous four BRAC rounds, DOD's Office of Economic Adjustment, the Department of Labor, the Economic Development Administration within the Department of Commerce, and the Federal Aviation Administration provided nearly \$2 billion in assistance through fiscal year 2004 to communities and individuals, and according to DOD officials, these agencies are slated to perform similar roles for the 2005 round. We believe it is important that those agencies that have traditionally provided assistance are prepared and adequately budget for the necessary funds to provide assistance to those communities affected by the BRAC 2005 process. As previously discussed, the number of bases in the 2005 BRAC round that will gain several thousand personnel from the recommended actions could increase pressure for federal assistance to mitigate the impact on community infrastructure, such as schools and roads, with the potential for more costs than in the prior rounds.

This concludes my statement. I would be pleased to answer any questions you or other members of the Commission may have at this time.

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<sup>26</sup> GAO, *Military Base Closures: Updated Status of Prior Base Realignment and Closures*, GAO-05-138 (Washington, D.C.: Jan. 13, 2005).

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## Contact and Acknowledgments

For further information regarding this statement, please contact Barry W. Holman at (202) 512-5581. Individuals making key contributions to this statement include Nelsie Alcoser, Shawn Arbogast, Raymond Bickert, Andrew Edelson, Mike Kennedy, Glenn Knoepfle, Nancy Lively, Warren Lowman, Tom Mahalek, David Mayfield, Richard Meeks, Hilary Murrish, Charles Perdue, Robert Poetta, Jim Reifsnyder, James Reynolds, and Laura Talbott.

# Appendix I: 20-Year Net Present Value Savings from the Top 10 Percent of DOD's BRAC 2005 Recommendations

Dollars in millions

Recommendation	20-year net present value savings
Realign to establish Navy Fleet Readiness Centers	\$4,724.2
Realign supply, storage, and distribution management	2,925.8
Realign Eielson Air Force Base, AK	2,780.6
Close Cannon Air Force Base, NM	2,706.8
Realign Pope Air Force Base, NC	2,515.4
Realign to create joint basing	2,342.5
Realign Grand Forks Air Force Base, ND	1,982.0
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	1,913.4
Realign inventory control points and consolidate depot-level reparable procurement management	1,889.6
Close Ellsworth Air Force Base, SD	1,853.3
Close Submarine Base New London, CT	1,576.4
Consolidate Defense Finance and Accounting Service	1,313.8
Consolidate transportation command components	1,278.2
Close Naval Shipyard Portsmouth, ME	1,262.4
Close Fort Monmouth, NJ	1,025.8
Realign maneuver training	948.1
Close Brooks City-Base, TX	940.7
Realign to establish Combat Service Support Center at Fort Lee, VA	934.2
Close Naval Air Station Atlanta, GA	910.9
Close Fort McPherson, GA	895.2
Close and realign Naval Station Ingleside, TX, and Naval Air Station Corpus Christi, TX, respectively	822.2
Realign various medical activities by converting inpatient services to clinics	818.1
<b>Total savings from recommendations listed above</b>	<b>\$38,359.6</b>
<b>Total savings from all BRAC 2005 submitted recommendations</b>	<b>\$48,804.5</b>
<b>Percentage of recommendations listed above of all recommendations</b>	<b>79%</b>

Source: GAO analysis of DOD data.

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