RECORD VERSION

STATEMENT BY

THE HONORABLE KATHERINE G. HAMMACK

ASSISTANT SECRETARY OF THE ARMY

(INSTALLATIONS, ENERGY & ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS AND RELATED AGENCIES

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

SECOND SESSION, 114TH CONGRESS

FY 2017 DEPARTMENT OF DEFENSE BUDGET REQUEST FOR MILITARY CONSTRUCTION AND FAMILY HOUSING

APRIL 7, 2016

NOT FOR PUBLICATION UNTIL RELEASED BY THE COMMITTEE ON APPROPRIATIONS

Introduction

Chairman Kirk, Ranking Member Tester, and Members of the Subcommittee: on behalf of the Soldiers, Families, and Civilians of the United States Army, thank you for the opportunity to present the Army's Fiscal Year (FY) 2017 budget request for Installations, Energy, Environment, and Base Realignment and Closure.

The U.S. Army's top priority continues to be readiness: the Army must be ready to shape the global security environment, defend our homeland, and win the nation's wars. To meet these missions, the Army requires ready and resilient installations – our power projection platforms – to enable regional engagement and global responsiveness. Our FY 2017 budget request reflects the Army's decision to take risk in our installation facilities and services to maximize available funding for operational readiness and modernization. The request focuses our limited resources on necessary and prudent investments in military construction, installation energy programs supporting operational activities, and environmental compliance.

The Army recognizes that reduced funding of installations accounts will lead to the continued degradation of our facilities and infrastructure, and risks our long-term ability to adequately support Army forces and meet mission requirements. The Army is stretched thin at a time when we are facing a global security environment that is more uncertain than ever. Without increased funding in the outyears or the authority to close and realign our installations, these problems will only get worse – expending precious funds and putting the readiness and welfare of our Soldiers at risk. It is therefore particularly critical that we maximize the efficient use of our resources at this time to meet mission requirements and ensure Soldier readiness.

The Army's FY 2017 military construction appropriations request strikes a careful balance to meet these growing and changing demands. We look forward to working with Congress to ensure that our national security needs and priorities are met in the upcoming fiscal year and well into the future.

Making Efficient Use of Army Facilities

To meet readiness requirements, the Army must maintain installations that make efficient and effective use of available facilities. Army installations should be sized and

resourced to meet the needs of our current and future missions, both at home and overseas.

Efficient use of our installations includes the closure of low military value installations and the divestment of excess facilities that burden Army budgets. Reducing the portfolio of Army facilities was among the recommendations of the National Commission on the Future of the Army (NCFA), established by Congress as part of the FY 2015 National Defense Authorization Act (NDAA). The NCFA's report, released in January 2016, states that "Congress and the Administration should look for cost-saving opportunities in areas such as…a reduced inventory of military facilities."[1] The report recommends that the Army pursue these and other efficiency initiatives to free up funds that could be used to meet warfighting needs and other high-priority initiatives identified by the Commission.

The Army has made every effort to be fiscally prudent in the maintenance of excess infrastructure. The Army has employed its current authority to minimize costs and maximize the use of existing facilities. We have identified and are working to reduce excess capacity overseas through the European Infrastructure Consolidation (EIC) initiative, in addition to implementing efficiency measures across the board. Nevertheless, the modest savings attained from these efforts cannot substitute for the significant savings that can be achieved through base realignments and closures. Without them, the Army is forced to make deep cuts at our highest military value installations because we continue spending scarce resources maintaining and operating lower military value installations.

As the Army is planning to reduce its Active Component end strength to 450,000 by FY 2018, we will have over 170 million square feet of facilities that are not fully utilized – an excess facility capacity averaging 21 percent. Depending on the facility type, the excess infrastructure ranges from 18 percent to 33 percent. At an annual cost of about $3 per square foot to maintain these facilities, the Army is incurring over $500 million a year in unnecessary expenditures. If FY 2018-2021 budget caps remain, the

[1] National Commission on the Future of the Army, "Report to the President and Congress of the United States," 28 January 2016, p. 44: Recommendation 5.

Army will need to further reduce the number of Soldiers, and our excess capacity will continue to increase.

The Army cannot afford this status quo. Although Base Realignment and Closure (BRAC) forces difficult choices affecting the local communities surrounding our installations, they are already seeing fewer and fewer Soldiers and Families as force structure continues to decline. BRAC allows the Army to use a fair and non-partisan process to close a few lower military value locations and realign the remaining missions to help fill the excess capacity at our higher military value installations.

Not authorizing BRAC is still a choice with real consequences. The lack of authorization for a BRAC results in our highest military value installations bearing the deepest impacts. This is an unacceptable result for the Army and a disservice to American taxpayers.

Facilities needed to support readiness, training exercises, airfields, and other priorities are deteriorating, while resources are diverted to supporting installations that could be closed. The Army cannot carry excess infrastructure costing over half a billion dollars per year indefinitely. Half a billion dollars represents the annual personnel costs of about 5,000 Soldiers, which is slightly less than the number assigned to a Stryker Brigade Combat Team. It represents five annual rotations at the Army's Combat Training Centers, which are the foundation of Army combat readiness.

Until we get the BRAC authority to analyze what types of excess exist at individual installations and develop recommendations on how to best consolidate into the highest military value installations we have, we do not know which lower military value installations should be closed and/or realigned. However, we do know BRAC is a proven process producing significant reoccurring savings of roughly $2 billion per year for the Army, as validated by the Government Accountability Office (GAO). A future BRAC round has the capability to save the Army hundreds of millions of dollars per year. Once the up-front costs are paid, the intermediate and long-term savings from BRAC can fund any number of important Army warfighter initiatives, including force structure, additional CTC rotations, and modernizations.

The BRAC process is a proven, cost-effective means for reducing costly excess infrastructure, while ensuring a continued focus on efficiency and consolidation. The

Army strongly supports DoD's request for a BRAC round, and urges Congress to enact legislation in FY 2017 authorizing the Department to begin the process.

Preserving Ready Installations

Army installations – where Soldiers live, work, and train – are where Army readiness is built to meet future challenges and ensure the security of our nation. Increasing global threats generate installation requirements for force protection, cyber security, and energy security. Installation budgets provide the premier all-volunteer Army with facilities that support readiness and quality of life for our Soldiers, Families, and Civilians.

The Army continues to focus its limited resources on supporting readiness initiatives and replacing failed facilities. As we remain under pressure from current law budget caps, our installation services must continually be adjusted. Increases in deferred maintenance and reduced investments in installations and infrastructure ultimately increase our growing backlog of failing facilities. This degrades the Army's ability to be ready to project full spectrum forces over time. Excess facility capacity burdens the Army sustainment and base operations – consuming limited dollars that need to be better invested elsewhere.

Sustainment, Restoration, and Modernization (SRM) accounts fund investments to maintain and improve the condition of our facilities. Periodic restoration and modernization of facility components are necessary to ensure the safety of our Soldiers and civilians. Efforts are focused on preventing the degradation of our facilities and optimizing the use of Army investments, to prevent small maintenance issues from turning into large and expensive problems.

The FY 2017 $3.1 billion budget request will help support our sustainment and restoration requirements. However, the Army is assuming risk in installation readiness to preserve operational readiness. The $2.7 billion request for Sustainment meets 71% of our Facility Sustainment Model for long-term sustainment, whereas DoD recommended meeting an 80 percent threshold to stem the tide of further facility degradation.

Reduced funding in the outyears for installation readiness adversely impacts facility condition and ultimately increases future military construction and restoration and modernization requirements. This shifts the Army's investment focus to the worst facilities, diverting resources needed to preserve our newest and best infrastructure. Deferred sustainment over the long term can lead to higher life-cycle repair costs and component failure, significantly reducing facility life expectancy.

Responsibly managing over 12 million acres of real property also means that the Army must maintain extensive base operations. Through funding for Base Operations Support (BOS) accounts, Army installations provide services similar to those associated with a municipality: public works, security protection, logistics, environment, and Family programs. These programs and services enable Soldiers, Civilians, and Families to live and work on 154 Army installations worldwide.

Balancing BOS needs in a changing global environment calls for continued due diligence. The President's FY 2017 budget therefore requests a total of $9.43 billion for BOS accounts, including $7.82 billion for the Active Component; $1.04 billion for Army National Guard; and $573.8 million for Army Reserve.

Investing in Essential Infrastructure

The Army's request for Military Construction provides secure and sustainable facilities and infrastructure critical to supporting the Combatant Commander's top priorities, enabling Army missions, and maintaining Soldier and unit readiness. For FY 2017, the Army requests just over $1 billion for Military Construction, a reduction of $229 million – 18 percent – from FY 2016 appropriations. The budget allocates $503 million (approximately 50 percent) for the Active Component; $233 million (23 percent) for the Army National Guard; $68 million (7 percent) for Army Reserves; and $201 million (20 percent) for Army Family Housing Construction.

The Army continuously reviews project scope and costs. We must continue to adapt to evolving missions, account for emerging organizational changes, and meet unit readiness needs, while simultaneously seeking efficiencies at every opportunity. However, funding for Army Military Construction has reached historically low levels. This reduces the Army's ability to recapitalize inadequate and failed facilities into

infrastructure that supports operations, readiness, and the welfare of the all-volunteer force.

The Army National Guard (ARNG) is the oldest component of the U.S. Armed Forces. The Guard has courageously participated in every war and every conflict this nation has ever fought, including Iraq and Afghanistan, and is our first line of defense in responding to domestic emergencies. These men and women perform an important mission for our country, and our military construction budget endeavors to ensure that the needs of their facilities are met.

The Guard's FY 2017 Military Construction request is $232.9 million. This includes $161.3 million to support seven Readiness Centers, $50.9 million to construct three maintenance facilities, $12 million to fund minor projects, and $8.7 million for planning and design. Our ARNG budget request is focused on recapitalizing readiness centers – the heart and soul of the National Guard – as well as maintenance facilities, training areas, ranges, and barracks to allow the Guard to be ready to perform state and federal missions. These projects will address space constraints and focus on replacing failing facilities.

In the 2014 ARNG Readiness Center (RC) Transformation Master Plan, a key finding was that the RC portfolio is experiencing "critical facility shortfalls." This budget request is a small step toward addressing the ARNG's challenges.

The FY 2017 budget request for the Army Reserve totals $68.2 million, with four critical projects totaling $57.9 million. Three of these will focus on replacing some of our most dilapidated and failing facilities on Army Reserve installations that are in the most dire need. This includes $21.5 million to replace an Emergency Services Center at Fort Hunter Liggett, CA – currently in failing condition – which will provide life-saving police, fire, crash and rescue, and Emergency Medical Team (EMT) services. An additional $10.3 million will support planning and design of future year projects, as well as to address unforeseen critical needs through the Unspecified Minor Military Construction account.

The Army Family Housing budget allows us to provide homes and services to the Soldiers and their Families living on our installations around the world. For FY 2017, the Army requests $200.7 million for family housing construction. This will fund two projects

in Korea, at Camp Humphreys and Camp Walker, critical to supporting consolidation and quality of life for our Soldiers and their families. The projects are necessary to eliminate dilapidated family housing units and meet the U.S. Forces Korea (USFK) Commander's requirements for housing. An additional $326 million is requested to help sustain all family housing operations, cover utility costs, ensure proper maintenance and repair of government family housing units, lease properties where advantageous, and provide privatization oversight and risk mitigation.

Ensuring Energy Security

It is operationally necessary, fiscally prudent, and mission essential that the Army have assured access to the energy required to achieve our primary objectives for the United States. The Army has led the way toward increasing energy efficiency on our installations, harnessing new energy technologies to lessen Soldier battery loads, and improving our operational capabilities to reduce the need for fuel convoys. Our installation energy budget request is focused on enhancing mission effectiveness, and is supported by strong business case analyses. For FY 2017, the Army is requesting $1.716 billion to pay utility bills on our installations, leverage private sector investment in renewable energy projects, and invest in discrete energy efficiency improvements.

In response to risks posed to our vulnerable energy grid, the Army is improving the "resiliency" of its installations through the use of on-base renewable sources of energy. A resilient Army installation is one that can withstand threats to its security – be they power interruptions, cyber-attacks, or natural disasters – and endure these hazards to continue its own operations and those of the local community. With this in mind, the Army conducted a test and temporarily disconnected Fort Drum, NY from the energy distribution network this past November, validating the installation's ability to operate independently from the wider grid.

The Army leads the Federal Government in the use of Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), which allow private companies and servicers to provide the initial capital investment needed to execute projects using repayments from Utilities Services Program savings. The amount of energy saved by Army ESPC and UESC projects awarded between FY 2010

and FY 2015 is equal to the amount of energy consumed by Fort Bragg – one of the Army's largest and most populous installations – in a year. In total, the Army has reduced its facilities energy consumption by 22.6 percent since FY 2003, while also leading the Federal Government in reductions of its potable water intensity use and non-tactical vehicle (NTV) fossil fuel use.

In addition, our energy program account funds the Office of Energy Initiatives (OEI), which helps to plan and develop third party-financed renewable energy projects. OEI currently has 14 projects completed, under construction, or in the final stages of the procurement process – together providing an incredible 350 megawatts (MW) of generation capacity. These projects represent over $800 million in private sector investment, saving funds that would otherwise be appropriated for military construction. Further, all of these projects provide electricity that is at or below the cost of conventional power.

The Army's operational energy initiatives provide extended range and endurance, increased flexibility, improved resilience, and force protection, all while enhancing mobility and freedom of action for our Soldiers. Operational energy investment in science and technology has been a proven force multiplier, providing our Soldiers with a distinct advantage on the battlefield. Therefore, the bulk of our operational energy budget request, $1.28 billion, is for investments in energy efficient equipment by the Army acquisition community that will reduce physical and logistical burdens on our Soldiers and, most importantly, help save lives.

The Army's energy program has proven results – reducing our reliance on the grid, improving energy security and efficiency, and contributing to mission readiness – all at a minimal impact to Army budgets. Energy performance on our installations is a testament to the Army's success in leveraging its limited resources to achieve considerable results. We urge Congress to continue to support the Army's energy initiatives both in operational and installation environments.

Safeguarding our Environment

The mission of the Army's environmental program is three-fold: (1) to comply with environmental laws and regulations and ensure proper stewardship of our natural,

cultural, and Tribal resources; (2) to meet DoD's goals for installation restoration and munitions response; and (3) to invest in environmental technology research, development, testing, and evaluation.

The Army manages over 12 million acres of land, which requires the Army to protect endangered species and historic sites or structures. Efforts are made to remediate environmental contaminants that pose a danger to human health or the environment, while supporting Army operations and our Soldiers, families, and communities. Our FY 2017 budget request of $1.05 billion will allow the Army to fulfill these objectives, keeping the Army on track to meet our cleanup goals and maintain full access to important training and testing lands, which are integral components of Army readiness.

Conclusion

Readiness is the U.S. Army's top priority – there is no other "number one." The Army's FY 2017 Military Construction budget request takes moderate risk to ensure our readiness needs are met by focusing our financial resources where they are needed most.

Maintaining failing facilities and low-military value installations takes money away from critical investments in the readiness of our Soldiers and the acquisition of advanced weapons and technology. BRAC allows the Army to optimize installation capacity and achieve substantial savings, freeing up scarce resources that could easily be applied elsewhere.

The strength of the U.S. Army is its people, and our installations serve as the platforms for this strength. Without ready and resilient installations, our Soldiers will be ill-equipped to fight the growing threats facing our nation. We owe it to our men and women who wear the Army uniform to be prudent in the use of our installation budgets and prioritize them appropriately to ensure they have the best resources available to defend our homeland.

Thank you for the opportunity to present this testimony and for your continued support of our Soldiers, families, and civilians.