

**RECORD VERSION**

**STATEMENT BY**

**LTG GWEN BINGHAM  
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT  
UNITED STATES ARMY**

**BEFORE THE  
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UNITED STATES SENATE**

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MILITARY CONSTRUCTION & VETERANS AFFAIRS  
& RELATED AGENCIES**

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**FISCAL YEAR 2018 DEPARTMENT OF DEFENSE BUDGET REQUEST FOR  
MILITARY CONSTRUCTION AND FAMILY HOUSING**

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COMMITTEE ON APPROPRIATIONS**

## Introduction

Chairman Moran, Ranking Member Schatz, 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) 2018 budget request for Installations, Energy, Environment, and Base Realignment and Closure (BRAC).

Before I enter the remainder of my testimony, I would also like to take a moment to express my gratitude to this committee for your strong support of Army installations. Specifically, thank you for the recent funding increases as well as the NDAA provision that defines facility conversions as repair projects for which Operations and Maintenance (O&M) funding is available; a welcome change that provides the Army with significantly greater flexibility to address capacity issues.

The U.S. Army's top priority continues to be warfighting readiness. The Army must be ready to shape the global security environment; defend our homeland; and win the nation's wars. To meet these ends, the Army requires ready and resilient installations – our power projection platforms – to enable regional engagement and global responsiveness.

We as an Army made a deliberate choice to ensure our Soldiers had what they needed to train, fight and win against our adversaries ... and rightly so. Reduced resources, emerging requirements, missions and increased operational tempo for more than a decade resulted in nearly 22 percent or 33,000 facilities that are now in poor or failing condition. The deferred maintenance against these facilities is equivalent to \$10.8 billion which will take years to buy back. The condition of these mission facilities, airfields, training areas, maintenance facilities, roads, ports, dams, bridges, housing and barracks directly impacts the readiness of our units and the morale of our Soldiers, Civilians and Families.

While the Army's FY 2018 budget request continues to reflect a decision to take risk in our installation facilities, it also represents a 40 percent increase over the historic budget low reached in FY 2015. This increase demonstrates the Army's intention to reverse past underfunding, admittedly over an extended timeframe. The request focuses our limited resources on necessary and prudent investments in Military Construction (MILCON), Sustainment, Restoration and Modernization (SRM), Demolition, and Base Operations Support (BOS). These funding streams and associated authorities will be used to support six major Installation related efforts: 1) investments in essential infrastructure, 2) preserving ready installations, 3) optimizing Army facilities, 4) posturing for growth, 5) ensuring energy security, and 6) safeguarding the environment.

Army installations can only be "ready" and "resilient" with adequate, stable, and predictable funding -- and the authority to implement efficiency measures such as closing and realigning our installations.

### **Investing in Essential Infrastructure**

The Army's request for MILCON provides secure and sustainable facilities to meet the Army's emergent needs in three critical subsets of overall installation readiness: Capabilities Deficits, Recapitalization and Modernization, and Footprint Consolidation. For FY 2018, the Army requests just over \$1.7 billion for Military Construction, an increase of \$237 million from FY 2017 appropriations. The budget allocates \$920 million for the Active Component (AC); \$211 million for the Army National Guard (ARNG); \$74 million for Army Reserves (USAR); \$183 million for Army Family Housing Construction (AFHC); and \$347 million for Army Family Housing Operations (AFHO).

While the Army continuously seeks to maximize the value of every MILCON project, we have been unable to compensate for several years of historically low funding levels and have been prevented from recapitalizing poor and failing facilities.

The \$920 million MILCON request for the AC will allow the Army to move forward with such projects as the Fort Shafter Command and Control Facility (Increment #3) for \$90 million; Fort Jackson Reception Barracks Complex (Phase #1) for \$60 million and an Ammunition Supply Point at Fort Carson for \$21 million.

The ARNG's FY 2018 MILCON request of \$210.7 million includes: \$115.1 million to build five Readiness Centers; \$36 million to construct a maintenance facility; \$22 million to construct an Air/Ground Integrations Training Range; \$4.5 million to construct a Training Aids Center; \$16.7 million for Unspecified Minor Military Construction (UMMC); and \$16.2 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, and ranges 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. Even with optimal use of available resources, degradation across the inventory of ARNG readiness centers will continue.

The FY 2018 budget request for the USAR totals \$73.7 million with three critical projects replacing our most dilapidated and failing facilities totaling \$61.4 million. These three projects are: \$36 million USAR Center in Fallbrook, CA; \$12.4 million USAR Center in Aguadilla, Puerto Rico; and \$13 million to replace an Annual Training / Mobilization Dining Facility at Fort McCoy, WI. An additional \$12.3 million will support planning and design of future year projects, as well as address unforeseen critical needs through the UMMC account.

The AFHC budget allows us to provide homes and services to the Soldiers and their Families living on our installations around the world. For FY 2018, the Army requests \$182.7 million for family housing construction. This will fund \$34.4 million for increment II of the FY 2017 Camp Humphreys, Korea, project which is critical to supporting consolidation and quality of life for our Soldiers and their Families. The project is necessary to meet the U.S. Forces Korea Commander's requirements for on-post housing. The request also replaces poor and failing housing units in Natick, MA

and Kwajalein Atoll, Marshall Islands for \$21 million and \$31 million, respectively. An additional \$33.6 million will support planning and design of future year projects. An additional \$346.6 million is requested to sustain all family housing operations; cover utility costs; ensure proper maintenance and repair of government family housing units; lease properties where required; and provide privatization oversight.

### **Preserving Ready Installations**

The Army has more facilities than it can adequately maintain, creating a growing backlog of deferred maintenance and diverting limited resources away from those facilities most critical to warfighter readiness. Additionally, excess facility capacity burdens the Army sustainment and base operations – consuming limited dollars that could 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 reliable functionality of our facilities in support of mission readiness. Efforts are focused on preventing the degradation of facilities and optimizing the use of Army investments to prevent small maintenance issues from turning into large and expensive problems.

We appreciate the additional funding Congress provided the Army in FY 2016 and FY 2017 to meet the most pressing SRM needs on our installations. The FY 2018 \$4.4 billion budget request gets us closer to meeting our full SRM requirements. The \$2.9 billion request for sustainment will meet 75 percent of our critical requirements.

Responsibly managing real property facilities and infrastructure over 13 million acres also means that the Army must maintain extensive base operations. Through funding for BOS accounts, Army installations provide services similar to those associated with a municipality: public works, security protection, logistics, environment, and other community services that support our Soldiers and their Families. These

programs and services enable Soldiers, Civilians, and Families to live and work on 156 Army installations worldwide. The President's FY 2018 budget requests a total of \$9.82 billion for BOS accounts, including \$8.08 billion for the AC; \$1.14 billion for ARNG ; and \$599.9 million for the USAR.

### **Optimizing Army Facilities**

The Army has infrastructure capacity in excess of any foreseeable future force structure. Additionally, this capacity is not always located where it is needed or where it best enables readiness. Excess capacity is estimated at 21 percent at a Total Army of 980K military members (450K AC; 335K ARNG; and 195K USAR). The President's FY18 budget request funds a Total Army of 1.018 million (476,000 AC; 343,000 ARNG; and 199,000 USAR). At this higher end strength, excess facility capacity would fall within the 18 to 21 percent range.

The Army is making significant strides in rationalizing its use of installation infrastructure. Overseas, the Army has two MILCON project requests in FY18 necessary to complete our European Infrastructure Consolidation (EIC) effort. Starting in FY21, EIC efforts will yield a return of \$172 million in annual savings in exchange for a one-time investment of \$332 million during FY16 through FY21.

Under our "Reduce the Installation Facility Footprint" initiative, Commanders and planners are accountable for making all reasonable efforts to maximize space utilization; consolidate units into our best facilities; and dispose of excess assets. As a result, we are seeing some positive results in terms of better facility utilization.

And while the Army continues to implement plans to reduce facility footprints, the benefits from intra-installation consolidation are not and cannot be a substitute for another round of BRAC. There is not a direct, 1:1 relationship between the operating cost of an installation and the square footage of facilities or the number of people

working / living there. There is a substantial fixed cost to run an installation regardless of its supported population.

The aim of another BRAC round would be a modest reduction of 4-5 percent excess capacity while allowing for the preservation of some surge capability to adapt to changing conditions. Our intent in such a BRAC would be to retain our highest military value installations and to better utilize retained installation capacity. The Army can use the depoliticized and proven BRAC process to shed a modest number of lower military value installations in order to realize significant annual recurring savings. Today, five prior rounds of BRAC are generating approximately \$2 billion per year in savings for the Army.

### **Posturing for Army Growth: “Defragging the Hard Drive”**

In addition to saving funds and helping to optimize facilities for use today, an additional advantage of a BRAC round is that it better prepares the Army for future growth if so required. A BRAC round today, would allow the Army to preserve vital and irreplaceable blocks of training land and airspace while eliminating unneeded assets and surplus buildings.

This was the approach taken in prior rounds of BRAC where the Army closed cantonment areas but retained training lands. Examples include: Fort Devens, MA; Fort Pickett, VA; Fort Chaffee, AR; Fort Dix, NJ; Fort Hunter Liggett, CA; and Fort McClellan, AL. In these BRAC cases, the Army realized savings because base operations costs are concentrated in the cantonment area, not training areas/airspace. Savings were realized by reducing BOS expenses associated with the cantonment area activities. With this approach, the Army was able to rapidly expand from ~482,000 in FY2000 to ~566,000 by FY2010.

Today, the Army’s existing capacity is inefficient and dispersed. Future growth will be needlessly more expensive and time consuming without the ability to

comprehensively analyze where missions would be optimally supported. BRAC is akin to periodically “de-fragmenting” Army installations. Just like a hard drive, contiguous blocks of capacity have to be freed-up so new missions can be accommodated without having to buy more space. BRAC facilitates rather than constrains the growth of Army end-strength and force structure.

Lastly, the idea of retaining millions of square feet of empty buildings for many years is impractical. Empty buildings deteriorate very rapidly when unoccupied and when minimal maintenance is provided. Restoring such buildings after years of non-use is expensive and time-consuming. Conversely, preserving empty buildings for future use is more expensive than most realize. A BRAC will enable the Army to grow in a planned, rational, and affordable manner.

### **Ensuring Energy Security and Sustainability**

Assured access to energy and water underpins readiness-related functions that occur on Army installations. Without energy and water, the Army fails. Cyber and physical vulnerabilities in the interdependent electric power grids, natural gas pipelines, and water resources supporting Army installations jeopardize mission capabilities and installation security. These vulnerabilities undermine the Army’s ability to project power and support global operations. In response to these risks, the Acting Secretary of the Army issued a Directive in February 2017 setting new installation energy and water security requirements. This Directive sets a requirement to secure critical missions by being capable of providing necessary energy and water for a minimum of 14-days. This requirement, tracked by new installation energy and water security metrics, are a key step as we embed energy and water security into the total Army readiness posture and make strategic investment decisions to reduce the greatest vulnerabilities first.

The Army views sustainability of energy, water, and land resources as mission enablers. Our installation energy budget request is focused on enhancing mission effectiveness and is supported by strong business case analyses. For FY 2018, the



Army is requesting \$2.0 billion to pay utility bills on our installations; invest in energy and water efficiency improvements; and leverage Department of Defense authorities to partner with the private sector to enhance the security and resiliency of our installations.

Efficiency remains a cornerstone of the Army's installation strategy. To implement these objectives in light of underfunded installations accounts, the Army continues to partner with the private sector. The Army leads the Federal Government in the use of Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs). ESPCs and most UESCs allow private companies and servicers to provide the initial capital investment needed to execute projects using repayments from savings. The amount of energy saved by Army ESPC and UESC projects awarded between FY 2010 and FY 2016 is equal to the amount of energy consumed by Fort Bragg – one of the Army's largest and most populous installations – in a year. When it is life-cycle cost effective, the Army plans to continue to leverage ESPC/UESC to reduce energy and water consumption; implement alternative energy projects, such as combined heat and power; and increase the reliability of our mechanical systems.

In addition to efficiency, the Army is partnering with the private sector to deploy renewable and alternative generation assets that can support the resiliency of our installations. The Office of Energy Initiatives (OEI) plans and develops alternative energy projects, which are accomplished by private investment, including battery storage and advanced controls when possible. OEI currently has 14 projects completed, under construction, or in the final stages of the procurement process – together providing over 350 megawatts of generation capacity. These projects represent over \$600 million in private sector investment, saving funds that would otherwise be appropriated for these projects. A key and expanding component of this effort is the inclusion of enhanced energy security measures, building a foundation of onsite energy production.

In regards to sustainability, the Army continues its efforts to ensure our buildings are constructed to the highest possible standards, with low resource footprints resulting in longer building life and lower life-cycle costs. We continue our efforts to reduce

potable water consumption, particularly in water scarce areas and to reduce our waste flows through recycling, reuse and diversion.

The Army's energy security and sustainability program has proven results – improving energy and water efficiency; reducing our reliance on external utility systems; improving operational freedom of action; and contributing to mission readiness – all at minimal impact to Army budgets. We urge Congress to continue to support the Army's energy security and sustainability initiatives.

### **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 13.6 million acres of land, which inevitably leads to interactions with endangered species. We also have requirements to preserve historic sites and restore critical or contaminated lands. Performing these functions well and in accordance with all applicable laws permits continued Army operations and protects our Soldiers, Families, and communities. Our FY 2018 budget request of \$0.941 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**

Underfunding facilities maintenance costs is an appropriate, short-term approach to sustaining overall Army readiness. But over time, this approach, along with the continued sustainment of failing facilities and low-value assets, creates extensive liabilities and detracts from the Army's ability to perform its core functions.

We appreciate your support for the Army's FY 2018 MILCON budget increase and we thank you for your continued advocacy. This budget represents a significant and positive step towards addressing our facility shortfalls. Contingent upon congressional support for another round of BRAC, the Army could truly optimize its facilities and installations. Further BRAC efforts would allow the Army to reduce expenses associated with maintaining facilities that we don't use or need; posture the Army for future growth; and generate significant long-term savings.

Army installations serve as the platform for Army Readiness. We need ready and resilient installations to ensure our Soldiers are properly trained and can be easily deployed anywhere in the world in order to fight and win our nation's wars.

Readiness is the foundation that keeps our nation free. Our great Soldiers and Families are the blueprint of this foundation. They deserve the best facilities, programs, and services we can afford.

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