Statement of

HONORABLE B.J. PENN, ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND ENVIRONMENT)

Before the

READINESS AND MANAGEMENT SUPPORT SUBCOMMITTEE

of the

SENATE ARMED SERVICES COMMITTEE

10 April 2007
Mr. Chairman and members of the committee, I am pleased to appear before you today to provide an overview of the Department of Navy’s shore infrastructure.

THE NAVY’S INVESTMENT IN FACILITIES

The Department of Navy’s (DoN) shore infrastructure is where we train and equip the world’s finest Sailors and Marines, while developing the most sophisticated weapons and technologies. The DoN manages a shore infrastructure with a plant replacement value of $187 billion on 4.5 million acres. Our FY-08 shore infrastructure baseline budget totals $11.5 billion, representing about eight percent of the DoN’s FY-08 baseline request of $139 billion. There is an additional $410 million for facilities in the FY-07 Global War on Terror (GWOT) Supplemental, and $169 million in the FY-08 GWOT request. Together, that represents a $1.8 billion increase compared to the FY-07 request of $10.3 billion.

The **Base Operating Support (BOS)** request of $5.6 billion, excluding environmental, comprises the largest portion of the Navy’s facilities budget request. This account funds the daily operations of a shore facility, e.g., utilities, fire and emergency services; air and port operations; community support services; and custodial costs.

Our FY-08 request of $5.6 billion for **BOS** reflects a $558 million increase from the enacted FY-07 level. The Navy increase of $356 million and Marine Corps increase of $202 million will return capability levels to those executed in FY-05, restoring reductions taken during FY-07 that are unsustainable, particularly in the area of information technology and counter-terrorism and security guards as we substitute civilian and contract personnel in place of military personnel.
The FY-08 military construction (active + reserve) baseline request of $2.2 billion is $992 million more than the enacted FY-07 level of $1.2 billion. The FY-08 request includes $59 million for Navy and Marine Corps reserve construction efforts. This level of funding supports traditional recapitalization projects for the existing infrastructure. It also provides facilities for 15 new Navy weapon systems, new facilities for the Marine Corps’ plan to Grow the Force from the current 175,000 permanent end strength to 202,000 by 2011, and new barracks to ensure that all unaccompanied enlisted Marines are suitably housed by 2012.

The FY-08 Family Housing baseline request of $670 million is $140 million less than the FY-07 enacted level of $810 million. Within this sum, there is $299 million for replacement family housing on Guam and Marine Corps privatization. Housing operations and maintenance funds decline to $371 million as government owned worldwide inventory of 26,335 homes in FY-07 falls by 15,481 homes to 10,854 homes in FY-08 due to privatization.

Sustainment, Restoration and Modernization (S/RM) includes military construction and operation and maintenance funds. Our FY-08 request of $1.83 billion represents only the amount of S/RM funded with Operations and Maintenance, and is $133 million above the enacted FY-07 level of $1.70 billion. Although FY-08 funding is eight percent higher than FY-07, sustainment levels are lower because of inflation and an increase in modeled requirements.

Our FY-08 request of $898 million for environmental programs at active and reserve bases is comprised of operating and investment appropriations. This amount is about the same as the FY-07 request.

Our BRAC program consists of environmental cleanup and caretaker costs at prior BRAC locations, and implementation of BRAC 2005 recommendations.

- Our FY-08 prior BRAC program of $179 million is $163 million below our FY-07 program of $342 million. The entire prior BRAC effort continues to be financed with revenue obtained from the sale of prior BRAC properties. We have not sought appropriated funds for prior BRAC since FY-05, however, the FY-08 program depletes the remainder of the land sale revenue received in previous years from disposing prior BRAC property.
- The FY-08 budget of $733 million to implement the BRAC 2005 recommendations is $434 million above the amount allocated by the Department of Defense (DoD) to the DoN following the reduction enacted in the House Joint Resolution 20.
Impact of House Joint Resolution 20

The Department of Defense has been proceeding with BRAC 05 implementation through most of FY-07 under a series of Continuing Resolutions (CRs). The enactment of the House Joint Resolution 20 on 15 February provided an annual DoD BRAC 05 appropriation, albeit at a substantial $3.1 billion reduction to the PB-07 $5.6 billion request. The DoN had received $66 million of the $690 million budget request under the CRs, with most of the funds provided in January. The duration of the CR, and the magnitude of the funding reduction, has severely complicated program execution.

The BRAC 05 account is a DoD account. The Office of the Secretary of Defense has now allocated $297 million of the $2.5 billion appropriated by the Congress in FY-07 to the DoN, leaving us with a $398 million shortfall in FY-07. There is, however, no doubt that a 55 percent reduction from the President’s FY-07 budget request will create substantial turmoil in all of the Services and Defense Agency implementation plans and schedules. Our BRAC 05 design and construction projects represent 81 percent of the FY-07 (49 construction projects at 20 locations) and 69 percent of the FY-08 request (29 construction projects at 18 locations), so any reduction of funds in FY-07 will require that we defer numerous construction projects, causing a bow wave of construction projects into FY-08. This will require a wholesale review of FY-08 execution plans and schedules as we accommodate construction projects deferred from FY-07. Delaying closures and realignments also requires us to replace funds which had been taken as savings in the budget. Finally, it adds further uncertainty in the lives of our military, civilian, and contract employees as they ponder their future, and jeopardizes our ability to meet the September 2011 deadline to complete all closures and realignments.

The President submitted an amended FY-07 request on 8 March 2007 with accompanying offsets for $3.1 Billion in additional BRAC 05 funds. I urge your support for the amended FY-07 budget submitted to the Congress.

Here are some of the highlights and additional details on these programs.

MILITARY CONSTRUCTION

Military Construction Projects

The DoN’s FY-08 Military Construction program requests appropriations of $2.1 billion including $110 million for planning and design and $10 million for Unspecified Minor Construction. This FY-08 baseline request is $975 million above, and nearly doubles, the FY-07 enacted level of $1.129 billion. The FY-08 authorization request is $1.8 billion. This level of construction funds presents what I believe will be a substantial, long-term commitment for naval facilities.
The active Navy program totals $1,126 million and includes:

- $486 million for 15 construction projects supporting the fielding of new weapons system platforms or research facilities for future weapon systems. All construction projects are scheduled to finish building and outfitting the facility just-in-time to coincide with the arrival of the new platform and its planned initial operating capability. The new platforms include: LPD-17, T6-A, LCS, SSN-774, E2-D, JPALS, FA-18E/F, MH-60, MUOS, EA-18G, T-AKE, and D5 LE. One example of these new platforms is a $101.8 million extension to Kilo wharf in Guam to support the arrival of the new T-AKE class Combat Logistics Force ships in FY-2010 that provide underway replenishment to Navy ships at sea, replacing the current T-AE and T-AFS class ships;

- $175 million to continue funding for six previously approved incrementally funded construction projects. An example is a $16.6 million recruit training center infrastructure upgrade at Naval Training Center Great Lakes IL. This project is the final phase of the infrastructure improvement effort at Great Lakes. In accordance with Administration policy, there are no new incrementally funded construction projects in this budget request;

- $146 million for four other waterfront recapitalization projects not associated with new weapons systems. An example is a $91 million CVN maintenance pier replacement at Naval Base Kitsap, WA;

- $139 million for utilities infrastructure improvements to meet current mission and operational requirements at Naval Base Guam and Naval Support Activity Diego Garcia;

- $24 million for training projects at Naval Air Station Corpus Christi, TX and Naval Station Great Lakes, IL;

- $22 million in three infrastructure improvement projects at Camp Lemonier in Djibouti in support of CENTCOM’s forward operating base.

The active Marine Corps program totals $1,037 million, including:

- $361 million for facilities to support the “Grow the Force” initiative, which I will discuss in greater detail below;

- $282 million for ten bachelor quarters at seven locations including Marine Corps Base Camp Lejeune, NC, and Marine Corps Air Station Yuma, CA;

- $167 million for 11 operations and training facilities, including an Infantry Squad Defense Range at Marine Corps Base Camp Pendleton CA, and three facilities for the Marine Corps Special Operations Command units at Camp Pendleton. CA and Marine Corps Base Camp Lejeune, NC;

- $52 million for two training facilities, including student quarters for the basic school at Marine Corps Base Quantico, VA;

- $32 million for three other quality of life projects, including a fitness center at Marine Corps Base Camp Pendleton CA;

- $31 million for four maintenance projects including a jet engine test cell at Marine Corps Air Station New River NC;
• $13 million for infrastructure improvements including main gate improvements at the Blount Island Command, FL and Marine Corps Base Camp Pendleton, CA.

The Navy and Marine Corps Reserve Military Construction appropriation request is $59.2 million, $16 million more than the enacted FY-07 level of $43 million. There are three reserve centers at various locations and a Mobile Inshore Undersea Warfare Unit operation facility at Naval Station Everett WA.

**Marine Corps Grow the Force**

To meet the demands of the Long War and respond to inevitable worldwide crises that arise, the Marine Corps must be sufficiently manned in addition to being well trained and properly equipped. A key objective is to establish a 1:2 deployment-to-dwell ratio for all active component forces. This ratio relates how long our forces are deployed versus how long they are at home. The goal is for every seven months a Marine is deployed, he will be back at his home station for fourteen months. Marine operating forces are routinely falling short of this target. To fix this imbalance, the President announced in January a need to increase the Marine Corps permanent end strength from 175,000 to 202,000 by 2011, along with a larger increase for the Army. The Marine Corps growth will occur in stages, the first of which will build three new infantry battalions and elements of their supporting structure of about 5,000 Marines.

The FY-08 baseline budget includes $4.3 billion for pay and allowances for the first increment of Marines, military construction and base operating support for permanent barracks and operations centers, procurement of additional H-1 aircraft and increased aviation support, along with recruiting, training, equipment and ammunition to bring units to full operational capability. The funding for infrastructure and facilities to initially support this initiative are in three separate budget documents now before Congress:

- The FY-07 Supplemental includes $324 million for planning & design, and eight military construction projects;
- The FY-08 Global War on Terror includes $169 million for planning & design, ten military construction projects, and family housing privatization seed money for follow-on projects;
- The FY-08 baseline budget includes $458 million for planning & design, 20 military construction projects including two Wounded Warrior barracks, and additional family housing privatization seed money for follow-on projects.

Because Marines will begin to arrive before construction at many locations is complete, the Marine Corps is planning to lease, rent, or purchase temporary support facilities. Based on the composition of the additional units, we are
determining the optimal permanent bed down locations for these units for future construction requirements.

FACILITIES MANAGEMENT

Facilities Sustainment, Restoration and Modernization (SRM)

The Department of Defense uses a Sustainment model to calculate life cycle facility maintenance and repair costs. These models use industry-wide standard costs for various types of building and geographic areas and are updated annually. Sustainment funds in the Operation and Maintenance accounts are used to maintain facilities in their current condition. The funds also pay for preventative maintenance, emergency responses for minor repairs, and major repairs or replacement of facility components (e.g. roofs, heating and cooling systems). Both the Navy and the Marine Corps have accepted more risk in facilities sustainment funding in FY-08 to fund higher priority requirements. With respect to the table, the Marine Corps moved additional funds to sustainment in FY-06 to restore reductions taken in FY-05. The Navy would require $240 million and the Marine Corps $64 million to fund sustainment to the DoD goal of 100 percent of model requirements in FY-08.

<table>
<thead>
<tr>
<th>Recap years</th>
<th>FY-06</th>
<th>FY-07</th>
<th>FY-08</th>
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<tr>
<td>USN Budget</td>
<td>105</td>
<td>83</td>
<td>63</td>
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<tr>
<td>USN Actual/Plan</td>
<td>45</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>USMC Budget</td>
<td>101</td>
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<tr>
<td>USMC Actual/Plan</td>
<td>97</td>
<td>109</td>
<td></td>
</tr>
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</table>

Restoration and modernization provides major upgrades of our facilities using Military Construction, Operation and Maintenance, Navy Working Capital Fund, and Military Personnel funds. The DoD uses a “recap” metric to gauge investment levels. The “recap” metric is calculated by dividing the plant replacement value by the annual investment of funds and is expressed in years. The DoD goal is to attain a 67-year rate by FY-08. This is a relatively coarse metric, as demonstrated by the dramatic improvement in execution as a result of funds from the FY-06 Hurricane Supplemental, which substantially improved only those bases affected by the storm. The Navy recap rate also benefits from military construction included in BRAC 05 implementation. We are working with the Office of the Secretary of Defense and the other Components to develop a recap model similar to the Sustainment model, planned for release in the next budget cycle.
Naval Safety

The DoN has embraced the Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which seeks to foster a cooperative relationship between management, labor, and OSHA as a means to improve workplace safety. The VPP focuses on four major tenets: increased leadership and employee involvement in safety; effective worksite hazard analysis; a focus on hazard prevention and control; and effective safety and health training for employees. The DON has achieved “Star” status, OSHA’s highest level of achievement, at four sites representing over half of the VPP star sites in DoD. The Naval activities include three Naval shipyards, our largest industrial facilities. Statistical evidence for VPP’s success is impressive. The average VPP worksite has a Days Away, Restricted or Transferred (DART) injury case rate of 52% below the average for its industry, which is consistent with what we have seen.

Joint basing

The Office of the Secretary of Defense released a draft Joint Base Initial Implementation guidance on 31 January 2007 for coordination by the Components. The Navy and Marine Corps have been working closely with the Components for over a year in developing a common framework and standards to establish joint bases. The DON supports the transfer of funding and real estate from the supported component to the supporting component for installation management functions, which will be the responsibility of the supporting component to provide at the joint base.

Encroachment Partnering

We are successfully applying the authority in the FY-03 National Defense Authorization Act to enter into agreements with state and local governments and eligible non-government organizations to address potential incompatible development near our installations and ranges, and to preserve nearby habitat to relieve current or anticipated environmental restrictions that might otherwise restrict military training, testing, or operations on the installation. Both the Navy and Marine Corps are using this authority to reduce or eliminate encroachment concerns. Through fiscal year 2006 Department of the Navy has protected nearly 16,000 acres near its installations under this program at a cost of $12.5 million while our partners have contributed $20.5 million. The DoN has also entered into several longer term agreements under which we and our partners will seek additional encroachment buffering opportunities. Examples include:

- An agreement with Beaufort County, South Carolina under which we will share costs to acquire interests in the vicinity of Marine Corps Air Station Beaufort.
- An agreement with Churchill County, Nevada under which we will share costs to acquire interests in the vicinity of Naval Air Station Fallon.
Energy

The DoN is pursuing ways to meet the requirements of Executive Order 13423 and the Energy Policy Act of 2005. Central to this plan is our continued development of geothermal power plants. Navy has partnered with the renewable energy industry on a 270 MW geothermal plant at Naval Air Warfare Station China Lake, CA; awarded a geothermal power plant contract for Naval Air Station Fallon, NV; and is evaluating a project at Naval Facilities Engineering Center El Centro, CA. Other on-base renewable projects include photovoltaic, wind, wave and ocean thermal energy conversion projects. I issued a new DoN policy last fall requiring all new buildings to be built to a LEED Silver level.

HOUSING

Our FY-08 budget continues to improve living conditions for Sailors, Marines, and their families. We have programmed the necessary funds and expect to have contracts in place by the end of FY-07 to eliminate all inadequate family housing. Renovation and new construction will be completed such that Sailors and Marines are no longer occupying inadequate homes by FY-12. We continue to provide homes ashore for our junior shipboard unaccompanied Sailors, to provide appropriate living spaces for our junior enlisted bachelor Marines, and to address long standing family housing deficits. We have programmed the necessary funding to eliminate over 99 percent of the inadequate permanent party unaccompanied bachelor quarters (BQs) housing spaces still served by “gang heads.” As we near finishing privatizing existing military family housing, we are making tangible progress in applying that same privatization approach to meet our unaccompanied housing needs.

Family Housing

As in past years, our family housing strategy consists of a prioritized triad:

- **Reliance on the Private Sector.** In accordance with longstanding DoD and DoN policy, we rely first on the local community to provide housing for our Sailors, Marines, and their families. Approximately three out of four Navy and Marine Corps families receive a Basic Allowance for Housing (BAH) and own or rent homes in the community.
Public/Private Ventures (PPVs). With the strong support from this Committee and others, we have successfully used PPV authorities enacted in 1996 to partner with the private sector to help meet our housing needs through the use of private sector capital. These authorities allow us to leverage our own resources and provide better housing faster to our families. Maintaining the purchasing power of BAH is critical to the success of both privatized and private sector housing.

Military Construction. Military construction will continue to be used where PPV authorities don’t apply (such as overseas), or where a business case analysis shows that a PPV project is not financially sound.

As of 1 March 2007, we have awarded 24 privatization projects for over 50,000 homes. As a result of these projects, over 30,000 homes will be replaced or renovated, about 5,000 new homes will be built, and the remaining 15,000 were privatized in good condition and did not require any improvements. Through the use of these authorities we have secured over $6 billion in private sector investment from $588 million of our funds, which represents a ratio of almost twelve private sector dollars for each taxpayer dollar.

During the remainder of FY-07 and in FY-08, we plan to award nine Navy and Marine Corps family housing privatization projects totaling over 13,000 homes. By the end of FY-07, the Navy and Marine Corps will have privatized 95 percent and over 99 percent, respectively, of their U.S. housing stock.

Our FY-08 and outyear family housing privatization projects are targeted at reducing family housing deficits by constructing additional housing for our families where the private sector cannot accommodate their needs. These authorities will ensure the availability of housing to address increased requirements associated with the Marine Corps’ “Grow the Force” initiative.

### Planned Privatization Awards

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<th>Fiscal Year</th>
<th>Location</th>
<th># homes</th>
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<tr>
<td>2007</td>
<td>Southeast Region</td>
<td>5,501</td>
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<tr>
<td></td>
<td>Midwest (Phase 2)</td>
<td>326</td>
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<tr>
<td></td>
<td>San Diego (Phase 4)</td>
<td>3,254</td>
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<tr>
<td></td>
<td>(Southwest Region)</td>
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</tr>
<tr>
<td></td>
<td>MCB Hawaii (Phase 2)</td>
<td>917</td>
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<tr>
<td></td>
<td>MCB Camp Lejeune/MCAS Cherry</td>
<td>1,985</td>
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<tr>
<td></td>
<td>Point/Westover JARB</td>
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</tr>
<tr>
<td></td>
<td>MCB Camp Pendleton/MCLB Albany</td>
<td>294</td>
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<tr>
<td><strong>FY 2007 Total</strong></td>
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<thead>
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<th>Fiscal Year</th>
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<tr>
<td>2008</td>
<td>MCB Camp Lejeune</td>
<td>451</td>
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<td>MCB Camp Pendleton</td>
<td>301</td>
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<tr>
<td></td>
<td>MCAGCC 29 Palms</td>
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<td><strong>FY 2008 Baseline Subtotal</strong></td>
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<td>MCB Camp Pendleton</td>
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<td><strong>FY 2008 GWOT Subtotal</strong></td>
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<td><strong>FY 2008 Total</strong></td>
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**Total FY 2007-2008 13,380**
stand-up of the Marine Corps Special Operations Command, and address our remaining housing deficit.

Our FY-08 baseline family housing budget request includes $298 million for family housing construction and improvements. This amount includes $188 million for the Government investment in family housing privatization projects planned for FY-08 award. It also includes the replacement or revitalization of housing in Guam and Japan where privatization is not planned. Finally, the budget request includes $371 million for the operation, maintenance, and leasing of remaining Government-owned or controlled inventory. The latter represents a 66 percent decline since 1999 when the DoN began in earnest to privatize its inventory of government owned housing. In addition, our FY-08 family housing Global War on Terrorism request includes another $12 million for the Marine Corps in family housing improvements.

**Unaccompanied Housing**

Our baseline budget request of $323 million for 11 unaccompanied housing projects continues the emphasis on improving living conditions for our unaccompanied Sailors and Marines. Marine Corps has an additional BQ for $41 million in the FY-07 GWOT Supplemental, and another BQ and dining hall in the FY-08 GWOT. There are three challenges:

1. **Provide Homes Ashore for our Shipboard Sailors.** Approximately 13,000 E1-E3 unaccompanied Sailors worldwide lived aboard ship even while in homeport. The FY-08 budget supports Navy’s goal of providing ashore living accommodations for these Sailors. It includes one “homeport ashore” construction project for $47 million to complete Naval Base Kitsap Bremerton, WA (198 modules). We are requesting a second phase of funding for this project previously authorized in FY-05. The primary demographic are Sailors assigned to the nuclear carrier **USS JOHN C. STENNIS**, which is homeported in Bremerton. Efforts to build this barracks as a pilot BQ PPV proved uneconomical due to the large number of vacancies that would occur when **STENNIS** deployed.

   In addition to the E1-E3 shipboard Sailors, there are approximately 6,000 unaccompanied E-4 Sailors with less than four years service who are assigned to sea duty. Although they are entitled to receive BAH, funding for housing allowances remains un-programmed. We will accommodate those Sailors within our existing unaccompanied housing capacity to ensure they do not return to live aboard ship upon promotion to E4.

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1. Excludes two Marine Corps Wounded Warrior barracks
2. Ensure our Barracks Meet Today’s Standards for Privacy. We are building new and modernizing existing barracks to increase privacy for our single Sailors and Marines. Reflecting the Commandant of the Marine Corps’ priority to ensure single Marines are adequately housed, the FY-08 budget includes $282 million in MILCON funding (a 124 percent increase over FY-07 funding levels) for the construction of 3,750 permanent party and trainee spaces at seven Marine Corps installations. The Marine Corps has programmed the necessary funding from FY-08 through -11 to ensure Marines for their current approved 175,000 end strength are adequately housed by 2012. These barracks will be built to the 2 + 0 room configuration, as have all Marine Corps barracks since 1998.

We appreciate the Congress authorizing the Services to adopt private sector standards for the construction of military unaccompanied housing. We believe that we can provide market-style housing with improved amenities (such as increased common space for residents) at a cost equivalent to that associated with building smaller modules to rigid military specifications. In implementing this authority, we will ensure that Service-specific operational requirements are not compromised, such as the core Marine Corps’ tenets for unit cohesion and teambuilding.

3. Eliminate Gang Heads. The Marine Corps had programmed all necessary funding, through FY-05, to eliminate inadequate unaccompanied housing with gang heads2 for permanent party personnel. They will, however, continue to use these facilities on an interim base to address short-term housing requirements resulting from temporary end strength increases in recent supplemental appropriations. The Navy will achieve over 99 percent of this goal by FY-07.

Unaccompanied Housing Privatization

We awarded our first pilot unaccompanied housing privatization project to Pacific Beacon LLC in December 2006. When complete in 2009, this project will provide 941 new two-bedroom/two-bathroom apartments for E-4 and above enlisted personnel in San Diego, CA who are unsuitably housed in the private sector or who are living in Government quarters that could be used by shipboard Sailors. An existing unaccompanied housing building, containing 258 modules, was also privatized as part of this agreement. Our partner will provide additional quality of life amenities to existing buildings, such as a swimming pool.

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2 Gang heads remain acceptable for recruits and trainees.
We are in exclusive negotiations with a prospective private partner for a second pilot project at Hampton Roads, VA. This project is set for contract award this spring, after the required Congressional notices. This project will build more than 1,000 new two-bedroom/two-bathroom apartments and privatize over 700 existing unaccompanied housing modules for unaccompanied shipboard E1-E3 personnel.

We appreciate Congress extending the authorities and streamlining the notification process in last year’s Authorization Act. We continue to pursue candidates for the third pilot, targeting the Mayport/Jacksonville, Florida area, and expect to have preliminary results this spring on a feasibility study. We will also look at other candidates including additional phases at San Diego and Hampton Roads.

Recognizing that these are long-term endeavors, we take seriously our responsibility to monitor the agreements to ensure that the Government’s interests are adequately protected. We have instituted a portfolio management approach that collects and analyzes financial, occupancy, construction, and resident satisfaction data to ensure that the projects remain sound and that the partners are performing as expected. Customer surveys show overall improvement in member satisfaction after housing is privatized.

**Buildup on Guam**

U.S. national interests and treaty commitments require strengthening of U.S. military capabilities in the Western Pacific. U.S. forces must be positioned to maintain regional stability, ensure flexibility to respond to regional threats, project power throughout the region, defend our assets as well as those of our allies, and provide forces to respond to global contingencies.

The relocation of III Marine Expeditionary Force personnel from Okinawa to Guam under U.S.-Japan Alliance Transformation and Realignment is part of a broader realignment that, when implemented, will strengthen our regional posture, deter potential aggressors, and provide capabilities that can be flexibly deployed in contingencies, which are essential for the Defense of Japan and for peace and security in the region. For the Marines, this development will balance the Marine Air Ground Task Force (MAGTF) lay down across the region with
improved flexibility. The ~ 8,000 Marines and their 9,000 dependents leaving Japan will reduce the footprint of U.S. forces in Okinawa. This will facilitate consolidation of U.S. bases on Okinawa to allow additional land returns in Japan, while reinvigorating Guam’s economy through economic stimulus, infrastructure improvements, and external investments.

The Government of Japan will fund most of the infrastructure construction costs over the planned seven year time period to implement the realignment actions in mainland Japan, Okinawa, and Guam. On Guam, Japan will contribute $6.09 billion of cost sharing toward the estimated $10.27 billion development cost associated with the realignment of Marines from Okinawa to Guam. Japan’s contribution consists of $2.8 billion in cash for operational facilities, barracks, and quality of life facilities, and $3.29 billion in equity investments and loans to special purpose entities that will provide housing and utilities for the Marines on Guam.

The Deputy Secretary of Defense directed the Navy to establish a Joint Guam Program Office (JGPO) to coordinate and manage the relocation of the Marines from Okinawa to Guam. There will be JGPO offices in Arlington, VA and in Guam, along with a liaison billet in Hawaii with USPACOM, and another in Japan with USFJ. The JGPO will work closely with the Office of Economic Adjustment and the Government of Guam to ensure this initiative is mutually beneficial to DoD and to the people of Guam.

JGPO will oversee National Environmental Policy Act (NEPA) studies that will provide the foundation for the Environmental Impact Statement (EIS) and parallel development of a Guam Master Plan. We have $10 million in FY-07 and are requesting $28M in multiple appropriations in the FY-08 baseline budget to continue these efforts. My office released the NEPA Notice of Intent in the Federal Register on 7 March 2007. The Draft EIS, Final EIS, and Record of Decision, including public comment periods could take up to three years to complete. The EIS will address the impact of relocating III MEF with the Air, Ground, and Combat Service Support elements from Okinawa to Guam. The housing, operational, quality of life, and services support infrastructure for the Marines will be identified during the planning process, and assessed through the environmental analysis. It will also assess the impacts of improving the Apra Harbor waterfront to construct a pier capable of berthing a transient aircraft carrier as well the infrastructure requirements needed to station a U.S. Army ballistic missile defense task force on Guam. We will ask for the necessary military construction funds beginning with the FY-10 budget submission.
ENVIRONMENT

Endangered Species Protection

For nearly a century, San Clemente Island, CA was ravaged by the destructive forces of invasive species, which severely degraded the island’s entire ecosystem. Eleven endemic and/or native plants and animals neared extinction, and are now protected under the Endangered Species Act.

Today, the status of most of these species has been significantly enhanced because of the Navy’s environmental stewardship. The Navy eradicated all non-native feral grazing animals in the early 1990s and removed exotic plants which were overwhelming native species. The island has been healing through natural processes and Navy protective measures and restoration efforts. In response to a request from the Navy, the U.S. Fish and Wildlife Service in October 2006 recommended de-listing the Island Night Lizard on San Clemente Island as a result of a five-year review. The final decision is still pending.

Camp Pendleton uses its Integrated Natural Resources Management Plan (INRMP) to manage the ecosystem on this 125,000-acre installation, recognizing that the military mission as a central and integral element of the ecosystem. During the last two years, the INRMP demonstrated its benefit by excluding the base from Critical Habitat (CH) designations by the U.S. Fish and Wildlife Service (USFWS) for seven species. In each case, the Secretary of the Interior found that Camp Pendleton’s INRMP provided a benefit to the species, and agreed to exclude all Base-managed lands from designation as critical habitat, per Section 4(a)(3) of the Endangered Species Act., and required no further restrictions on military training activities.

In 2006, the USFWS released five-year status reviews for two species inhabiting Camp Pendleton: the least Bell’s vireo and the California least tern. The USFWS recommended both birds be upgraded from “endangered” to “threatened” due in large measure to Camp Pendleton’s management efforts, such as habitat enhancement, cowbird control, and focused predator management. A final decision is pending.

Navy Marine Mammals/Sonar R&D investments

The Navy recognizes the need to protect marine mammals from anthropogenic sound in the water. The Navy invests $10 million to $14 million per year for research into hearing and diving physiology, behavioral response to human-generated sound, mitigation options, and simulation tools. Approximately 33 universities, institutes, and technical companies are supported by Navy research grants. All the research is aimed a developing a broad,
scientific understanding of marine mammals. The Navy recently expanded its research on the effects of mid-frequency sonar to include effects on fish.

**MMPA National Defense Exemption**

On 23 January 2007 the Department of Defense issued a National Defense Exemption (NDE) under the Marine Mammal Protection Act (MMPA) for all military readiness activities that employ mid-frequency active sonar or Improved Extended Echo Ranging Sonobuoys during major training exercise, within established DoD maritime ranges, or establish operating areas. A six-month NDE had expired on 30 December 2006.

The Navy is working closely with the National Oceanic and Atmospheric Administration (NOAA), which has jurisdiction on MMPA enforcement, to address procedural issues, identify and implement mitigation and monitoring measures to minimize potential effects to marine mammals, and establish mutually acceptable threshold criteria. The Navy has also established an outreach workgroup with the many non-governmental organizations that have a vested interest in the protection of marine species. The Navy has begun the public NEPA process on its three most active ranges - Hawaii, Southern California, and East Coast, and is committed to completing environmental documentation for all ranges by the end of 2009.

**Shipboard Programs**

The Navy continues modernizing its vessels to comply with more stringent environmental regulations. The Navy completed its Afloat Pollution Prevention Equipment installations in September 2006 with 152 installations on Navy surface ships. The equipment reduces the need for hazardous material, and the generation of hazardous waste. The Navy continues to convert its shipboard air conditioning and refrigeration plants from Ozone Depleting Substances (ODS) to non-ODS refrigerants. As of 1 March 2007, we had completed 516 of 690 conversions of shipboard air condition systems and 600 of 614 conversions of shipboard refrigeration systems. Navy expects to complete its transition to non-ODSs by 2014.

The Navy has also completed 114 of 334 upgrades to its plastic waste processors (PWP), which allow ships at sea to compress plastics into a solid disk for disposal or recycling ashore. The new PWP's reduce maintenance, improve reliability and throughput, and include a self-cleaning future, giving our sailors the best equipment to meet no-plastics discharge requirements while at sea.

**Environmental Compliance by Shore Installations**

The Navy continues to improve its shore installation compliance environmental standards. Solid waste diversion has climbed from 42 percent in
FY-04 to 60 percent in FY-06 for combined municipal waste and construction and demolition debris, compared with an EPA national average diversion rate of 32 percent. Our hazardous waste disposal amounts are down to an all time low of 54 thousand tons of hazardous waste, compared to 207 thousands tons when DoD starting using this metric in 1992, this despite increased optempo to support the Global War On Terror. Domestically, 91 percent of Navy permits are in full compliance with Clean Water Act standards, and 97 percent meet all Safe Drinking Water Act standards, both increases from recent years.

The Marine Corps has made similar progress. For example, the number of new enforcement actions against the Marine Corps in FY-06 has declined by 25 percent compared to the average number in FY-01 through FY-05. This decrease occurred at a time of high operational tempo and more regulatory inspections.

**Alternative Fuel Vehicles**

The Navy has many initiatives to reduce its reliance on imported oil. Last year, Navy doubled biodiesel usage for non-tactical vehicles. Biodiesel fuels are now available at Navy Exchange fuel stations in Norfolk, VA; Crane, IA; and Charleston, SC. After successfully completing a pilot scale system, the Naval Facilities Engineering Services Center (NFESC) is building a full-scale biodiesel production facility at Naval Base Ventura County, Port Hueneme, CA. NFESC distributed 92 neighborhood electrics last year. These electric vehicles can be charged at any 110 volt outlet and are well-suited for use in ports, air stations, and large supply buildings.

**Installation Restoration Program (IRP)**

The DoN has completed cleanup or has remedies in place at 78 percent of our 3,700 contaminated sites. We plan to complete the program by the year 2014. The cost-to-complete the installation restoration program continues a downward trend with efficiencies of $600 million over the past ten years. Use of new technologies, land use controls, remedy optimizations, contract efficiencies, and a dedicated professional staff have contributed to these efficiencies. Our FY-08 request of $301 million consists of $271 million for IRP, and $41 million for program management, and $43 million for munitions response.

**Munitions Response Program (MRP)**

The DoN is proceeding with cleanup of Munitions and Explosives of Concern (MEC) and Munitions Constituents (MC) at all Navy and Marine Corps locations other than operational ranges. We plan to complete preliminary assessments this year at all 213 known sites on 56 active installations. Site inspections and sampling will be completed by 2010. We will not have credible cleanup cost estimates until these assessments are completed in 2010.
Navy continues clearing munitions from Vieques, PR. About 65 acres of beaches have been surface cleared of munitions on the eastern side of the island, and we are removing surface MEC and MC on 1,100 acres of the former bombing range Live Impact Area and the artillery range. A total of 290 acres, including the “Red” and “Blue” beaches have been cleared. Our revised cost to complete for Vieques is $255 million, with completion expected in 2020.

**BRAC 05**

In developing the BRAC 2005 recommendations, the DoN sought to eliminate excess capacity, improve operational readiness, capitalize on joint basing opportunities with the other Components, maintain quality of service, and achieve cost savings. The BRAC 2005 Commission recommendations became legally binding on the DoD on 9 November 2005. In contrast to prior BRAC commissions, the BRAC 2005 recommendations have fewer closures and many more realignments, particularly realignments that involve more than one military Service or Defense Agency. The DoN has 6 “fence line” closures and 81 realignment recommendations involving 129 bases. Our remaining environmental cost to complete for FY-08 and beyond is $94 million.

**Accomplishments**

Given that all closures and realignments in BRAC 05 must by law be completed by September 2011, we must move quickly to construct the necessary facilities to relocate units from their current location to their new location. We initiated BRAC 05 implementation in FY-06 by awarding 12 BRAC construction projects at the “receiver” locations. The Department of Navy obligated 96 percent of the total FY-06 $252 million BRAC 05 funds we received.

Nearly all impacted communities have established a Local Redevelopment Authority (LRA) to guide local planning and redevelopment efforts. The DoD Office of Economic Adjustment has been providing financial support through grants and technical assistance to support LRA efforts.

To date, the Navy has terminated leases at eleven reserve centers, thereby returning these properties to their owners; and completed 14 surplus determinations, allowing us to proceed with disposal actions to non DoD recipients at these locations. We expect to complete the remaining two surplus determinations this spring. We also completed 23 Environmental Condition of Property Reports, providing copies to local communities and federal agencies to support their redevelopment efforts. These environmental reports provide a comprehensive summary of all known environmental contamination, as well as the studies, analyses, and cleanup that have been done, are now underway, or remain to be done.
Navy has completed operational closure of 12 bases. We have received approval from OSD for 58 out of 64 business plans for which the DoN is the executive agent. These business plans, which average 40 pages in length, include extensive details on costs, savings, schedules, and support documents for each construction project. We continue efforts to gain OSD approval for the remaining business plans, which involve more complex moves and joint basing decisions.

**PRIOR BRAC CLEANUP & PROPERTY DISPOSAL**

The BRAC rounds of 1988, 1991, 1993, and 1995 were a major tool in reducing our domestic base structure and generating savings. The Department of Navy has achieved a steady state savings of approximately $2.7 billion per year since FY-2002. All that remains is to complete the environmental cleanup and property disposal on portions of 17 of the original 91 bases.

**Property Disposal**

Last year we conveyed 906 acres in 12 separate real estate transactions at six prior BRAC bases. We also completed Findings of Suitability for Transfer (FOST) for 940 acres. The FOST certifies that DoD real estate is environmentally suitable for transfer by deed under Section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The FOST certifies that DoD real estate is environmentally suitable for transfer by deed under Section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

**Land Sale Revenue**

We have continued our success in using property sales to assist in funding environmental cleanup and property disposal as well as recover value for taxpayers from the disposal of federal property. Through a combination of cost Economic Development Conveyances, Negotiated Sales, and Public Sales, the

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3 42 U.S.C. Section 9620(h)
Department of Navy has received over $1.1 billion in revenues from the sale of prior BRAC property. Nearly all of this revenue has been generated since FY-03. In FY-06, we completed the sale of 3,719 acres at the former Marine Corps Air State El Toro, CA for $649.5 million. We also sold 167 acres at the former Naval Hospital Oakland, CA for $100.5 million. Beginning in FY-03, we have used these funds to accelerate environmental cleanup, and to finance the entire Department of the Navy prior BRAC effort including caretaker costs since FY-05.

We have put this land sale revenue to good use! We have issued Findings of Suitability to Transfer for over 4,500 acres which enabled us to continue our disposal efforts. A few of the significant disposals include the last parcels at Naval Shipyard Charleston, SC; Naval Air Station Key West, FL; San Pedro Housing Area for Naval Shipyard Long Beach, CA; and Naval Hospital Oakland, CA, as well as the first parcel at Hunter’s Point Naval Shipyard. In addition, Navy accelerated cleanup on the majority of MCAS El Toro, a National Priorities List (NPL) site. We have also completed the cleanup of over half of Naval Station Treasure Island and determined it acceptable for transfer. Significant cleanup activities were undertaken at both Hunter’s Point Naval Shipyard, as well as Alameda Naval Air Station, all of which are NPL sites, greatly improving the protection to human health and the environment.

Two significant property sales remain, both planned to begin in FY-09: approximately 176 acres at the former Naval Training Center Orlando, FL; and about 1,450 acres at the former Naval Station Roosevelt Roads, PR. We will spend the last portions of the $1.1 billion in land sale revenue in FY-09. Revenue projections for Orlando and Roosevelt Roads are unknown, but are expected to be well below that obtained from the sale of California property at El Toro and Tustin. In the absence of additional land sale revenue, we are evaluating the need to resume appropriated funds in future budgets.

Prior BRAC Environmental Cleanup
The DON has spent about $3.5 billion on environmental cleanup, environmental compliance, and program management costs at prior BRAC locations through FY-2006. With our planned programs of $342 million in FY-07 and $179 million in FY-08, we expect the environmental cost to complete for FY-09 and beyond at $1.168 billion. This is an increase of $725 million since last year. Nearly all of this cost increase is due to the recent discovery of substantially more low level radioactive waste at the former Hunters Point Naval Shipyard in San Francisco, CA and some at the former Naval Air Station Alameda, CA.

Hunters Point Naval Shipyard
Hunters Point Shipyard represents one of the most unique prior BRAC challenges. Maritime use of Hunters Point began in the 1850’s. The Navy
purchased the property in 1939, and began to expand the shipyard and build facilities. Between 1939 and 1974, Hunters Point was one of the Navy’s largest industrial shipyards and was home to the Naval Radiological Defense Laboratory (NRDL). The Navy used Hunters Point to decontaminate ships that had been used during atomic weapons testing under Operation Crossroads. NRDL conducted radiological research in numerous buildings on the base.

The Navy closed Hunters Point in 1974, and then leased most of the property in 1976 to a private ship repair company. The Environmental Protection Agency placed the shipyard on the National Priorities List in 1989. The Department of Defense listed the shipyard for closure as part of BRAC 1991.

The Navy has conducted expansive records and data search to identify all areas of potential contamination, as required under CERCLA. This included conducting a Historic Radiological Assessment and extensive sampling to identify potential contamination from past radiological activities. There are 78 installation restoration sites and 93 radiological sites, and Navy has spent about $400 million on cleanup efforts. While the base does not present a risk to human health, the additional data has revealed a much greater degree of contamination than previously known. The previous cost to complete was $110 million. The revised FY08 cost to complete is $670 million, which excludes submerged lands. We will have an independent outside consultant review the situation and seek options that balance cleanup costs and health risks to humans and the environment. Land use controls must be part of the remedy for Hunters Point.

The City of San Francisco recently proposed building a new football stadium using a portion of Hunters Point. Such a proposal represents a very compatible reuse that could be effectively integrated into the cleanup program. While this appears to be an excellent opportunity for combining cleanup with transfer and redevelopment of Hunters Point, it will require significant financial resources in the near term that are not now budgeted.

**Hurricane Supplementals**

Following the experience learned from Hurricane Ivan in 2004, the Navy was prepared to respond quickly to the Hurricane Katrina and lesser storms in 2005 that affected eight major Navy bases. With Supplemental funds provided by Congress, we have made the necessary repairs to get our facilities back to full mission capability. The funding allowed us to begin the cleanup as the long term reconstruction. We have awarded 37 percent of the $493 million in military construction and family housing construction projects to date, with plans to award the balance by the end of this fiscal year.
Meeting the Construction Execution Challenge

The ambitious programs I have outlined, encompassing military and family housing construction, continuing recovery efforts in the Gulf Coast, BRAC-related construction, and support for the Global War on Terror represent an execution effort of over $4 billion in FY-08 compared to the FY-05 effort of $2.5 billion. The Grow the Force and barracks initiative by the Marine Corps, and the buildup on Guam initiative will add a sustained annual program of two – three billion dollars through the FYDP.

The Naval Facilities Engineering Command (NAVFACENGCOM) has, with the exception of FY-06, obligated between 92 percent to 98 percent of all authorized and appropriated DoN construction projects (including congressional adds) in the first year funds became available. That obligation rate dropped to 74 percent in FY-06, primarily due to pricing issues caused by material and labor shortages in the aftermath of hurricanes in 2004 and 2005.

NAVFACENGCOM has substantial additional contracting capacity, and will seek to aggregate related projects while preserving competition and small business interests. For example, NAVFACENGCOM sponsored an industry conference in January 2007 to explore opportunities for cost and scheduling efficiencies. This is an execution challenge that NAVFACENGCOM can do.

CONCLUSION

The Navy cannot meet the threats of tomorrow by simply maintaining today’s readiness and capabilities of our physical plant. We must continue to transform and recapitalize for the future without jeopardizing our current readiness and the strides we have made - and continue to make - in managing our shore infrastructure. With our partners in industry, the acquisition community, and with the continuing support of the Congress, the Department of Navy will build and maintain installations that are properly sized, balanced -- and priced for tomorrow.

Thank you for the opportunity to testify before this committee. I look forward to a productive dialogue with the Congress on the Department of the Navy’s shore infrastructure.