

CRS Report for Congress

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Appropriations for FY1999: Military Construction

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bounded by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations. In addition, the line item veto took effect for the first time in 1997.

This report is a guide to one of the 13 regular appropriations bills that Congress passes each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittees on Military Construction Appropriations. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

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Appropriations for FY1999: Military Construction

Summary

The military construction (MilCon) appropriations bill finances (1) military construction projects in the United States and overseas; (2) military family housing operations and construction; (3) U.S. contributions to the NATO Security Investment Program; and (4) most base realignment and closure costs.

This report reviews the appropriations and authorization process for military construction. The congressional debate perennially centers on the adequacy of the President's budget for military construction needs and the cases for and against congressional additions, especially for Guard and Reserve projects. This year, key Members of Congress have argued that the Pentagon has neither funded nor planned adequately for military construction.

For FY1999, the Administration has requested budget authority of \$7.8 billion. This is down from the FY1996 level of \$11.1 billion, the FY1997 level of \$9.8 billion and the FY1998 level of \$8.9 billion. On May 21, the House passed their version of the FY1998 defense authorization bill, H.R. 3616 (H.Rept. 105-532). On May 7, the Senate Armed Services Committee finished marking up its version, S. 2057 (S.Rept. 105-189). The Senate passed the defense authorization bill on June 25. The conference report (H Rept. 105-736) passed the House on September 24, and the Senate on October 1. The FY1999 authorization bill became Public Law 105-261 on October 17, 1998.

The military construction appropriations subcommittees have finished their work. The conference committee submitted their report (H. Rept. 105-647) for H.R. 4059 on July 24. The House agreed to the conference report (417-1), on July 29, with the Senate agreeing (87-3) on September 1. It became Public Law 105-237 on September 20, 1998.

The conference recommended \$8.450B. The conference committee added \$666M to the President's request. Even with the additional funds, the FY1999 total is \$759M less than what was enacted for FY1998. This is an additional \$216M to the House bill and a reduction of \$31M from the Senate bill.

Military construction accounts received emergency supplemental appropriations money for FY1999 in the Omnibus Consolidation bill (H.R. 4328, H.Rept. 105-825) in October 1998. Due to monsoons in Korea and Hurricanes Georges & Bonnie, military construction projects secured an additional \$209 million in funding.

Appropriations and authorization hearings on the FY1999 military construction budget have highlighted the following issues:

- importance of housing to the quality of life for servicemembers;
- privatization of military family housing and barracks improvements;
- Base Realignment and Closure (BRAC) concerns;
- environmental issues; and
- advanced procurement for Army military construction.

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Appropriations for FY1999: Military Construction

Most Recent Developments

The military construction appropriations bill became Public Law 105-237 on September 20, 1998. The conference report (H. Rpt. 105-647) for H.R. 4059 was passed by the House on July 27 and the Senate on September 1. The conference recommended \$8.450B.

The conference committee added \$666M to the President's request. Even with the additional funds, the total for FY1999 is \$759M less than what was enacted for FY1998. This is an additional \$216M to the House bill and a reduction of \$31M from the Senate bill.

Military construction accounts received emergency supplemental appropriations money for FY1999 in the Omnibus Consolidation bill (H.R. 4328, H.Rept. 105-825) in October 1998. Due to monsoons in Korea and Hurricanes Georges & Bonnie, military construction projects secured an additional \$209 million in funding.

Background: Content of Military Construction Appropriations and Defense Authorization Bills

The Department of Defense manages the world's largest dedicated infrastructure, covering over 40,000 square miles of land and a physical plant worth over \$500 billion. The annual military construction appropriations bill provides most of the funding to maintain and upgrade this infrastructure. The bill funds construction projects and real property maintenance of the active Army, Navy & Marine Corps, Air Force, and their reserve components; defense-wide construction; U.S. contributions to the NATO Security Investment Program (formerly called the NATO Infrastructure Program); and military family housing operations and construction. The bill also provides funding for the Base Realignment and Closure (BRAC) account, which finances most base realignment and closure costs, including construction of new facilities for transferred personnel and functions, and environmental cleanup at closing sites.

The military construction appropriations bill is one of several annual pieces of legislation that provide funding for national defense. Other major legislation includes (1) the defense appropriations bill, that provides funds for all military activities of the Department of Defense, except for military construction; (2) the national defense

authorization bill, that authorizes appropriations for national defense,¹ and (3) the energy and water development appropriations bill, that provides funding for atomic energy defense activities of the Department of Energy. Three other appropriations — VA-HUD-Independent Agencies, Commerce-Justice-State, and Transportation — also include small amounts for national defense. In addition, the energy and water development appropriations bill provides funds for civil projects carried out by the U.S. Army Corps of Engineers.

The annual defense authorization bill authorizes all the activities in the defense appropriations measures described above. Therefore, major debates over defense policy and funding issues, including military construction may also occur in action on the authorization bill. Since issues in the defense authorization and appropriations are so interwoven, this report highlights salient parts of the authorization bill, along with the military construction appropriations process.

Military construction appropriations are the major, but not the sole, source of funds for facility investments by the military services and defense agencies. The defense appropriations bill provides some funds for real property maintenance in operation and maintenance accounts. In addition, funds for construction and maintenance of “Morale, Welfare, and Recreation (MWR)” facilities, are partially provided through proceeds from commissaries, recreation user fees, and other income.

Most funds appropriated by Congress each year must be obligated in that fiscal year. Military construction appropriations are an exception.² These funds are generally made available for obligation for five fiscal years.

Consideration of the military construction budget starts when the President’s budget is delivered to the Congress each year. For FY1999, the President requested \$7.8 billion for military construction, 12% less than the \$8.9 billion appropriated for FY1998.

¹ See *Appropriations for FY1999: Defense*, by Stephen Daggett, CRS Report 98-205, for details on the defense authorization and appropriation process.

²Department of Defense accounts vary in how long the funds are available for obligation. Military personnel and operations & maintenance accounts are available for one year. Research and development funds are available for two years. Procurement funds (with the exception of shipbuilding) are available for three years.

Status

Table 1 shows the key legislative steps necessary for the enactment of the FY1999 military construction appropriations.

Table 1. Status of Military Construction Appropriations, FY1999

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conference Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/16	6/11	H.Rept 105-578, 6/16/98	6/22	S.Rept. 105-213, 6/11/98	6/25	H.Rept. 105-647, 7/24/98	H.Rept. 105-647 7/29	9/1	P.L. 105-237 9/20/98

Appropriations Process

Emergency Supplemental Appropriations for FY1999. Military construction accounts received emergency supplemental appropriations money for FY1999 in the Omnibus Consolidation bill (H.R. 4328, H.Rept. 105-825) in October 1998. Due to monsoons in Korea and Hurricanes Georges & Bonnie, military construction projects secured an additional \$209 million in funding.

Conference Agreement. The military construction appropriations bill became Public Law 105-237 on September 20, 1998. The conference report (H.Rept. 105-647) for H.R. 4059 was passed by the House by a vote of 417 - 1 on July 27 and the Senate on September 1 by a vote of 87-3.

The conference recommended \$8.450B. The conference committee added \$666M to the President's request. Even with the additional funds, the FY1999 total is \$759M less than what was enacted for FY1998. This is an additional \$216M to the House bill and a reduction of \$31M from the Senate bill.

The conference agreement included full funding of the requested chemical demilitarization program. However, the conference included a general reduction of \$50.5M of unobligated prior year funds against the entire program, because of delays in equipment and environmental & construction permits.

The DOD Family Housing Improvement Fund was reduced to \$2M from \$242M in the House bill and \$7M in the Senate bill. The large reduction in the House bill reflects full funding of construction projects in traditional family housing accounts, rather than the Family Housing Improvement Fund. Transfer authority to the Fund is provided for qualified projects from regular family housing accounts.

The conference committee noted that 90% of resources expended for the House Revitalization Support Office (HRSO) for FY1996-98 was for consultant support. Therefore, the conferees reduced support for Family Housing Improvement Fund to \$2M, based on available balances and excessive allocation for consultative services.

The conferees also noted the delay in execution of family housing projects, for possible privatization efforts. The conference expects from DOD, a revised, scaled-back, reasonable plan for the privatization effort by October 1, 1998 and an integrated family housing strategy by December 1, 1998.

The Homeowners Assistance Fund had no funds appropriated by the conference. Instead the conference adopted Section 127, which allows the transfer of funds from the Base Realignment and Closure account into the Homeowners Assistance Fund.

House and Senate Actions. Based on the interim 302 (B) allocations (see Budget Agreement section below), the military construction appropriations subcommittees finished their work. The Senate Appropriations Committee (SAC) approved their version of the military construction bill (S. 2160) with report (S.Rept. 105-213) on June 11. SAC approved \$8.484 billion. The House Appropriations Committee finished their bill (H.R. 4059) with report (H.Rept. 105-578) on June 16. HAC approved \$8.235 billion.

The House passed H.R. 4059 on June 2 with the HAC-approved total. The Senate passed their bill on June 25, with the SAC-approved total.

Of the \$8.2 billion appropriated in the House FY1999 Military Construction Appropriations Bill (H.R. 4059), 43% is for family housing; 37% for general military construction projects and 21% is to meet the obligations of the Base Realignment and Closure (BRAC). In the \$8.5 billion appropriated in the Senate (S. 2160), 42% is for family housing, 37% for general military construction projects, and 20% is to meet BRAC obligations.

The military construction subcommittees had similar themes in their reports. Both subcommittees **rejected** Administration proposals for:

- advanced appropriations for Army military construction, citing the difficulty to project future costs and that the requested advance appropriations projects were not identified in DOD justification documents;
- acquisition of either the leased building or additional land for U.S. Southern Command Headquarters, relocated from Panama to Miami, Florida; and
- devolution of chemical demilitarization construction from Office of the Secretary of Defense to the Army, because of the importance of this activity to overall national security.

Both committees — like their authorization counterparts — lamented general underfunding by the DOD of military construction, especially for decreasing maintenance backlogs and increasing quality of life projects.

The House Appropriations Committee decided to put all requested privatization projects from the Family Housing Construction Account into the Family Housing Improvement Fund, increasing the budget request of \$7 million to \$242 million. This allocation will enforce the use of privatization authorities mechanisms for these projects.

Budget Agreement. Usually, the budget resolution sets the stage for the appropriations process. However, the work on this year's agreement is not completed

yet. The House and Senate are still in conference deliberations for the FY1999 budget resolution.

While they wait for the completed budget agreements, the appropriations committees are beginning their work. Both committees have released tentative 302 (B) allocations to their subcommittees. The Senate Appropriations Committee has allocated \$8.484 billion in budget authority for military construction, which is an additional \$700 million (an increase of 8.9%) than the President's request of \$7.8 billion. The House Appropriations Committee gave \$8.235 billion (an increase of 400 million or 5%) to the Military Construction Appropriations Subcommittee for FY1999.

Authorization Process

On May 21, the House approved \$8.2 billion for military construction in its FY 1999 defense authorization bill (H.R. 3616), which is \$450 million more than the President's request. The House National Security Committee reported that 40% (\$183 million) of the increase is dedicated to quality of life enhancements. The committee highlighted additions to family housing, troop housing, child development centers, and fitness centers. (For more detailed information on the FY1999 House authorization bill, see the press releases and committee reports and bill sections on the House National Security Home Page at [<http://www.house.gov./nsc/>].

On May 7, the Senate Armed Services Committee (SASC) approved \$500 million more than the Administration's FY1999 budget in S. 2057. The SASC designated \$164 million of the additional money for unaccompanied personnel quarters, child development centers, dining facilities, education centers, and military family housing. The remaining \$336 million is for high-priority projects submitted by the military services that were not funded in the President's request.

The Senate passed S. 2057 on June 25. It added \$200 million of quality of life military construction projects to the SASC bill, by amendment. The Senate also made it harder for DOD to close military bases passing the Inhofe amendment. The amendment makes the DOD seek congressional approval for closing bases if 225 jobs are at stake, instead of current law's 300 jobs limit. Also, the Inhofe amendment contained a Sense of the Senate statement that Congress will not consider another round of base closures until the latest round is completed.

The HNSC and SASC came to some similar decisions about the FY1999 President's military construction budget request.

- In their respective reports, both the HNSC (H.Rept. 105-532) and the SASC (S.Rept. 105-189) noted the low budget request compared to prior years (15% less than the FY1998 enacted amount).
- Both defense authorizing committees rejected the Administration's proposal for two more base closure rounds, and for acquiring a leased building or land in Miami, Florida for U.S. Southern Command Headquarters.
- Both committees rejected the Administration's proposal to move funding for chemical demilitarization construction from the Office of Secretary of Defense (OSD) to the Army. Because of the national importance of this issue, the

committees believe that authority should stay within OSD. Each committee noted delays in DOD's obligation of money for chemical demilitarization projects, often because of construction and environmental permit problems. The Senate cut \$50 million from the program because of the backlog of unobligated funds.

The Senate authorizers noted the trend for the DOD to fund military construction projects with prior year savings instead of including full funding for the military construction budget. The trend started in the FY1997 and continued through to the FY1999 proposal. The SASC denied the use of prior year savings and expects the DOD to fully fund military construction requests in future budgets.

The defense authorization conference report (H.Rept. 105-736) passed the House on September 24, and the Senate on October 1. The FY1999 authorization bill became P.L. 105-261 on October 17, 1998.

Key Policy Issues

Recent History and Context

The Funding Pattern for Military Construction Budgets. In recent years, the Congress has added significant amounts to annual Administration's military construction budget requests. Congress added \$479 million in FY1996, \$850 million in FY1997 and \$800 million in FY1998 to the military construction accounts.

Three themes explain the pattern of reoccurring congressional additions. First, some members of the military construction subcommittees believe that military construction has been chronically underfunded. Military construction proponents, including facility advocates in the military services, argue that military facilities have been systematically underfunded for many years — even, some say, in the midst of the defense buildup of the 1980s.

In arguing that military construction has been chronically underfunded, DOD facility managers state that they have not met their goal of budgeting 3% of the plant replacement value of DOD facilities for annual construction and maintenance (called real property maintenance at the Pentagon). Although this 3% goal is below the average for public facilities nationwide, actual DOD funding has typically run at 1 to 2% of plant replacement value. For example, the Air Force testified on March 11, 1998 to the House National Security Subcommittee for Military Installations and Facilities that the Air Force could manage to budget only 1% for real property maintenance. Thus, facility proponents welcome congressional additions.³

Second, other Members of Congress, as Senator Bond commented during the floor debate on FY1996 military construction appropriations, believe that the Pentagon counts on Congress to add money to Guard and Reserve programs. In

³ For a discussion of this and related issues, see CRS Report 91-669, *Military Construction: Current Controversies and Long-Term Issues*, by Martin Cohen and Stephen Daggett.

recent years, Congress has added as much as \$401.8 million (FY1995) for National Guard and Reserve construction projects. (See Table 5.)

Third, often Congress has different priorities from the Administration. Congressional military construction subcommittees — authorization as well as appropriations subcommittees — have often taken issue with Administration military construction priorities. In the 1990s, for example, the committees frequently reduced amounts requested for construction overseas — on the grounds that troop levels abroad should be reduced and that allied burden-sharing contributions should increase — and reallocated the funds to domestic projects. In addition, congressional committees have added unrequested funds for quality of life improvements, such as day care centers and barracks renovation. The congressional defense committees have argued that the military services have tended to neglect these areas in favor of warfighting investments.

Funding and Long-term Planning for Military Construction: Inadequate?

Along with concern about the level of funding, Members of Congress have also complained that poor Pentagon planning make it difficult for the Congress to insure that added military construction projects meet pressing priorities.

The military construction budget request is created within the Department of Defense's Planning, Programming and Budgeting System (PPBS).⁴ The PPBS process is used to prepare DOD's internal, long-term financial plan. The long-term plan extends over a six-year period and is known as the Future Years Defense Plan (FYDP). In the 1990s, congressional defense committees repeatedly criticized the Pentagon's long-term planning for military construction.

In the FY1998 hearings, the Chairman of the House Subcommittee on Military Construction, Representative Ron Packard chastised the Department of Defense for repeatedly failing to submit "honest" budgets reflecting real service priorities. He complained that the military construction request traditionally leaves out necessary projects, especially for the National Guard and Reserve, which the services expect Congress to add. Mr. Packard wanted the subcommittee to get out of the business of adding money for projects that the administration had not requested, but yet apparently needs. He also wanted DOD and the Services to use the Future Years Defense Plan (FYDP) rigorously to set priorities for their construction projects and to integrate Guard and Reserve needs.

In testimony on the FY1998 request to the Military Construction Subcommittee of the House Appropriations Committee, then-DOD Comptroller, John Hamre admitted that DOD needs to undertake good detailed planning for the military construction budget and has not done this in the past. Hamre also conceded that the DOD has not evaluated the accuracy of the military construction FYDPs, and that he saw a need for that assessment.

Its report on the FY1998 Military Construction Appropriations Bill (H.Rept. 105-150), the House Appropriations Committee called for DOD to prepare a Future

⁴ For a discussion of the formulation of the defense budget proposal by the DOD, see CRS Report 93-317, *A Defense Budget Primer*, by Keith Berner and Stephen Daggett.

Years Defense Plan (FYDP) for military construction at the project level of detail, including Guard and Reserve requirements.

The FY1999 military construction hearings reviewed service efforts to integrate Guard and Reserve needs into the budget request. The Services — especially the Army — testified that they have produced integrated military construction plans with Guard and Reserve input. Alma Moore, Principal Deputy Secretary of the Army for Installations, Logistics and Environment, testified at a House Military Construction Subcommittee that:

“This year’s military construction budget was built on the Army’s one team, one fight concept. We made a conscientious effort to balance our resources among all components, the active Army, the National Guard and the Army Reserve.”

The Debate Over Added Projects and the McCain Criteria. Since the Congress has added significant amounts to military construction budgets over the last 10 years, congressional debate has centered on how to prioritize additional projects.

In 1994, the Senate debate on the military construction appropriations bill heavily focused the amount of congressional additions to the request despite constraints on overall defense spending. Senator McCain, in particular, objected to the provision of substantial amounts for projects that the Administration had not requested. He argued that such projects largely represent “pork barrel” spending, and come at the expense of higher priority defense programs. In Senate floor consideration of the military construction bill that year, the managers accepted a McCain amendment that called for criteria to be applied to additional projects. His amendment included a provision that any added project should be on the military lists of critical yet unbudgeted projects. The McCain amendment was not incorporated into the final conference version of the bill, however, and the conference agreement provided over \$900 million for unrequested construction projects.

The National Defense Authorization Act for FY1995 (P.L. 103-337), however, incorporated Senator McCain’s criteria as a sense of the Senate provision, providing that the unrequested projects should be:

1. essential to the DOD’s national security mission,
2. not inconsistent with planned base closures,
3. in the services’ Future Years Defense Plans (see above),
4. executable in the year they are authorized and appropriated, and
5. offset by reductions in other defense accounts, through advice from the Secretary of Defense.

The purpose of these criteria is to help Congress rate the relative importance of different projects. Though a sense of the Senate provision does not have the force of law, the McCain criteria have been cited repeatedly in Senate authorization and appropriations debates for FY1996 and FY1997. The criteria were also cited in the House FY1997 debates by members of the “porkbusters” coalition. In practice, debates have focused on justifying projects according to the first four criteria, while ignoring the offset requirement.

In debate on the FY1998 military construction appropriations conference report, Senator McCain continued to challenge congressional add ons. He noted that the Congress added 129 projects, totaling \$800 million. The National Guard and Reserve received \$220 million of the additional congressional money. Senator McCain listed the extra projects in the *Congressional Record*, in a letter to the President, and on his web page at the following address: ([<http://www.senate.gov/~mccain/milconf.txt>]).

Since the 104th Congress, the House military construction authorizing and appropriations committees have used criteria, in collaboration with the Pentagon, to add projects to the military construction budget. Each added project needs to pass criteria like the McCain criteria: Is the project essential to the DOD mission, consistent with BRAC plans, in the Future Years Defense Plan and “executable” in the coming fiscal year? If the project can meet those criteria, the military construction authorizing and appropriations committees may add the project.

The FY1998 Line Item Veto. Debate over whether congressionally added projects are pork or important to the DOD mission contributed to the President’s first use of his line item veto authority⁵ in October 1997. The line item veto was used on the military construction appropriations law (P.L. 105-45) to eliminate 38 projects in 24 states, totaling \$287 million. According to the line item veto law⁶, the \$287 million in savings would go directly to deficit reduction and not back to the Department of Defense.

The White House cited three criteria in explaining why the President vetoed these projects. These criteria are similar to the McCain criteria and the House committees’ criteria for adding projects.

1. The projects were not in the Department of Defense’s future years defense plan (FYDP).
2. Design work for the projects was not completed and therefore the project could not be executed in the coming fiscal year.
3. The projects would provide no “substantial” contribution to improving the quality of life of U.S. troops.

According to the Clinton Administration, the vetoed projects needed to meet all three criteria to be put on the veto list. The Administration’s criteria, however, did not square with the data on particular projects that the military officers provided in testimony to the Senate Appropriations Committee in October 1997. First, the data showed that 33 of the 38 projects were in the Pentagon’s FYDP. Second, some of the projects did have design work in progress and so it appeared that the information that the President received on design work was inaccurate. Many of the projects appeared to be “executable” in FY1998. Finally, the committee questioned the White House’s judgement of the quality of life merit of the 38 projects.

⁵ See *The Line Item Veto Act: Procedural Issues*, by Louis Fisher and Virginia A. McMurtry, CRS Report 96-973, for details on the line item veto process.

⁶ In the 1998, the Supreme Court found the line item veto law to be an unconstitutional cession of congressional powers to the Executive Branch.

It appeared that most of the vetoed 38 projects did not meet two out of three Administration criteria for inclusion on the veto list. Based on this assessment, the House and Senate passed a disapproval bill (H.R. 2631) in October 1997 to overturn the veto.⁷ The President vetoed the disapproval bill in November 1997, despite the White House's admission that erroneous data were used to cancel some projects. The Office of Management and Budget (OMB) refused to confirm which projects or how many were vetoed by mistake. The canceled projects were restored by a veto override of H.R. 2631 in February 1998 by the House and Senate. The veto override restored funding for the 38 canceled projects.

The debate on the military construction line item veto highlights the issues that arise with adding projects to the military construction budget. Which projects are urgent? According to which criteria? And if projects are important, why doesn't the Administration request them?

Prospects for Congressional Additions to the FY1999 Military Construction Budget. The Budget Enforcement Act of 1997 (P.L. 105-33) set caps on budget authority and outlays for FY1998-FY2002⁸. The President's FY1999 budget proposal for national defense equals the cap of \$270.6 billion. Unless Congress revises the budget agreement, there would appear to be no room for Congress to add funding to the defense budget.

This will be the first time in three years that Congress has not been able to add money to the defense budget. The Congress added budget authority of about \$7 billion in FY1996, \$11.2 billion in FY1997 and \$2.9 billion in FY1998 to the defense budget. With those increases to the defense budget, military construction accounts received congressional additions of \$479 million in FY1996, \$850 million in FY1997 and \$800 million in FY1998.

Despite these budget agreement constraints, the defense authorizing committees and the military construction appropriators added military construction money to the President's request. The House National Security Committee added \$450 million and the Senate Armed Services Committee added \$500 million, in their deliberations over the FY1999 defense authorization bills. The conference for the FY1999 Military Construction Appropriations Bill recommended \$8.450B, which is an additional \$666M to the President's request.

Ongoing Issues

Importance of Housing to the Quality of Life for Servicemembers. Quality of life issues are considered to be important to recruitment and retention of servicemembers. Review of the military construction budget brings up quality of life issues for family housing, barracks and child care facilities in congressional debates.

⁷For more details on line item vetoes in the FY1998 military construction appropriations bill, see *Appropriations for FY1998: Military Construction*, by Mary T. Tyszkiewicz, CRS Report 97-210.

⁸For more details, see: *The Appropriations Process and the Congressional Budget Act*, by James V. Saturno, CRS Report 97-947.

The Department of Defense has found that about two-thirds of military housing — both family quarters and barracks — are substandard because of size, safety or condition.⁹ In 1995, then-Defense Secretary Perry established an external advisory committee and an in-house executive committee to look at quality of life issues for the men and women in uniform.

Two major housing initiatives for family housing and barracks renewal emanated from Perry's quality of life committees. First, private sector financing and methods for family housing were proposed and implemented in the FY1996 Defense Authorization Act (P.L. 104-106). Second, a new barracks standard was set, called "1 + 1". This standard provides each servicemember at sergeant or below an individual room plus a shared bathroom with an adjoining room.¹⁰ Congress has been concerned, however, about the pace of both programs.

Privatization of Military Family Housing. To alleviate the family housing problem, the Congress gave the Pentagon new authorities (see above) to obtain private sector financing and expertise for family housing. The Pentagon estimates that with these authorities, defense dollars can be leveraged to more quickly build three times the amount of housing units financed the traditional way. The authorities are:

- guarantees, both loan and rental;
- conveyance or lease of existing property and facilities;
- differential lease payments;
- investments, both limited partnerships and stock/bond ownership; and
- direct loans.

These new authorities can be used individually, or in combination in various projects.¹¹

On February 26, 1998, John Goodman, Deputy Under Secretary of Defense (Industrial Affairs and Installations) testified to the Military Installations and Facilities Subcommittee of House National Security Committee about the use of these authorities over the past two years. He listed the following accomplishments:

- Two Navy projects — in Corpus Christi, TX and Everett, WA — were awarded, producing 589 units. These units are already occupied and were primarily privately financed.
- Two projects — Army at Ft. Carson, CO and Air Force at Lackland AFB in TX — should be awarded this spring. The Ft. Carson project will revitalize 1824 existing units and build 840 new ones. The Lackland AFB project will supply 400 units.
- A Request for Proposal (RFP) has been released for a Marine Corps Logistics Base in Georgia for 155 units.

⁹ Maze, Rick, "The new Congress: What's in store for you," *Navy Times*, January 20, 1997, p. 6.

¹⁰ Adelsberger, Bernard, "How to fix the housing crunch: Another study," *Navy Times*, March 4, 1996, p. 6.

¹¹ For more detailed information on the authorities; see the DOD's Privatization of Military Housing web site, [<http://www.acq.osd.mil/iai/hrso/welcome.htm>].

- RFPs are being developed for 3 Army projects, 2 Air Force projects and 1 Marine Corps project, with up to 29 potential projects under consideration.

Because these are new authorities, however, start-up issues have delayed large-scale pursuit of privatization. The Department of Defense's Housing Revitalization Support Office (HRSO) is coordinating the implementation of the new authorities for each of the Services¹². HRSO is staffed with 16 full-time housing and real estate experts from each of the Services and the Office of Secretary of Defense, along with consultant support.

It has taken some time for DOD to learn how to work in the commercial real estate market. The Office of Management and Budget had to determine rules to account for government obligations with each of the authorities, and the rules were not devised until June 1997. Also, the Pentagon needed to translate loan and loan guarantee concepts into actual documents that the private financial community would trust for investment grade financing.

Representative Joel Hefley, chairman of the Military Installations and Facilities Subcommittee of the House National Security Committee pointed out in a March 10, 1998 hearing that the military housing privatization's authorities expire on September 30, 2000 unless extended by Congress or made permanent law. Mr. Hefley stated that, "My inclination at this time would be to extend the authorities once the five-year period expires, but in order to justify an extension, Congress will have to see significantly better execution."

The Senate is interested in how the use of housing privatization initiatives could affect future Base Realignment and Closure (BRAC) rounds. This concern came up in a March 3, 1998 Senate Appropriations Subcommittee on Military Construction hearing on the FY1999 military construction budget. Senator Stevens expressed concern that many of the housing privatization initiatives contain various mechanisms that shift financial risk and liability to the government, especially with respect to BRAC actions. Senator Stevens commented that housing projects with these guarantees could be an advantage to a base in future BRAC rounds and this is something the committee should monitor. The FY1998 Senate Appropriations Committee report on Military Construction continued similar themes.

Barracks Improvements. To improve the conditions of barracks, the Department of Defense is enforcing new standards. According to DOD official John Goodman's February 26, 1998 testimony to the House National Security Committee on the FY1999 military construction budget, the Pentagon directed that gang latrine barracks be eliminated by FY2008. The Air Force will meet that goal in FY1999, with the Marine Corps following in FY2005 and Army & Navy in FY2008.

Implementation of the 1 + 1 standard (see above) for barracks housing will not be completed until well into the next century. John Goodman testified that the standard will be met in FY2020 by the Army, in FY2013 by the Navy, and in FY2019

¹² Each Service has their own program name for housing privatization: Army - Capital Venture Initiative (CVI); Navy - Public-Private Venture (PPV); and Air Force - Housing Privatization Program.

by the Air Force. The Marine Corps plans to build to an interim 2+0 (two Marines in one room, sharing a bath) standard by FY2035. These timetables were noted in the FY1998 House Appropriations Committee report (H.Rept. 105-150), which stated that it will take \$14.3 billion and 20 years to reach the 1 + 1 standard.

Base Realignment and Closure (BRAC) Concerns. Legislation for more BRAC rounds would start in the authorizing defense committees of the House and Senate. Also — if passed — budget authority for future BRAC rounds would reside in military construction appropriations accounts.

However, this year's Administration request for two more BRAC rounds in FY2001 and FY2005 has been received by the Congress with skepticism.¹³ During the FY1998 review of the defense budget, both the House and Senate rejected legislation to approve more military base closures. Instead, the Congress passed Section 2824 of the FY1998 National Defense Authorization Act (P.L. 105-56), which required the Pentagon to report the costs and savings from previously approved domestic military base closures.

The required report, entitled "*The Report of the Department of Defense on Base Realignment and Closure*" was released by the Pentagon in April 1998. The report makes the case that:

- the DOD has 23% excess base capacity;
- two new BRAC rounds will save about \$3 billion per year, after fully implemented;
- actual BRAC costs reflect budget estimates;
- the BRAC process overstates costs for environmental restoration, and
- previous BRAC rounds in 1988, 1991, 1993 and 1995 are saving billions.¹⁴

Both defense authorizing committees rejected the Administration's proposal for two more base closure rounds in May 1998.

Environmental Issues. The Senate continues to raise concerns about the cost of environmental clean-up and its effects on military functions and readiness. The Chairman of the Senate Appropriations Subcommittee on Military Construction, Senator Burns mentioned environmental issues, during his subcommittee hearing on March 3, 1998. Senator Burns noted that 45% of the Army's FY1999 BRAC funding (\$489M) is for studies, clean-up and restoration of BRAC facilities and that these costs are a growing concern to him. Senator Burns said that the subcommittee will look at where the clean-up money is going, how it is being spent and to what degree military construction facilities are cleaned when they are turned over to the private sector.

¹³For recent history on congressional BRAC debates, see: CRS Report 97-674, *Military Base Closures: Time for Another Round?*, by David E. Lockwood.

¹⁴ Department of Defense, *The Report of the Department of Defense on Base Realignment and Closure*, April 1997, pp. iii-vi. The report also includes appendices with a history of prior rounds, and the DOD legislative proposal for new BRAC authorities. Also, see the DefenseLINK web site for the report and related sites at the following address: [http://www.defenselink.mil/other_info/brac.html].

Use of Advanced Procurement for Army Military Construction. This year, the Congress will consider the Army's proposal to use advanced procurement procedures for military construction. This will be an exception to current practices for defense funding.

When Congress appropriates money for defense programs, it generally pays all the costs up front in one fiscal year. This practice is known as full funding. It was mandated by Congress in the 1950s to give full visibility to the cost of weapons procured. Therefore, all the money estimated at the time to complete the entire project — such as production of 21 Trident missiles, overhaul of an aircraft carrier, or construction of an ammunition depot — is approved as a single package by the Congress. Often, the procurement of these weapons systems can span many years.

As an exception to this practice, Congress sometimes provides funding for advance procurement of “long-leadtime” weapons components, such as nuclear-power plants for Navy warships.¹⁵

The FY1999 Army military construction request proposes to use advanced procurement for some of its projects. Acting Assistant Secretary of the Army (Installations, Logistics and Environment) Alma Moore stated at the House National Security Committee hearing on February 26, 1998 that with advance appropriations, the contract will not define the work to be performed by the contractor, but only limit the work by the amount appropriated in a given year. Advance appropriations of \$555,050,000 are requested for:

- the U.S. Disciplinary Barracks, \$13,000,000;
- the Roi Namur Power Plant, \$36,000,000;
- the Fort Hood Railhead facility, \$15,000,000;
- the Cadet Physical Development Center, \$73,000,000, and
- four Chemical Demilitarization projects (Umatilla, Pine Bluff, Aberdeen and Newport) at \$418,050,000.

To get these large military construction projects started, the Office of Management and Budget allowed the Army to propose advanced procurement funding to the Congress. By approving advanced procurement, the Congress limits its discretion on future military construction budgets, since it is committing future funding.

The Army has been the executive agent of the Department of Defense chemical demilitarization (chem demil). The Pentagon decided, in response to its Defense Reform Initiative, that the Army now has total responsibility for chemical demilitarization. Therefore, a total of \$125 million was transferred from the DOD

¹⁵According to the Department of Defense, **advance procurement** is: “Authority provided in an appropriations act to obligate and disburse during a fiscal year before that in which the related end item is procured. The funds are added to the budget authority for the fiscal year and deducted from the budget authority of the succeeding year. Used in major acquisition programs for advance procurement of components whose long-lead-time requires purchase early in order to reduce the overall procurement lead-time of the major end item. Advance procurement of long lead components is an exception to the DOD ‘full funding’ policy.” Financial Management Regulation, Volume 2A. p. 1-2.

military construction budget to the FY1999 Army military construction budget for six chem demil military construction projects.

The House National Security Committee and the Senate Armed Services Committee rejected the transfer of chem demil from the Office of Secretary of Defense (OSD) to the Army in their FY1999 defense authorization bills. Both committees felt that chem demil is of national importance and therefore needs to be in OSD. Each committee also cut funding from the chem demil program, because of a large amount of unobligated funds already in the accounts. The military construction appropriators did the same.

Major Funding Trends

The Administration proposed significant reductions in military construction spending for FY1999, compared to the enacted FY1998 amount. The President's FY1999 proposal of \$7.8 billion is a 12% reduction from the FY1998 \$8.9 billion level approved by Congress. The military construction conference committee recommended \$8.450B for FY1999, an additional \$666M to the President's request.

Table 2 shows overall military construction funding since FY1995, including family housing. **Table 3** breaks down the FY1999 request by appropriations account and compared to FY1997 and FY1998. **Table 4** shows congressional action on the FY1999 military construction appropriations bills. **Table 5** shows congressional military construction add-ons for Guard and Reserve projects since FY1985.

Legislation

H.R. 3616 (Spence)

Referred to the House Committee on National Security, April 1, 1998. Full committee markup held, May 6, 1998. Ordered to be reported as amended, May 6, 1998. Reported to House, amended, by House Committee on National Security (H.Rept. 105-532), May 12, 1998. Rules Committee Resolution (H.Res. 435) reported to House, May 14, 1998. Passed House (Amended) by recorded vote: 357 - 60 (Roll No. 183), May 21, 1998. Senate took up H.R. 3616, struck all after the enacting clause, inserted the text of S. 2057, approved the bill as amended, by unanimous consent, and requested a conference, June 25, 1998. Conference agreement announced, September 17, 1998 and reported (H.Rept. 105-736), September 22, 1998. Conference report approved in the House (373-50), September 24, 1998 and Senate, October 1, 1998. Became P.L. 105-261 on October 17, 1998.

S. 2057 (Thurmond)

Committee on Armed Services ordered to be reported an original measure, (S. 2057), May 7, 1998. Committee on Armed Services. Original measure reported to Senate by Senator Thurmond, without written report. A companion bill, S. 2060 ordered to be reported (S.Rept. 105-189). Placed on Senate Legislative Calendar under General Orders, Calendar No. 362, May 11, 1998. Considered by the Senate, May 13, 14, and 15, and June 19, 22, and 23 1998.

S. 2160 (Burns)

Committee on Appropriations. Original measure reported to Senate by Senator Burns, with written report (S.Rept. 105-213), on June 11, 1998. Placed on Senate Legislative Calendar under General Orders. Calendar No. 410. Measure laid before Senate by unanimous consent, June 25, 1998. Senate passed companion measure H.R. 4059 in lieu of this measure by Unanimous Consent, June 25, 1998.

H.R. 4059 (Packard)

House Committee on Appropriations reported an original measure, with written report (H.Rept. 105-578) on June 16, 1998. Placed on the Union Calendar, Calendar No. 326. Rules Committee Resolution (H.Res. 477) reported to House on June 18, 1998. Rule H. Res. 477 passed House, on June 19, 1998. Passed House by Yea-Nay Vote: 396 - 10 (Roll No. 254), June 22, 1998. The language of S. 2160 was adopted as an amendment by Unanimous Consent in the Senate, amended and passed in the Senate on June 25, 1998. Conference report H. Rept. 105-647 filed in House on July 24, 1998. House Agreed to Conference Report by the Yeas and Nays: 417 - 1 (Roll No. 353) on July 29, 1998. Senate Agreed to Conference Report by the Yeas and Nays: 87-3 on September 1, 1998. Became P.L. 105-237 on September 20, 1998.

Table 2. Mil. Con. Appropriations, FY1994-98
(budget authority in millions of dollars)

	Actual FY1995	Actual FY1996	Actual FY1997	Enacted FY1998	Request FY1999	Enacted FY1999
Military Construction	5,426	6,893	5,718	5,089	4,301	4,907
Family Housing	3,392	4,260	4,131	3,807	3,477	3,541
Total	8,818	11,153	9,849	8,896	7,778	8,449

Source: Actual FY1995-97 data and Request FY 1999 data from Department of Defense, Financial Summary Tables, February 1998 and previous years' reports and FY1999 Military Construction Appropriations Conference Report (H.Rept. 105-647).

Note: May not add exactly, due to rounding errors.

Table 3. Mil. Con. Appropriations by Account: FY1997-99
(in thousands of dollars)

Account	FY1997 Actual	FY1998 Est.	FY1999 Request
Milcon, Army	577,660	630,727	790,876
MilCon, Navy	687,314	605,296	468,150
MilCon, Air Force	748,964	626,505	454,810
MilCon, Defense-wide	711,550	640,242	491,675
MilCon, Army National Guard	78,086	102,499	47,675
MilCon, Air National Guard	184,855	190,444	34,761
MilCon, Army Reserve	55,543	55,453	71,287
MilCon, Navy Reserve	37,579	26,659	15,271
MilCon, Air Force Reserve	52,805	15,030	10,535
BRAC Acct., Army	471,042	397,717	489,222
BRAC Acct., Navy	1,201,064	982,846	622,932
BRAC Acct., Air Force	580,390	607,502	538,621
BRAC Acct., Defense-wide	120,978	56,789	79,929
NATO Security Investment Program	172,000	151,600	185,000
Foreign Curr. Fluct., Constr., Def.	38,112	—	—
Total: Military Construction	5,717,942	5,089,309	4,300,744
Family Housing Const., Army	158,503	196,300	103,440
Family Housing Operation & Debt, Army	1,212,466	1,104,868	1,104,733
Family Housing Const., Navy & Marine Corps	496,986	391,832	280,790
Family Housing Operation & Debt, Navy and Marine Corps	1,021,563	965,404	915,293
Family Housing Const. AF	318,037	293,709	226,035
Family Housing Operation & Debt, AF	816,509	817,534	789,995
Family Housing Const., Def-wide	4,371	4,950	345
Family Housing Operation & Debt, Def-wide	30,963	32,624	36,899
Homeowners Assist. Fund, Def.	36,181	—	12,800
DOD Family Housing Improvement Fund	27,900	—	7,000
DOD Unaccompd. Housing Improvement Fund	5,000	—	—
Rossmoor Settlement Account (for the Navy use in San Diego, CA via Section 2208 in P.L. 104-106)	2,760	—	—
Total: Family Housing	4,131,239	3,807,221	3,477,330
GRAND TOTAL	9,849,181	8,896,530	7,778,074

Source: Department of Defense, "Financial Summary Tables," February 1998.

Table 4. Mil. Con. Appropriations by Account - Congressional Action
(in thousands of dollars)

Account	FY1999 Request	House Bill	Senate Bill	Conf. Report
Milcon, Army	790,876	780,599	810,476	868,726
MilCon, Navy	468,150	570,643	565,030	604,593
MilCon, Air Force	454,810	550,475	627,874	615,809
MilCon, Defense-wide	491,675	611,075	560,485	553,114
MilCon, Army National Guard	47,675	70,338	124,599	142,403
MilCon, Air National Guard	34,761	97,701	175,877	169,801
MilCon, Army Reserve	71,287	71,894	101,633	102,119
MilCon, Navy Reserve	15,271	33,721	21,621	31,621
MilCon, Air Force Reserve	10,535	35,371	22,835	34,371
BRAC Acct., Part III	433,464	433,464	433,464	427,164
BRAC Acct., Part IV	1,297,240	1,297,240	1,297,240	1,203,738
NATO Security Investment Program	185,000	169,000	152,600	154,000
Total: Military Construction	4,115,929	4,721,521	4,893,734	4,907,459
Family Housing, Army	1,208,173	1,180,537	1,229,223	1,229,987
Family Housing, Navy and Marine Corps	1,196,083	1,045,750	1,201,883	1,207,883
Family Housing, Air Force	1,016,030	993,084	1,092,690	1,064,169
Family Housing, Defense-wide	37,244	37,244	37,244	37,244
Family Housing Improvement Fund	7,000	242,438	7,000	2,000
Homeowners Assistance Fund	12,800	7,500	12,800	0*
Total: Family Housing	3,477,330	3,506,553	3,580,840	3,541,283
Family Housing, N&MC (H.R. 4059, Sec 125, & S. 2160, Sec. 126, for Paine Field, WA)	6,000	6,000	6,000	**
GRAND TOTAL	7,784,074	8,234,074	8,480,574	8,449,742

Sources: H.Rept. 105-578, S.Rept. 105-213 & Congressional Record, 6/25/98 and 6/26/98; H. Rept. 105-647.

Notes:

* Sec. 127 of the conference report provides transfer authority from the BRAC accounts to the Homeowners Assistance Program.

** The Paine Field, WA project was included in the Family Housing, Navy & Marine Corps total in the conference report.

Table 5. Congressional Additions to Annual Department of Defense Budget Requests for National Guard and Reserve Military Construction, FY1985-98

(current year dollars in thousands)

Fiscal Year	Army National Guard	Air National Guard	Army Reserve	Naval Reserve	Air Force Reserve	Total	Total Change from Request
1985 Req.	88,900	102,900	70,400	60,800	67,800	390,800	—
1985 Enact.	98,603	111,200	69,306	60,800	67,800	407,709	+16,909
1986 Req.	102,100	137,200	70,700	51,800	66,800	428,600	—
1986 Enact.	102,205	121,250	61,346	41,800	63,030	389,631	-38,969
1987 Req.	121,100	140,000	86,700	44,500	58,900	451,200	—
1987 Enact.	140,879	148,925	86,700	44,500	58,900	479,904	+28,704
1988 Req.	170,400	160,800	95,100	73,737	79,300	579,337	—
1988 Enact.	184,405	151,291	95,100	73,737	79,300	583,833	+4,496
1989 Req.	138,300	147,500	79,900	48,400	58,800	472,900	—
1989 Enact.	229,158	158,508	85,958	60,900	70,600	605,124	+132,224
1990 Req.	125,000	164,600	76,900	50,900	46,200	463,600	—
1990 Enact.	223,490	235,867	96,124	56,600	46,200	658,281	+194,681
1991 Req.	66,678	66,500	59,300	50,200	37,700	280,378	—
1991 Enact.	313,224	180,560	77,426	80,307	38,600	690,117	+409,739
1992 Req.	50,400	131,800	57,500	20,900	20,800	281,400	—
1992 Enact.	231,117	217,556	110,389	59,900	9,700	628,672	+347,272
1993 Req.	46,700	173,270	31,500	37,772	52,880	342,122	—
1993 Enact.	214,989	305,759	42,150	15,400	29,900	608,198	+266,076
1994 Req.	50,865	142,353	82,233	20,591	55,727	351,769	—
1994 Enact.	302,719	247,491	102,040	25,029	74,486	751,765	+399,996
1995 Req.	9,929	122,770	7,910	2,355	28,190	171,154	—
1995 Enact.	187,500	248,591	57,193	22,748	56,958	572,990	+401,836
1996 Req.	18,480	85,647	42,963	7,920	27,002	182,012	—
1996 Enact.	137,110	171,272	72,728	19,055	36,482	436,647	+254,635
1997 Req.	7,600	75,394	48,459	10,983	51,655	194,091	—
1997 Enact.	78,086	189,855	55,543	37,579	52,805	413,868	+219,777
1998 Req.	45,098	60,225	39,112	13,921	14,530	172,886	—
1998 Enact.	102,499	190,444	55,453	26,659	15,030	390,085	+217,199

Source: Department of Defense, *Financial Summary Tables*, successive years.

For Additional Information

CRS Issue Briefs

CRS Issue Brief 96022. *Defense Acquisition Reform: Status and Current Issues*, by Valerie Bailey Grasso.

CRS Reports

CRS Report 93-317. *A Defense Budget Primer*, by Keith Berner and Stephen Daggett.

CRS Report 98-205. *Appropriations for FY1998: Defense*, by Stephen Daggett.

CRS Report 98-155. *Defense Budget for FY1999: Data Summary*, by Stephen Daggett and Mary T. Tyszkiewicz.

CRS Report 94-515. *Defense Burdensharing: Is Japan's Host Nation Support a Model for Other Allies?*, by Stephen Daggett.

CRS Report 91-669. *Military Construction: Current Controversies and Long-Term Issues*, by Martin Cohen and Stephen Daggett.

Selected World Wide Web Sites

U.S. Department of Defense, Installations Home Page
[<http://www.acq.osd.mil/inst>]

House Committee on Appropriations
[<http://www.house.gov/appropriations>]

Senate Committee on Appropriations
[<http://www.senate.gov/~appropriations/>]

CRS Appropriations Products Guide
[<http://www.loc.gov/crs/products/apppage.html#la>]

Congressional Budget Office
[<http://www.cbo.gov>]

General Accounting Office
[<http://www.gao.gov>]

Office of Management & Budget
[<http://www.whitehouse.gov/WH/EOP/OMB/html/ombhome.html>]