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**Statement By
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Subcommittee on Readiness**

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Thank you, Chairman Wittman, Congresswoman Bordallo, and Members of the Committee. The Army appreciates the opportunity to meet with you today.

The US is at a strategic turning point after a decade of intense land-based war. As the national focus changes, the Army has been ordered to reduce its Active Component (AC) end strength, which requires significant force structure changes. These will result in a smaller and leaner, but more agile, flexible, ready, and technologically advanced Army.

In line with the Budget Control Act of 2011 and the new defense strategy announced in January 2012, the FY 2013 Budget significantly reduced the Army's future funding projections. Along with the end of the wars in Iraq and Afghanistan, these changes have put the Army on a path to shrink its active duty end strength from its peak of 570,000 in Fiscal Year 2010, to 490,000 by Fiscal Year 2017. This is a reduction of 80,000 Soldiers, or approximately 14%, from the Active Component. Former Defense Secretary Leon Panetta stated, "you can't have a huge infrastructure supporting a reduced force" when speaking about force reductions.

These reductions will affect every installation in the Army. Further, these reductions are already programmed into the Army budget baseline. Additional cuts to the Army's budget, of the magnitude associated with sequestration, may drive our end strength down below 490,000.

The Army's Chief of Staff, General Odierno, testified to the House Armed Services Committee that the full cumulative impact of sequestration across multiple years, coupled with a year-long Continuing Resolution, would force an additional 100,000 Soldiers to be reduced out of the Active Duty, National Guard, and US Army Reserve. This would create even greater pressure to bring infrastructure and civilian staffing into proper alignment with force structure demands.

The supporting infrastructure, as well as the civilian positions at our installations, should be reviewed to determine whether they are in line with reductions in end-strength and force structure. The alternative is an installations budget that spends tens or even hundreds of millions of dollars to maintain unused facilities. This scenario would divert the Army's shrinking resources away from much needed investments in readiness, equipment, and training. Failure to properly resource programs supporting Army Families and Soldier readiness will lead to an all-volunteer military that is hollowed out and weakened.

What does a "hollow" Army mean? How does the Army become "hollow?"

If Army force structure declines, but the facility overhead and civilian support staff remain constant, then our investments in equipment, training, and maintenance will become distorted.

General Odierno recently said in Congressional testimony that "a hollow force is one in which there is prolonged and disproportionate investment across manpower, operations and maintenance, modernization, and procurement without corresponding adjustments to strategy. The Army, without adequate funding, would be forced to make resourcing decisions that would

only accelerate and compound inequalities and risk in the force to other operational plans in the future.”

Examples of the kinds of readiness impacts that could occur if the Army were forced to divert resources away from other valid requirements over time in order to maintain excessive overhead and infrastructure can include:

- Shortages of repair parts that would drive cannibalization and reduced training events that will significantly impact our ability to build readiness. This would have a compounding effect on the capability of Army equipment and the effectiveness of units.
- Diversion of resources away from training accounts that would impair the Army's ability to fully train our Soldiers, whether through individual professional military education or collective unit training. This would disable our Soldiers from operating successfully in a joint, interagency environment across the range of military operations (from stability operations to decisive action).
- A deficit in properly trained forces will place the Army in jeopardy of being unable to meet the requirements of its higher-end war plans. Such a force will grow in “hollowness” each month or year the Army is forced to re-distribute resources, funding, and training of Soldiers from non-deployed forces to support current operations without the necessary resources to prepare for contingency operations.

At our installations, excess infrastructure will force the Army to spread its remaining resources so thinly that the ability of our installation services to support for the force will suffer. We will have more buildings in our inventory that require maintenance than we have force structure to validate a requirement. Eventually, excess infrastructure and staff overhead will increase the risk of either spending a disproportionate share of scarce budget resources on sustainment, or not being able to perform the most basic services correctly. For instance, Army civilian and contractor staff that run our digitized training ranges could be spread so thinly that the scheduling and throughput of training events at home station could suffer. As these negative effects accumulate, the remaining Soldiers and Families will be more likely to vote with their feet and leave the Army in an unplanned manner.

Army 2020 Force Structure.

The Army is already in the process of reducing its force structure and end strength. We have begun by steadily consolidating and reducing our overseas force structure. In Fiscal Year 2013, the Army announced that two Brigades in Europe would be deactivated, and that V Corps would not be returning to Europe upon the completion of its deployment to Afghanistan.

In coordination with the Office of the Secretary of Defense, the Army is also examining cost-effective opportunities to facilitate Joint and/or multi-service stationing options at our overseas installations, with a specific focus in Europe.

On January 19, 2013, the Army published a Programmatic Environmental Assessment (PEA), prepared in accordance with the National Environmental Policy Act (NEPA). The PEA analyzes the environmental and socio-economic impacts associated with two alternative approaches to reducing our force structure. The Army has extended the public comment period for 30 days to allow communities more time to provide comments on environmental or socioeconomic issues. The public comment deadline is now March 21, 2013.

The Army's ongoing force structure reduction efforts are proceeding in a 'BRAC neutral' manner. The Army 2020 Force Structure process is not being used to set any installations up for potential closure by removing all of their assigned units. In the PEA, the Army set a 'stop loss' threshold so that no multi-BCT installation would lose more than two Brigade Combat Teams or 8,000 total personnel under the worst case scenario. By applying force structure reductions more thinly and broadly, we avoid triggering any of the civilian personnel thresholds in 10 USC 2687. Indeed the Army does not anticipate coming close to triggering those statutory closure or realignment thresholds.

However, there is a price for proceeding in this manner. The force structure reduction is likely to create excess capacity at several installations. If an installation's assigned military forces are reduced significantly, it logically follows that some number of civilian personnel functions may no longer be required to support our Soldiers and Families. The Army has not yet initiated any capacity analysis to determine the level of excess infrastructure. That would begin with a 20-year force structure plan and a comprehensive installation inventory.

Reducing Overseas Infrastructure.

We have been asked to make sure that the Department appropriately sizes its infrastructure overseas.

The Army agrees. Over the past several years, the Army has aggressively moved to reduce costs and shrink its facility footprint in Europe and Korea.

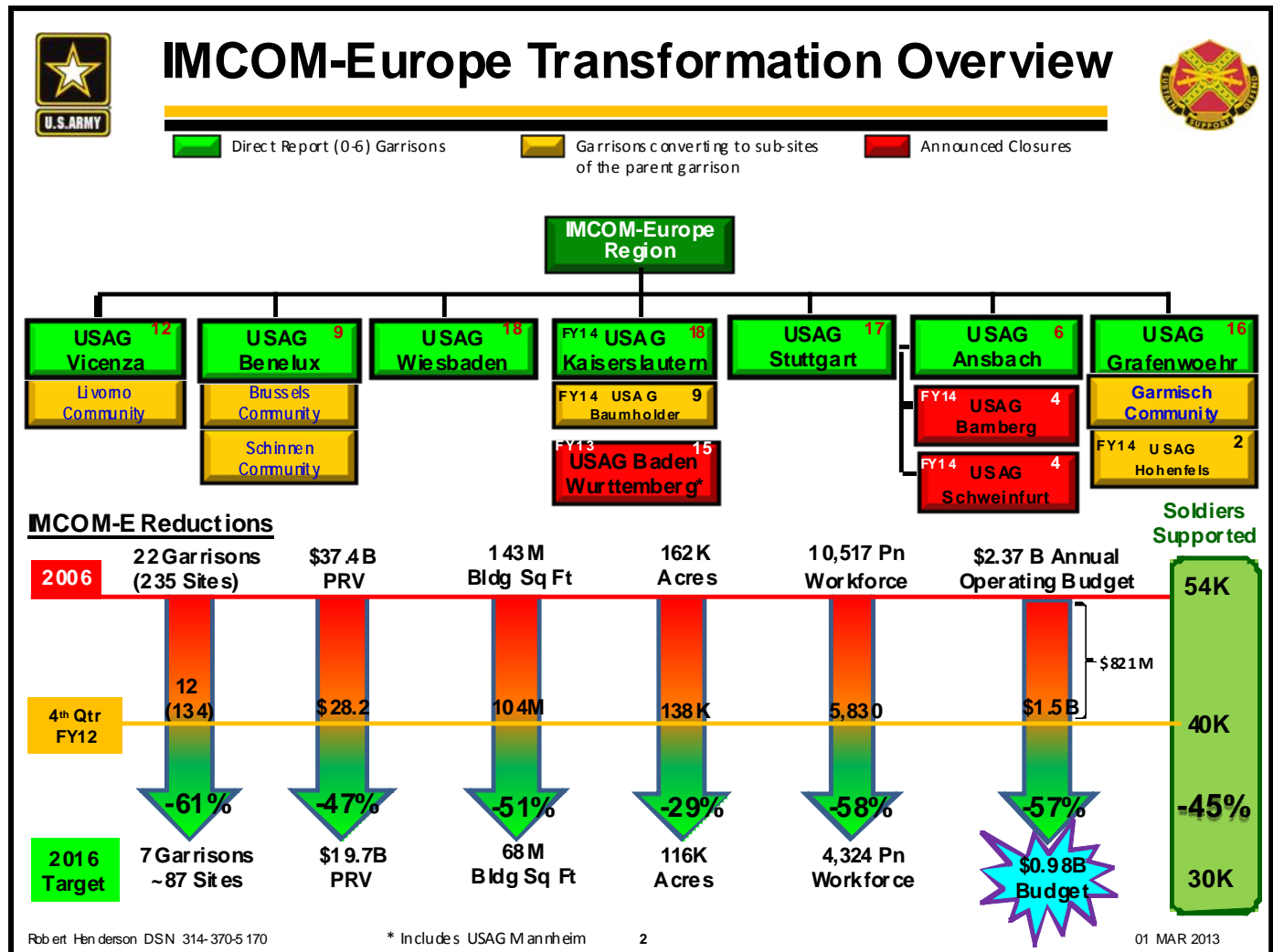
For example, in 2001, the Army had approximately 62,000 Soldiers stationed in Europe (See Chart #1). By 2006, that number declined to 54,000 Soldiers. By the end of 2017, we project it will decline to approximately 30,000 Soldiers. That is a 55% reduction in end strength since 2001, and a 45% reduction in end strength for the US Army in Europe since 2006.

Our total facility square footage in Europe is declining from 143 million gross square feet (GSF) to 68 million GSF by 2017. This decline amounts to an infrastructure reduction of 54%, which corresponds closely with the reduced end strength and force structure.

Our real property footprint has shrunk as well. In Europe over the last six years, we have closed over 100 sites and returned 24,000 acres to the host nation. In the next four years, we plan to close another 47 sites and return 22,000 acres, primarily in Germany.

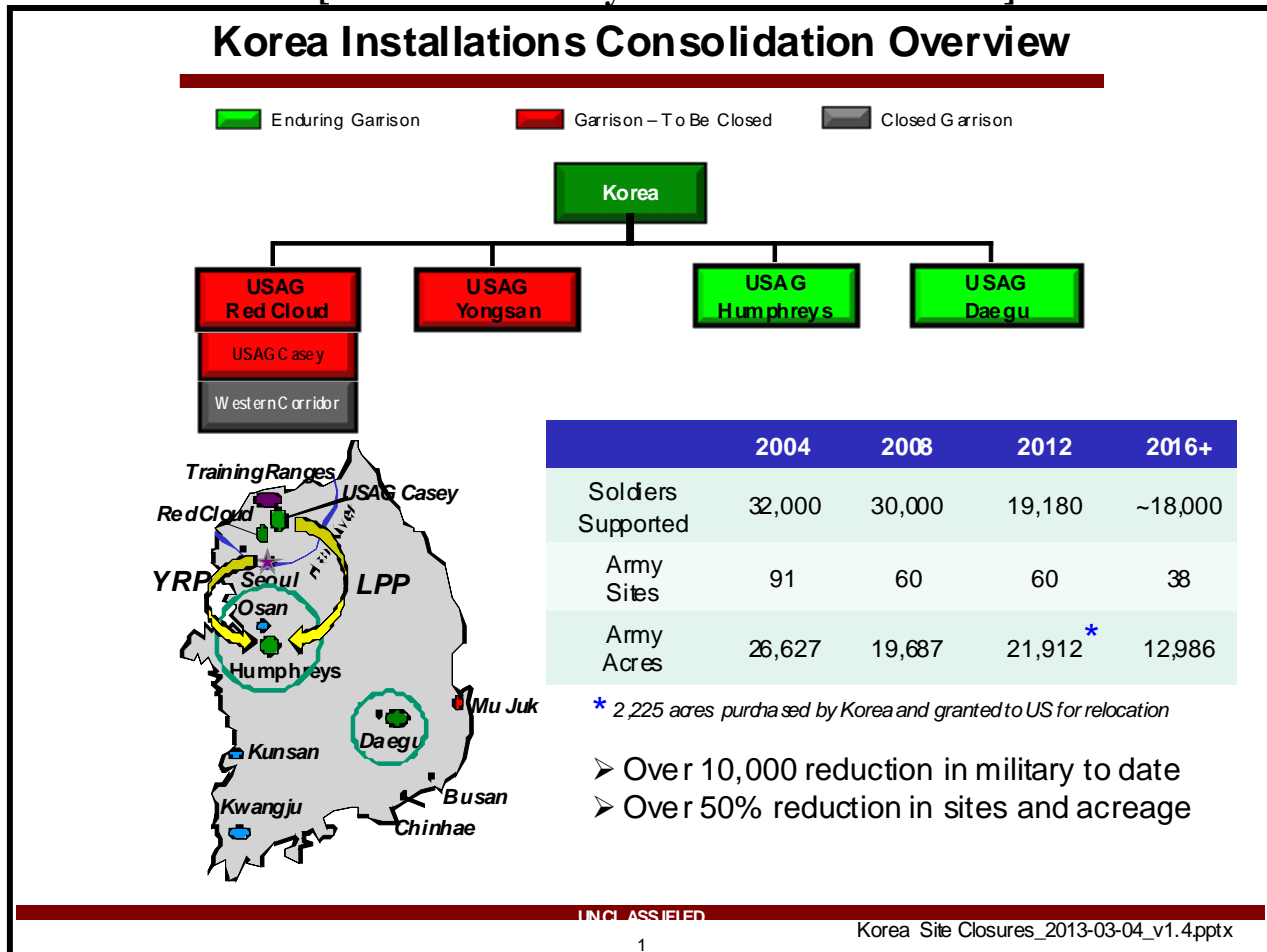
As previously stated, the Army fully supports the efforts of the Office of the Secretary of Defense to evaluate further opportunities to facilitate Joint and/or multi-service stationing options at our overseas installations, with a specific focus in Europe.

[Chart 1: US Army Consolidation in Europe]



In Korea over the last six years, we have closed 31 sites, with 7,300 acres returned. Over the next four years, we plan to close another 22 sites and return 9,400 acres to the host nation (See chart #2).

[Chart 2: US Army Consolidation in Korea]



The BRAC 2005 Process in Context.

The BRAC process is an important mechanism to reduce not just cost, but excess capacity. The BRAC 2005 process was an anomaly in many ways, and it deserves serious, in-depth consideration.

Four of the prior rounds of BRAC were implemented as the Cold War was winding down and the Army's force structure was rapidly declining. The combined 1988, 1991, 1993, and 1995 rounds (i.e., "prior BRAC") produced 21 major base closures, 27 significant realignments, \$5B in implementation costs, with over \$3B in one-time savings, and almost \$1B in annual reoccurring savings. Among them was the closure of Fort Ord, California. Fort Ord was the first and only divisional post closed under BRAC, which reflected the Army's reduction of its active duty strength from 12 to 10 Divisions.

By comparison, BRAC 2005 was different in that it took place during a protracted war with increased force structure requirements and thereby reflected the goals and needs of that time. Congress approved the 2005 BRAC round just months after September 11, 2001, and the objectives were set out the following year.

Although the elimination of excess capacity was one objective, which lead to the closure of 11 installations and 387 reserve component sites (211 Army National Guard and 176 US Army Reserve), the focus of the 2005 BRAC round was on aligning our infrastructure with our military strategy so as to enhance war fighting capacity and efficiency. The Army used the BRAC 2005 round as a vehicle to meet wartime needs and maximize military value and capability above all other factors.

BRAC 2005 was integrated with Army Transformation and enabled the Army to reset its infrastructure to accommodate the return of forces from Europe and Korea, accommodate the Modularization and Grow the Army initiatives, and revitalize the Army's Reserve and Guard infrastructure. These efforts were needed, and they have contributed significantly to the Department's effectiveness. However, these objectives were different from previous BRAC rounds and required substantial investments.

Because the focus of the BRAC 2005 round was on realigning installations to better support forces, as opposed to saving money and space exclusively, it is a less accurate gauge of the savings the Department can achieve through another BRAC round. The prior BRAC rounds were conducted as manning levels decreased and was primarily used to reduce installation capacity. Using the net savings method, the 1988, 1991, 1993, and 1995 prior BRAC rounds had overall payback periods of fewer than 3.5 years.

The 2005 BRAC round, which was conducted as force structure was increasing, and which was used to maximize military value and transform the Army into modular Brigades, had much wider payback period variation amongst BRAC recommendations than prior rounds. Overall, DoD spent \$35B in net implementation costs and is realizing about \$4B in net annual recurring savings, for an overall payback period of 8.8 years. The Army specifically spent about \$13.1B in

BRAC 2005 net implementation costs, and is realizing about \$1B in net recurring savings, for an overall Army payback period of 12.6 years.

Implementation of the BRAC 2005 closures and realignments by September 2011 allowed the Army to declare over 70,000 acres excess to our needs, and have already transferred over 40,000 acres of that property to enable communities to benefit from a wide range of future productive uses. This is a remarkable accomplishment considering that we are only 18 months removed from the completion of the BRAC 2005 closures and realignments. By law, the Department is required to transfer all BRAC-directed functions by the end of the six-year implementation period, but property disposal cannot begin until the functions have been transferred and the recommendations completed.

BRAC 2005 generated \$4.8B in one-time savings and provides over \$1B in net annual recurring savings for the Army. These savings were generated with an implementation period investment of about \$18B. The Army accounted for BRAC savings when developing its fiscal year 2007 and subsequent budget requests. This downward budget adjustment was beneficial to the installation program overall; it resulted in real savings.

Yet despite these savings, and the reduction in our facility footprint and real property inventory, BRAC 2005 also coincided with significant re-stationing of forces from overseas back to the US. This initiative was called the Global Defense Posture Realignment and it was deliberately linked to the BRAC process by both Congress and the Executive Branch.

Because it was executed while the Army's total end strength and force structure was either stable or increasing, it required the US installations that were increasing in size to build millions of square feet of additional infrastructure to host and properly support these returning units. These actions significantly increased total CONUS BRAC constructed square footage without a corresponding BRAC-specific reduction as the resulting excess facilities were OCONUS. Examples include Forts Benning, Bliss, Bragg, Carson, Knox, and Riley, which received approximately 7 million square feet of new facilities funded by Army BRAC.

The logic and validity of returning forces from overseas and building the needed infrastructure here at home according to the Army facility standards in effect at the time was fully supported by Congress. It was a prudent investment, and the right thing to do.

Similarly, starting in Fiscal Year 2007, the Army embarked on a 70,000+ Soldier "Grow the Army" initiative because the demands for rotational depth of Army units in Iraq and Afghanistan far outstripped the supply. Soldier deployment times exceeded the time Soldiers spent in their home stations, creating massive personal, social, and family challenges. Additional infrastructure had to be built here in the US to accommodate that growth and training capability. In addition to the BRAC-funded construction in support of the 1st Armor Division's move to Fort Bliss, four additional Brigade Combat Team (BCT) complexes were funded by the BRAC program. Fort Bliss, Fort Carson, and Fort Stewart collectively received non-BRAC funded Military Construction (MILCON) investments associated with Grow the Army, although several other installations also benefited.

National Guard and Reserves.

One of the biggest success stories of the 2005 BRAC round was the successful use of BRAC to consolidate our Reserve Components into modern and efficient locations that offer better recruiting results and better access to the communities they serve. The Army used BRAC to close or realign 387 Reserve Component facilities that were aging and located in communities whose populations had declined or where recruiting prospects had faded. BRAC 2005 was the first BRAC round to affect consolidations and closures at the Readiness Center level. More consolidation and efficiency opportunities exist within the Reserve Components.

For the National Guard in particular, BRAC helped the US close over 200 state-owned facilities, totaling just over 4.6M square feet (SF). The US Army Reserve closed an additional 176 facilities totaling more than 5.9M SF. Because the original state facilities closed were not part of the Army's federally-owned real property inventory, closing these state-owned facilities helped reduce operational expenses for both DoD and the states, even though their closure did not reduce the quantity of federally-owned facilities.

In their place, the Army built 125 multi-component Armed Force Reserve Centers (AFRCs) and supporting facilities across the country totaling approximately 14.8M square feet. The AFRCs and other facilities built through BRAC are right sized, modern, and already being used to support ARNG operational reserve missions and help respond to local emergencies, state missions, and homeland security and defense missions. The Army National Guard (ARNG) and Army Reserve used the BRAC 2005 process to identify areas of growing population, where recruiting and demographic prospects are better. They are now realizing the benefits of this consolidation and recapitalization of Reserve Component facilities and enhanced operational readiness. The new BRAC 2005 funded AFRCs have also increased joint training opportunities for the Reserve Components with co-located units from the US Marine Corps Reserve, US Navy Reserve, US Army Reserve, and Air National Guard.

Armed Forces Reserve Centers are the accessible windows to the American citizens. These facilities are vital to the Reserve Components' ability to recruit, retain, train and equip soldiers for both federal and state missions. Both the ARNG and the USAR conduct extensive analyses to examine their facility locations and consolidation opportunities.

The Reserve Components have readiness challenges resulting from failing, undersized, improperly sited, and costly infrastructure. Consolidation into fewer, modern, properly located, energy efficient, Armed Forces Reserve Centers will result in base operations cost savings for many years to come.

The Industrial Base.

Although the Army serves as its steward, the organic industrial base is a national strategic asset that provides combat readiness to the Joint Force. The Army's industrial capability has been

tested by over more than a decade of sustained, worldwide combat operations and has proven its worth by keeping our forces properly equipped, sustained and ready.

The equipment manufactured, modified and repaired has saved lives on the battlefield. While our focus necessarily has been on providing combat readiness to our joint war-fighters, as Army involvement drew to a close in Iraq and continues to wind down in Afghanistan, we must look for ways to remain both effective and efficient, maintain a viable industrial base and ensure we are capable of supporting the next contingency -- whenever and wherever it may arise.

As requirements continue to decrease at our ammunition plants, maintenance depots and manufacturing arsenals, the Army must assess its current infrastructure in terms of capacity and capability to ensure that the organic industrial base is shaped properly to meet future Army and Joint requirements -- to include surge capacity. The Army strategy, as defense resources decline, is to ensure the organic sources of repair and manufacturing remain a ready, responsive, efficient and flexible source of sustainment support.

Industrial capabilities are not static. Investments in new technology, and improvements to manufacturing processes, provide opportunities for greater efficiency. Industrial capacity can be enhanced without an increase in square footage, and in many cases, workload capacity can increase with a reduced facility footprint. After a dozen years of wartime support, including two major deployment surges, the Army better understands the capabilities of the industrial base during a time of heavy usage, and has a better idea of the capabilities that must be preserved for the future. Retaining robust capability affords greater flexibility and allows for increased production with minimal construction and very limited production ramp-up time. Nevertheless, the Army's newly published Organic Industrial Base Strategy calls for the Army to maintain an efficient and optimally sized industrial base for the future, necessitating a review of our industrial facilities in conjunction with the other Military Departments.

BRAC Property Disposal and Reuse.

BRAC property conveyance remains an Army priority. Putting excess property back into productive re-use, which can facilitate job creation, has never been more important than it is today.

During the last five BRAC rounds, the Army identified almost 279,000 excess acres. Of these, over 218,000 acres, or 78%, have been transferred to states, local communities or other federal agencies for beneficial reuse. Over 57% of the 70,311 total excess acres of the recently completed BRAC 2005 round has already been transferred.

The Army's continuing focus during the property disposal process is to protect human health and the environment by cleaning up contaminated sites as expeditiously as possible to facilitate appropriate redevelopment of former military property. New or more stringent environmental compliance requirements can impact the pace of property conveyance.

The current goal is for all of the remaining excess property (22%) to be conveyed by 2021. Placing this property into productive reuse helps communities rebuild the local tax base, generate revenue and most importantly replace lost jobs.

The Army's approach to property conveyance is: (1) protect human health and implement redevelopment that is compatible with current land uses, (2) get property back into re-use quickly, (3) receive a fair and reasonable return on taxpayer investment to help finance environmental restoration costs, and (4) avoid unnecessary caretaker costs.

BRAC law contains special property conveyance authority for Economic Development Conveyances (EDCs). The Army seeks to negotiate EDCs that are relatively simple, executed quickly, and with security provisions that ensure the taxpayers are actually paid the consideration it has negotiated.

Since Congress amended to the EDC authority in Fiscal Year 2010, the Army has successfully negotiated EDCs at places as diverse as Fort Monmouth, New Jersey and the Kansas Army Ammunition Plant in Parsons, Kansas. In each case, we structured the transactions so that the taxpayers will receive a portion of future redevelopment revenues as consideration for the conveyance. At other locations, the Army is negotiating EDCs that would contain structured payments, to allow communities a chance to attract private sector financing and build some economic momentum before they had to fully pay for the property. In most cases, the Army has discounted the sale of the property to account for the unique market challenges associated with BRAC property.

While it is very difficult for communities to envision life after BRAC, there are several examples of BRAC property that have been successfully put to new uses:

- In response to a request from the Federal Emergency Management Agency (FEMA), the Army licensed 115 housing units at Fort Monmouth, NJ to FEMA for up to 18 months to house families displaced by Super Storm Sandy. The units have remained at 98% occupancy.
- The Houston, Texas US Army Reserve Center #2, a closed six acre site containing more than 15,000 square feet, was conveyed in August 2012 to the City of Houston under a Department of Justice Public Benefit Conveyance (PBC) for use as a police department. This type of re-use is not unique to Texas – it is fairly common across the country whenever the Army closes a Reserve Center.
- Newport Chemical Depot (NECD) was the first Army property to be conveyed under the new EDC authority enacted in the Fiscal Year 2010 NDAA. This authority created a “win – win” situation for both the Army and Community through the flexibilities provided by Congress. As a result, the community was able to put its redevelopment plans into motion much earlier, and the Army greatly reduced its caretaking costs. In December 2012 Scott Pet Products, Inc., pet supply manufacturer, announced plans to open a manufacturing and distribution warehouse, creating new jobs.

- Although the property has not yet conveyed, the Army achieved another win – win at Riverbank Army Ammunition Plant in Modesto, CA. The Army leased the facility to the Riverbank City Local Redevelopment Authority, allowing retention of existing tenants and generation of new jobs in a community where unemployment was over 20 percent. The Army benefited by avoiding substantial caretaker cost for the closed facility.
- At Kansas Army Ammunition Plant (KSAAP), the Army conveyed 6,113 acres of real property and improvements to the local redevelopment authority in 2012. This agreement facilitated early redevelopment by the community while quickly reducing the Army's caretaking costs.
- Also at KSAAP, the Army first used the Army Compatible Use Buffer (ACUB) authority in transferring a 1,000 acre parcel to the Kansas Department of Fish and Wildlife while gaining buffer space to protect training activities at Fort Riley, Kansas.
- Vancouver Barracks, Washington, was originally established in 1850 in support of the Hudson Bay Company. BRAC 2005 closed Vancouver Barracks, and the Army turned it over to the National Park Service in order to preserve the history of the historical site.

When the Army programs its overall installation investments across its Five Year Defense Plan (FYDP) and through its Program Objective Memorandum (POM), the BRAC program competes with other programs such as MILCON, Base Operations Support, and Facility Sustainment, Restoration and Modernization (FSRM) funding for the Army's limited resources. Current active and reserve installations that support existing Army missions will always be prioritized above closed installations, unless environmental contamination at a closed installation poses an imminent danger to human health and the environment. Opportunities to accelerate environmental restoration exist at several closed sites, but programming the necessary funds to speed restoration and allow quicker community redevelopment is extremely challenging. Indeed, the only real way to accelerate restoration is through the BRAC property sales proceeds that the Army realizes.

It is precisely for that reason that the Army supports Section 2711 in the Fiscal Year 2013 National Defense Authorization Act that combined the 2005 and Legacy BRAC accounts. The Army will use this streamlined account structure starting in Fiscal Year 2014, to apply property conveyance proceeds at BRAC sites with opportunities to accelerate environmental cleanup efforts at other BRAC sites.

Conclusion.

In line with the Budget Control Act of 2011 and the new defense strategy announced in January 2012, the FY 2013 Budget significantly reduced the Army's future funding projections. Along with the end of the wars in Iraq and Afghanistan, these changes have put the Army on a sustainable path to shrink its active duty end strength. Excess infrastructure and civilian staffing will divert funding away from critical readiness, equipment, and training priorities. Over time, these distortions in Army investments and spending will contribute to a "hollow" Army.

At overseas installations (i.e., Europe and Asia), the Army is already consolidating facilities. Since 2001, the Army has reduced its end strength and force structure in Europe by over 45%, which has resulted in a 51% reduction in infrastructure, a 58% reduction in civilian staffing, and a 57% reduction in base operating costs. The story in Korea is similar. Significant declines in Soldiers supported a consolidation of garrisons and sites, and thousands of acres of property disposed.

With a reduced end-strength and force structure in the US, it is essential to assess the supporting infrastructure in the US.