

CBO TESTIMONY

Statement of
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on
Military Base Closures
and Realignment Procedures

before the
Subcommittee on Military Installations and Facilities
Committee on National Security
U.S. House of Representatives

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Mr. Chairman, I appreciate the opportunity to appear before the Subcommittee to discuss the Congressional Budget Office's (CBO's) recent analysis of the Base Realignment and Closure process, or BRAC. As you are aware, CBO recently completed an interim assessment of the BRAC process. I would like to focus on a few aspects of that analysis with you today: a brief overview of BRAC, CBO's principal findings, and a discussion of three key problem areas—identifying savings, environmental costs, and double counting the savings from downsizing.

OVERVIEW OF THE BASE REALIGNMENT AND CLOSURE PROCESS

By 2001, the Department of Defense (DoD) will have completed the fourth of its rounds of base realignments and closures, as well as all actions under earlier rounds. DoD will close 97 of 495 major military installations in the United States—or about 20 percent of its total—reducing the value of its real estate by about 21 percent. The installations affected include a number of bases used by operating military forces—air bases, naval stations and naval air stations, and Army combat and training facilities—linked to the downsizing of force structure. The BRAC process will also result in closing many support facilities—military hospitals, supply and maintenance depots, and administrative offices.

Base closures and realignments now appear to be proceeding on schedule. DoD reports that it closed all 16 of the major bases identified in BRAC I before the statutory deadline of September 30, 1995. BRAC II must be completed by July 1997, and as of last March, the department had closed 24 of the 26 major facilities scheduled by that round, as well as eight of the 28 major bases identified in BRAC III.

DoD considers a base "closed" when all missions have either ceased or been relocated and all personnel assigned to the facility have either been released or relocated. Some controversy has arisen over the department's decision to consolidate certain activities—such as Defense Finance and Accounting Service offices—and locate them on bases scheduled to be closed. But those actions appear to be consistent with federal policy governing the reuse of federal property and to be permissible under BRAC guidelines. CBO has been unable to determine the effect of those relocations on DoD's estimates of BRAC savings.

Although BRAC has incurred substantial costs for construction, relocation, and environmental restoration, DoD claims that beginning with the 1998 budget, cumulative savings will exceed costs. Last year, the department projected net savings of about \$5.3 billion through 2001, based on costs of \$23.4 billion and savings of \$28.7 billion during the BRAC implementation period. About half of the gross savings will appear in the Operation and Maintenance accounts that fund,

among other activities, base operating support and civilian pay. A quarter of the savings are attributed to cutbacks in military personnel, and most of the rest reflect reductions in military construction and family housing as well as revenues from land sales.

CBO FINDINGS

In our recent study (*Closing Military Bases: An Interim Assessment*, December 1996), CBO found a number of positive aspects of the BRAC process. The creative legislative approach embodied in BRAC succeeded in cutting through the obstacles that had prevented any base closures during the 15 years before 1988. DoD has carried out BRAC decisions effectively and has closed bases on schedule. By and large, decisions made in one BRAC round have not been overturned in later rounds. A key focus of DoD's efforts has been to promote the reuse of BRAC facilities, and the department has worked within existing regulations to speed reuse.

Nonetheless, BRAC actions inevitably have affected individuals and communities. DoD has estimated that over the 12 years when the BRAC process is being carried out, base realignments will result in the loss of approximately 236,000 jobs, about half of which are in private-sector businesses that depend on military

bases. However, evidence from a small sample of communities suggests that new economic activity will offset most of those job losses. For example, CBO initially estimated that, under worst-case conditions with no offsetting economic activity, closing Fort Ord in Monterey, California, could lead to increases in unemployment of as much as 8 percentage points. In contrast, a RAND study found an actual increase of only 1 percentage point.

Our analysis also raised the question of whether the four rounds of BRAC have gone far enough. No clear relationship exists between the size of military forces and the base structure needed to support them. Nevertheless, the roughly 20 percent cutback in facilities under BRAC clearly has been less than proportional to the cuts of one-third or more in military force structure and almost as much in numbers of personnel. Moreover, spending for operation and maintenance and support for operating bases has declined even less than the reduction in the value of the base structure. The high cost of maintaining military facilities suggests that further cuts could be an important way to make additional funds available for other defense needs.

IDENTIFYING SAVINGS

A principal objective of DoD through the BRAC process has been to realize savings in cost and manpower that are consistent with other elements of the defense drawdown. DoD currently anticipates that all BRAC actions will yield savings with a present value of \$57.8 billion over a 20-year period, with most of the savings being realized after the BRAC process has been carried out.

CBO believes that BRAC actions will result in long-term savings, but we have not been able to confirm DoD's projections of costs and savings because the department does not report actual BRAC-related spending and savings. In the meanwhile, DoD has incorporated its projected savings into future budget plans. Consequently, the issue of whether its projections will be realized is important in judging the adequacy of the department's funding plan.

The history of DoD's projections shows that the department significantly overestimated near-term savings for the first two BRAC rounds. The principal reason was overly optimistic projections of revenues from land sales: for example, DoD initially expected to realize about \$2.4 billion in revenues from the sale of property during BRAC I, but has only received about \$74 million. In addition, the cost of environmental cleanup for BRAC I facilities rose from about \$570 million to about \$1.1 billion. As a result, BRAC I failed to produce net savings during the six

years when the program was being carried out, although its long-run savings have not been affected.

For the third and fourth BRAC rounds, DoD made considerably more modest projections of revenues from land sales. But the costs of environmental cleanup could continue to rise, as I will discuss in a moment. Moreover, the department has had to make significant adjustments in its initial estimates for other categories of spending and savings in BRAC III. That history suggests that DoD's estimates of the costs and savings to be realized from BRAC are highly uncertain.

CBO believes that it is important to resolve that uncertainty to judge the merits of future base closures. The Congress could consider instructing DoD to audit a sample of bases included in BRAC IV to provide empirical information on costs and savings.

ENVIRONMENTAL ISSUES

Environmental restoration is an important component of BRAC because contamination precludes many types of reuse. The most common types of contamination are polluted groundwater, contaminated landfills, and unexploded

ordnance. Each of those forms of contamination poses a separate set of challenges. For example, cleaning up groundwater can take decades, and in certain cases it may be impossible to meet clean water standards. Landfills pose a problem because standards for each site must be negotiated among DoD, the Environmental Protection Agency, and local regulatory authorities. Cleanup of unexploded ordnance can be prohibitively expensive, but failure to do so means that the property in question can only be used for purposes that do not endanger people, such as wildlife preserves.

In its 1998 budget request, DoD has estimated that it will spend about \$7.3 billion through 2001 for environmental activities at bases scheduled to be closed in all four BRAC rounds. The full cost of cleanup will be substantially higher, however. Many cleanup procedures, especially for contaminated groundwater, will probably go on long after the BRAC process has ended and will engender substantial additional operating and support costs. Cleanup costs have already grown substantially beyond DoD's initial estimates for the first two BRAC rounds as the department has learned more about the scope of its task. Moreover, further growth of costs is likely because most of DoD's efforts are still in the early stages of identifying and characterizing contamination problems.

Environmental activities add to the near-term costs of BRAC. DoD has consistently noted that it is liable for those costs whether bases are closed or not, but

BRAC does affect the timing of environmental costs. In the long run, environmental costs should not affect the savings from the BRAC process.

DOUBLE COUNTING OF SAVINGS

During its downsizing program, DoD reduced its budget by about 35 percent in constant dollars. It has also pared its numbers of military personnel by over one-third and civilian personnel by nearly 30 percent. A number of policy changes have contributed to those savings: reductions in force structure, operating efficiencies, outsourcing and privatization, and BRAC.

Without better information than DoD has provided to date, it is impossible for CBO—or any outside agency—to identify the savings associated with particular policies. For example, the Vice President's National Performance Review takes credit for making civilian downsizing possible by introducing operating efficiencies. But fully half of the projected savings from BRAC stems from reduced spending for operation and maintenance, much of which reflects cuts in civilian personnel. Similarly, reductions in force structure have generated savings in part by permitting the department to close operational and support facilities. How does one apportion

the savings among the National Performance Review, cuts in force structure, and BRAC?

CONCLUSION

Without an answer to that question, judging the merits of further base realignments and closures is difficult. CBO's analysis suggests that even after completing BRAC IV, DoD will have more facilities than it needs for the forces that remain. Furthermore, that conclusion will apply even more strongly if the Quadrennial Defense Review that is now under way concludes that additional downsizing is appropriate. But the decision to close any specific base rests on a calculation of initial costs and eventual savings. DoD has asked its Inspector General's Office to develop the detailed data that will permit those calculations to be made for recent base closures. We urge the Congress to review the Inspector General's report and to encourage the department to take whatever further actions are needed to evaluate any future proposed BRACs.

