

DOD Base Realignment and Closure

(BRAC 1988, 1991, 1993 & 1995)

Executive Summary

Fiscal Year (FY) FY 2007 Budget Estimates

Program Year 2007



Justification Data Submitted to Congress

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I. Base Realignment and Closure Overview

A. Background

The Defense Secretary's Commission on Base Realignment and Closures was chartered on May 3, 1988 to recommend military installations within the United States, its commonwealths, territories, and possessions for realignment and closure. The Congress and the President subsequently endorsed this approach through legislation that removed some of the previous impediments to successful base closure actions. The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, as enacted October 24, 1988, provides the basis for implementing the recommendations of the 1988 Commission. Under this Act, all closures and realignments were to be completed no later than September 30, 1995. Funding for these actions was included in the Base Realignment and Closure Account - Part I (BRAC-I) which covered fiscal years 1990 through 1995.

The National Defense Authorization Act for FY 1990 and 1991, Section 2831, allowed for the one-time transfer of \$31 million from BRAC I into the FY 1990 Homeowners Assistance Fund (HAP). The HAP funds are used to assist employees who are forced to move as a consequence of base closures and who find that they must sell their homes in real estate markets which have been adversely affected by the closure decision.

In the Committee Reports accompanying the FY 1990 Military Construction Appropriations Act, the Congress began applying some restrictions on the use of BRAC I funds. Concerned that the one-time implementation costs had increased by \$1 billion when compared to the 1988 Commission's estimate, the House Appropriations Committee (HAC) adopted a spending cap for military construction and family housing of \$2.4 billion. This cap was reflected in the FY 1990 act itself. The FY 1992 Military Construction Appropriations Act lowered the cap to \$1.8 billion commensurate with the budget request.

On November 5, 1990, The President signed Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, establishing an independent commission known as the Defense Base Closure and Realignment Commission which met only during calendar years 1991, 1993, and 1995. The purpose of the Commission was to ensure a timely, independent, and fair process for closing and realigning U.S. military installations. The actions to implement the recommendations of the 1991, 1993, and 1995 Commissions are underwritten from the Base Realignment and Closure Account 1990 (BRAC II). By statute, action must be initiated no later than two years after the date on which the President transmits a report to Congress and all closures and realignments must be completed no later than the end of the six-year period beginning on the same date. The implementation period for the 1995 authorized round of base closure was complete as of 13 July 2001.

Public Law 101-510 included a number of other provisions affecting base closure, one of which, section 2923, designated the Base Closure Account (BRAC I) to be the exclusive source of funds for environmental restoration projects at round one closure sites. The National Defense Authorization Act for FY 1992, Section 2827, designated Base Closure Account 1990 as the exclusive source of funds for environmental restoration projects at closure sites approved by the 1991, 1993, and 1995 Commissions.

The intent of this section was to preclude the cleanup actions at bases slated for closure from competing with other sources of funding for environmental cleanup such as the Defense Environmental Restoration Account (DERA). A total of \$9,447.71 million has been made available for cleanup for the four rounds of base closures through FY 2006. The FY 2007 budget program includes \$468.6 million for environmental restoration at BRAC bases from the 1988, 1991, 1993 and 1995 rounds.

The FY 2002 National Defense Authorization Act, authorized an additional round of base realignment and closure in 2005 by amending the Defense Base Closure and Realignment Act of 1990 (Public Law 101-510). The 2005 BRAC Commission recommendations became law on November 9, 2005. The Department of Defense Base Closure Account 2005 (Treasury code 0512) has been established as a single account on the books of the Treasury to execute actions to implement BRAC 2005 approved closures and realignments. The six-year implementation period for the 2005 approved realignments and closures ends on September 15, 2011.

B. Budget Justification Requirements

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, is specific in the types of information required as to budget justification. The Act states, "As part of each annual budget request for the Department of Defense, the Secretary shall transmit to the appropriate committees of Congress:

(1) a schedule of the closure and realignment actions to be carried out under this title in the fiscal year for which the request is made and an estimate of the total expenditures required and cost savings to be achieved by each such closure and realignment and of the time period in which these savings are to be achieved in each case, together with the Secretary's assessment of the environmental effects of such actions; and

(2) a description of the military installations, including those under construction and those planned for construction, to which functions are to be transferred as a result of such closures and realignments, together with the Secretary's assessment of the environmental effects of such transfers."

The FY 2007 budget justification material has been developed to comply with the above requirements. The BRAC Executive Summary Book provides an overview of the BRAC costs and savings for each DoD Component through the six-year implementation period. The DoD Components have prepared separate justification books providing detailed information by realignment and closure package, broken out by one-time implementation costs, anticipated revenues from land sales, and expected savings. This comprehensive approach addresses the total financial impact of realignment and closure actions and provides justification for the funds requested in the Base Closure Accounts.

C. DoD Base Closure Account Capitalization and Funding

The Department has complied with the guidance contained in the House of Representatives Report 101-76, Military Construction Appropriations Bill, 1990, July 26, 1989, to determine the proper method of capitalizing the DoD Base Closure Accounts. In denying

general transfer authority to the Secretary of Defense, the Committee expressed the belief that the necessary one-time costs to implement base realignments and closures be requested as new appropriated amounts to facilitate improved accounting of the funds appropriated. Additionally, the Committee indicated that any savings or cost avoidance due to base realignment or closure should be reflected through reduced requirements in the annual budget requests for the affected appropriations.

The manner in which the impacts of base realignments and closures are reflected in BRAC appropriations accounts is consistent with this language. The new BRAC appropriations requested represent the costs of environmental restoration and caretaker functions at bases closed under the prior rounds of base closure authority. Also included in the appropriation request are funds to be transferred to the Homeowner's Assistance Program for the purpose outlined in Section III. Since the FY 1991 budget request, parcels of land have been transferred, without compensation to the Department, thereby reducing projected offsetting receipts. Section IV provides examples of anticipated revenue from the sale of land and facilities and the anticipated revenue loss from land transfers.

The implementation of base realignment and closures requires the relocation of units and activities from one site to another. Recurring savings (reduced base operations costs) are realized through the increased efficiencies inherent in the consolidation of functions on fewer bases. The net savings are reflected as savings in the specific appropriations, primarily operation and maintenance, and are not incorporated in the DoD Base Closure Accounts.

Estimates for savings or cost avoidance have been incorporated into the DoD Component appropriation account where they are to accrue, resulting in corresponding reduced budget requests for those appropriations. The annual recurring saving from the four prior rounds of base closure and realignment are projected to be about \$7 billion after the implementation period ending in FY2001.

D. Financial Management Procedures

The Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, established the Defense Base Closure Account (BRAC I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (BRAC II) as a mechanism to provide the required funding to implement the approved recommendations of the BRAC 1991, 1993, and 1995 Commissions. From aspects of management, budgeting and accounting, both Accounts are treated in the same fashion. Funding approved by Congress in both Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

1. The Deputy Under Secretary of Defense (Installations & Environment) is responsible for issuing policy for management of the BRAC program and overseeing the DoD Components' execution of the program.

2. To properly account for and manage appropriated fund resources, the DoD Base Closure Accounts were established on the books of the Treasury to aid the DoD Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 97-0103 to identify the DoD Base Closure Account - Part I, 97-0510 to identify DoD Base Closure Account 1990 - Part II, Part III, and Part IV, and 97-0512 to identify DoD Base Closure Account 2005.

Funds made available to the DOD Components are subdivided and distribute to the activities responsible for base closure actions. Separate allocations are made for each of the accounts by program year. Each DoD Component distributes the base closure funds in accordance with its normal fund distribution procedures. The applicable reporting requirements include:

- Military Construction
 - Construction
 - Planning and Design
- Family Housing
 - Construction
 - Operations
- Environmental
- Operation and Maintenance (O&M)
 - Civilian Severance Pay
 - Civilian Permanent Change of Station (PCS) costs
 - Transportation of things
 - Real Property Maintenance
 - Program Management (civilian work years, TDY travel, and related support dedicated to implementation efforts)
- Military Personnel (limited to PCS expenses dedicated to implementation efforts)
- Other (including procurement-type items)

3. The Under Secretary of Defense (Comptroller) makes funds available to the DoD Components based on their official financial plans. Financial plans are prepared by the DoD Components in cooperation with and at the direction of the program manager, the Deputy Under Secretary of Defense (Installations & Environment). The DoD Components' financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the Under Secretary of Defense (Comptroller) in sufficient detail to support the DoD Component's Financial plan. The DoD Components are allowed to revise planned execution as the situation dictates but must notify the Deputy Under Secretary of Defense (Installations & Environment) and the Under Secretary of Defense (Comptroller) of all changes. To keep the Under Secretary of Defense (Comptroller) apprised of these changes, the DoD Components are required to submit a revised current year financial plan and supporting documentation on a quarterly basis to reflect the status of the current plan being executed. When a military construction or family housing construction project is to be executed, but does not appear on the approved construction project list, the prior approval of the Under Secretary of Defense (Comptroller), and Congress is required. This will ensure that the Department has complied with the notification requirements of the House of Representatives Report 101-176, Military Construction Appropriation Bill, July 26, 1989, prior to the expenditure of DoD Base

Closure Account funds. Each DoD Component is allocated funds based upon its official budget justification and financial plan.

4. Decision Rule for Determining the Validity of Charging Cost to the DoD Base

Closure Accounts: In addition to being supported by the detailed budget justification, the general criterion to be applied when deciding whether to charge specific costs to the DoD Base Closure Account is that the cost in question is a one-time implementation cost directly associated with the overall base closure effort. For example, the one-time operation and maintenance-type costs at R&D-funded installations are charged to the appropriate sub-account of "Operation and Maintenance." Low-dollar value construction projects budgeted as lump sum under the real property maintenance category are charged to that sub-account and not the construction sub-account of military construction, which is reserved for projects listed individually on the financial plan accompanying the fund allocation document. Recurring costs driven by the transfer of workload from one location to another is budgeted for and charged to the non-base closure accounts.

II. Budget Summary

The tables on the following pages provide information on one-time implementation costs, expected savings, and revenues from land sales by DoD Component and approved BRAC closure round. BRAC I closures and realignments have been projected to cost \$2.8 billion and will generate total savings of \$2.4 billion and land sale revenue of \$65.7 million during the FY 1990-1995 implementation period. BRAC II closures and realignments have been projected to cost \$5.2 billion and will generate total savings of about \$8.1 billion and land sale revenue of \$25.7 million during the FY 1992-1998 implementation period. BRAC III closures and realignments have been projected to cost \$7.6 billion and will generate total savings of \$8.3 billion and land sale revenue of \$3.4 million during the FY 1994-1999 implementation period. BRAC IV closures and realignments are projected to cost \$6.7 billion and will generate total savings of \$6.2 billion and land sale revenue of \$230.2 million during the FY 1996-2001 implementation period.

FY 2007 Budget Estimates
Base Realignment and Closure Account Parts I – IV
(Dollars in Millions)

A. BRAC Parts I - IV Continuing Environmental and Caretaker Costs:

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Army				
Environmental	64.405	95.024	97.275	45.133
Operations & Maintenance	10.145	8.255	9.473	6.207
Navy				
Environmental	119.325	-	256.016	301.756
Operations & Maintenance	25.482	.050	47.153	33.036
Air Force				
Environmental	191.142	148.772	121.935	115.612
Operations & Maintenance	4.795	-	17.385	18.215
Defense Logistics Agency				
Environmental	9.811	6.540	5.974	6.053
Operations & Maintenance	1.000	.300	.237	-
Total Environmental and Caretaker Costs	426.105	258.941	555.448	526.012
Homeowner's Assistance Program	-	-	-	-
Prior Year Financing	68.067	-737.170	300.369	334.792
Estimated Land Sale Revenue	39.373	744.060	2.800	-
BRAC IV Budget Request	318.665	252.051	252.279	191.220

The FY 2007 budget requests \$191.2 million of new budget authority for environmental restoration and caretaker cost for facilities closed under the previous four rounds of base closure authority. This funding will ensure bases are continuing to be cleaned efficiently to speed the transfer of property to redevelopment authorities.

Unobligated land sale revenue of \$334.792 million will be used to offset a portion of the department's FY 2007 BRAC requirements of \$526.0 million.

Annual recurring savings from the four rounds of base closure and realignment are projected to be about \$7 billion after the implementation period ending in July 13, 2001.

B. BRAC 2005

The FY 2007 budget request includes \$5,626.0 million to implement the approved recommendations from the BRAC 2005 Commission. The Department has prepared separate budget justification books to address BRAC 2005 requirements.

FY 2007 Budget Estimates
Base Realignment and Closure Account - Part I
Cost and Savings by Fiscal Year
(Dollars in Millions)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1990-1995</u>
ARMY							
One-Time Implementation Costs:							
Military Construction	121.619	137.511	183.375	122.060	12.830	-	577.395
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	0.051	0.490	-	-	-	0.541
Environmental	-	166.610	185.215	100.453	-	88.830	541.108
Operations & Maintenance	38.566	80.348	35.117	31.047	-	-	185.078
Military Personnel - PCS	-	-	-	-	-	-	-
Other	8.925	13.251	3.330	12.691	-	-	38.197
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	169.110	397.771	407.527	266.251	12.830	88.830	1,342.319
Estimated Land Revenues	(4.337)	(4.159)	(40.597)	(12.680)	-	(3.940)	(65.713)
Budget Request	164.773	393.612	366.930	253.571	12.830	84.890	1,276.606
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	16.675	-	-	-	-	-	16.675
Operations & Maintenance	-	0.040	1.915	1.489	22.727	-	26.171
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	0.066	0.054	0.032	0.018	0.007	-	0.177
Total Outside of the Account	16.741	0.094	1.947	1.507	22.734	-	43.023
Savings:							
Military Construction	9.200	15.300	19.300	19.400	19.400	19.400	102.000
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	15.033	17.257	18.683	44.259	40.137	135.369
Operations & Maintenance	1.556	3.576	4.341	20.735	89.312	122.403	241.923
Military Personnel	(0.538)	0.868	15.403	60.969	87.346	77.671	241.719
Other	-	-	-	-	-	-	-
Total Savings	10.218	34.777	56.301	119.787	240.317	259.611	721.011
Net Implementation Costs							
Less Estimated Land Revenues:	171.296	358.929	312.576	135.291	(204.753)	(174.721)	598.618

**FY 2007 Budget Estimates
Base Realignment and Closure Account - Part I
Cost and Savings by Fiscal Year
(Dollars in Millions)**

<u>NAVY</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>TOTAL 1990-1995</u>
One-Time Implementation Costs:							
Military Construction	76.500	65.242	14.315	36.350	-	-	192.407
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Environmental	-	1.287	13.587	33.801	-	-	48.675
Operations & Maintenance	2.108	2.497	8.218	25.900	-	-	38.723
Military Personnel - PCS	0.315	-	-	0.100	-	-	0.415
Other	1.727	1.439	0.230	-	-	-	3.396
Homeowners Assistance Program	-	-	-	-	-	-	-
Commission Expenses	-	-	-	-	-	-	-
Total One-Time Costs	80.650	70.465	36.350	96.151	-	-	283.616
Estimated Land Revenues	-	-	-	-	-	-	-
Budget Request	80.650	70.465	36.350	96.151	-	-	283.616
Funded Outside of the Account:							
Military Construction	-	-	-	-	-	-	-
Family Housing	-	-	-	-	-	-	-
Environmental	-	-	-	-	-	-	-
Operations & Maintenance	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Homeowners Assistance Program	-	-	-	-	-	-	-
Total Outside of the Account	-	-	-	-	-	-	-
Savings:							
Military Construction	7.600	-	38.900	-	-	-	46.500
Family Housing - Construction	-	-	-	-	-	-	-
- Operations	-	-	-	-	-	-	-
Operations & Maintenance	-	26.000	38.000	22.700	32.600	32.200	151.500
Military Personnel	-	-	-	4.000	9.700	6.100	19.800
Other	-	-	-	-	-	-	-
Total Savings	7.600	26.000	76.900	26.700	42.300	38.300	217.800
Net Implementation Costs	73.050	44.465	(40.550)	69.451	(42.300)	(38.300)	65.816
Less Estimated Land Revenues:							