United States Government Accountability Office

GAO

Report to Congressional Addressees

December 2007

MILITARY BASE REALIGNMENTS AND CLOSURES

Cost Estimates Have Increased and Are Likely to Continue to Evolve

GAO-08-159

December 2007

MILITARY BASE REALIGNMENTS AND CLOSURES

Cost Estimates Have Increased and Are Likely to Continue to Evolve

GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-08-159, a report to congressional addressees

Why GAO Did This Study

The 2005 Base Realignment and Closure (BRAC) round is the biggest, most complex, and costliest ever. DOD viewed this round as a unique opportunity to reshape its installations, realign forces to meet its needs for the next 20 years, and achieve savings. To realize savings, DOD must first invest billions of dollars in facility construction, renovation, and other up-front expenses to implement the BRAC recommendations. However, recent increases in estimated cost have become a concern to some members of Congress.

Under the Comptroller General's authority to conduct evaluations on his own initiative, GAO (1) compared the BRAC Commission's cost and savings estimates to DOD's current estimates, (2) assessed potential for change in DOD's current estimates, and (3) identified broad implementation challenges. GAO compared the BRAC Commission's estimates, which were the closest estimates available associated with final BRAC recommendations, to DOD's current estimates. GAO also visited 25 installations and major commands, and interviewed DOD officials.

What GAO Recommends

GAO recommends that DOD explain its estimated BRAC savings from personnel reductions as compared to other savings to provide more transparency to Congress. DOD concurred with our recommendation and agreed to explain savings estimates in its BRAC budget material to Congress.

To view the full product, including the scope and methodology, click on GAO-08-159. For more information, contact Brian Lepore at (202) 512-4523 or Leporeb@gao.gov.

What GAO Found

Since the BRAC Commission issued its cost and savings estimates in 2005, DOD plans to spend more and save less, and it will take longer than expected to recoup up-front costs. Compared to the BRAC Commission's estimates, DOD's cost estimates to implement BRAC recommendations increased from $21 billion to $31 billion (48 percent), and net annual recurring savings estimates decreased from $4.2 billion to $4 billion (5 percent). DOD's one-time cost estimates to implement over 30 of the 182 recommendations have increased more than $50 million each over the BRAC Commission's estimates, and DOD's cost estimates to complete 6 of these recommendations have increased by more than $500 million each. Moreover, GAO's analysis of DOD's current estimates shows that it will take until 2017 for DOD to recoup up-front costs to implement BRAC 2005—4 years longer than the BRAC Commission's estimates show. Similarly, the BRAC Commission estimated that BRAC 2005 implementation would save DOD about $36 billion over a 20-year period ending in 2025, whereas our analysis shows that BRAC implementation is now expected to save about 58 percent less, or about $15 billion.

DOD's estimates to implement BRAC recommendations are likely to change further due to uncertainties surrounding implementation details and potential increases in military construction and environmental cleanup costs. Moreover, DOD may have overestimated annual recurring savings by about 46 percent or $1.85 billion. DOD's estimated annual recurring savings of about $4 billion includes $2.17 billion in eliminated overhead expenses, which will free up funds that DOD can then use for other priorities, but it also includes $1.85 billion in military personnel entitlements, such as salaries, for personnel DOD plans to transfer to other locations. While DOD disagrees, GAO does not believe transferring personnel produces tangible dollar savings since these personnel will continue to receive salaries and benefits. Because DOD's BRAC budget does not explain the difference between savings attributable to military personnel entitlements and savings that will make funds available for other uses, DOD is generating a false sense that all of its reported savings could be used to fund other defense priorities.

DOD has made progress in planning for BRAC 2005 implementation, but several complex challenges to the implementation of those plans increase the risk that DOD might not meet the statutory September 2011 deadline. DOD faces a number of challenges to synchronize the realignment of over 123,000 personnel with the completion of over $21 billion in new construction or renovation projects by 2011. For example, the time frames for completing many BRAC recommendations are so closely sequenced and scheduled to be completed in 2011 that any significant changes in personnel movement schedules or construction delays could jeopardize DOD's ability to meet the statutory 2011 deadline. Additionally, BRAC 2005, unlike prior BRAC rounds, included more joint recommendations involving more than one military component, thus creating challenges in achieving unity of effort among the services and defense agencies.

Contents

Tables

Figures

Abbreviations

BRAC	Base Realignment and Closure
COBRA	Cost of Base Realignment Actions
DOD	Department of Defense
OSD	Office of the Secretary of Defense
USACE	United States Army Corps of Engineers

GAO
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

December 11, 2007

Congressional Addressees

The Department of Defense (DOD) is currently implementing recommendations resulting from the 2005 Base Realignment and Closure (BRAC) round. BRAC 2005 is the fifth round undertaken by DOD since 1988 and, by our assessment, is the biggest, most complex, and costliest BRAC round ever. With this BRAC round, DOD plans to execute over 800 BRAC actions, relocate over 123,000 personnel, and spend over $31 billion—an unprecedented amount, given that DOD has spent about $24 billion to date to implement the four previous BRAC rounds combined. DOD viewed the BRAC 2005 round as not only an opportunity to achieve savings but also as a unique opportunity to reshape its installations and realign its forces to meet its needs for the next 20 years. The Secretary of Defense made clear at the outset that his primary goal for the 2005 BRAC round was military transformation. As such, many of the BRAC 2005 recommendations involve complex realignments such as designating where forces returning to the United States from overseas bases would be located; establishing joint medical centers; creating joint bases; and reconfiguring the defense supply, storage, and distribution network. However, anticipated savings resulting from BRAC implementation remained an important consideration and was a factor in justifying the need for the 2005 BRAC round.[1]

Unlike prior BRAC rounds, which were implemented during times of declining defense budgets and where the focus was on eliminating excess capacity and realizing cost savings, the 2005 BRAC round is being implemented during a time of conflict when many military capabilities are surging and DOD is also implementing or planning to implement other extensive worldwide transformation initiatives. For example, at the same time DOD is to implement the most recent round of BRAC, it is relocating about 50,000 soldiers[2] from primarily Europe and Korea to the United

[1] In a 2001 testimony before Congress, the Secretary of Defense stated that another BRAC round would generate recurring savings the department could use for other higher-priority defense programs.

[2] About 15,000 of these soldiers are included in the 123,000 personnel mentioned above. Army plans to relocate the remaining soldiers in realignment actions not related to BRAC.

States, transforming the Army's force structure from an organization based on divisions to more rapidly deployable, brigade-based units, and seeks to increase its active end strength by 92,000,[3] all of which will affect DOD's facility infrastructure. Consequently, when evaluating DOD's candidate BRAC recommendations, the BRAC Commission[4] focused not only on costs and savings but also on DOD's future force structure, the ongoing conflicts in Iraq and Afghanistan, and military transformation. In addition, both DOD and the BRAC Commission reported that their primary consideration in making recommendations for the 2005 round was military value.[5] To realize savings from BRAC, DOD must first invest billions of dollars in facility construction, renovation, and other up-front expenses to implement the BRAC recommendations. However, some members of Congress have expressed concerns about DOD's increased up-front cost estimates to implement the BRAC 2005 recommendations.

This report is one in a series of reports we have undertaken on BRAC 2005 implementation. These reports have identified complex challenges to implementing recommendations from this BRAC round, including retraining personnel to new missions, completing many construction projects in a compressed time frame, and synchronizing personnel movements with planned infrastructure improvements. We also reported that Congress does not have full visibility over the total expected cost of DOD's BRAC-related environmental cleanup efforts, several Air National Guard recommendations are expected to result in annual costs instead of

[3] The Army plans to seek an increase in its active-duty end strength by 65,000, and the Marine Corps plan to seek an increase in its active-duty end strength by 27,000 over the next several years.

[4] BRAC legislation (Pub. L. No. 101-510, Title XXIX, as amended by Pub. L. No. 107-107, Title XXX) provided for an independent commission to review the Secretary of Defense's realignment and closure recommendations and the commission had the authority to change these recommendations if it determined that the Secretary deviated substantially from the legally mandated selection criteria. The Defense Base Closure and Realignment Commission (referred to in this report as the BRAC Commission) presented its list of final recommendations to the President of the United States, who approved them in their entirety. The President subsequently forwarded these BRAC recommendations to Congress, and they became effective on November 9, 2005.

[5] Military value refers to one or more of the first four BRAC selection criteria (see fig. 1), which includes such considerations as an installation's current and future mission capabilities, condition, ability to accommodate future needs, and cost of operations. Whereas in prior rounds, military value was a priority consideration, along with costs and savings, economic impact to local communities, and other concerns, the National Defense Authorization Act for Fiscal Year 2002 directed DOD to consider military value above all other criteria in the BRAC 2005 round. Pub. L. No. 107-107, § 3002 (2001).

annual savings, and DOD's cost estimates for implementing recommendations related to the Army's reserve components have increased while savings estimates have decreased. A listing of our related products is at the end of this report.

As with most of our BRAC-related work, we initiated this review under the authority of the Comptroller General to conduct evaluations on his own initiative[6] and are reporting the results of our evaluation to you because of your oversight role of DOD's infrastructure and the BRAC program. We are also reporting the results of our work as a result of direction by the House Armed Services Committee to report annually on DOD's implementation of BRAC 2005.[7] Our objectives are to (1) compare cost and savings estimates in the BRAC Commission's report to DOD's current cost and savings estimates, (2) assess the potential for further change in DOD's estimated costs and savings related to implementing BRAC 2005 recommendations, and (3) identify broad challenges that could affect the implementation of these recommendations and DOD's ability to meet the statutory 6-year completion period.[8]

To address these objectives, we interviewed officials in the Office of the Deputy Under Secretary of Defense for Installations and Environment and associated BRAC implementation offices in the Army, Navy, and Air Force. To analyze BRAC cost and savings estimates, we compared the change in these estimates using mostly information in two publicly available documents—the BRAC Commission's report to the President dated September 2005 and DOD's latest BRAC budget submission to Congress dated February 2007—because they provided the most authoritative financial information publicly available. Also, we compared the BRAC Commission's estimates, which were the closest estimates available associated with final BRAC recommendations, to DOD's current budgeted estimates. To analyze net annual recurring savings estimates, we used OSD's savings data for fiscal year 2012—the fiscal year after DOD expects to complete all BRAC recommendations—because it more fully captured the expected savings and allowed us to replicate the same methodology

[6] 31 U.S.C. § 717.

[7] H.R. Rep. No. 110-146, at 514 (2007).

[8] Pub. L. No. 101-510, § 2904(a)(5), as amended, provides that the Secretary shall complete all such closures and realignments no later than the end of the 6-year period beginning on the date on which the President transmits the report pursuant to section 2903(e) containing the recommendations for such closures or realignments.

used by the BRAC Commission in its calculation of this estimate. We generally reported costs and savings in current dollars and not constant dollars except where noted. Given the unprecedented number of BRAC 2005 closures and realignments, we focused our analysis on broad issues affecting DOD's cost and savings estimates and implementation challenges rather than on specific implementation issues of individual recommendations. In addition, we visited 17 installations and 8 major commands affected by some of the more costly BRAC realignments or closures to obtain the perspective of officials directly involved in BRAC implementation planning and execution. Overall, we determined that the data to support our objectives were sufficiently reliable for the purposes of making broad comparisons between the BRAC Commission and DOD's cost and savings estimates and identifying implementation challenges.

We conducted our work from November 2005, when the BRAC recommendations became effective, through October 2007, so we could analyze data in DOD's BRAC budget submission provided to Congress in February 2007. Our work was conducted in accordance with generally accepted government auditing standards. Further details on our scope and methodology are described in appendix I.

Results in Brief

Since the BRAC Commission issued its BRAC cost and savings projections in 2005, DOD plans to spend more and save less to implement the BRAC Commission's recommendations, and it will take the department longer than expected to recoup up-front costs. DOD's cost estimates to implement these recommendations have increased from $21 billion to $31 billion (48 percent) compared to the BRAC Commission's estimates, and net annual savings estimates have decreased from $4.2 billion to $4 billion (5 percent) compared to the BRAC Commission's estimates.[9] Our analysis further shows that DOD's estimated one-time costs to implement nearly 1/5 of the 2005 BRAC recommendations have increased by more than $50 million each compared to the BRAC Commission's estimates. Of these, the estimated costs to implement six recommendations have increased by more than $500 million each. Moreover, our analysis of DOD's current estimates shows that it will take until 2017 for DOD to recoup its up-front costs to implement BRAC recommendations—4 years

[9] The BRAC Commission reported its estimates in constant fiscal year 2005 dollars (i.e., excludes projected inflation), while DOD reported BRAC estimates in the fiscal year 2008 BRAC budget submission to Congress in current dollars (i.e., includes projected inflation).

longer than the BRAC Commission's estimate. Similarly, the BRAC Commission estimated that BRAC 2005 would save DOD about $36 billion over a 20-year period ending in 2025, whereas our analysis shows BRAC implementation is now expected to save about $15 billion during this 20-year time period, a decrease of 58 percent, because BRAC cost estimates have increased and savings estimates have decreased. OSD BRAC officials told us that, although the 20-year savings estimate is less than the BRAC Commission expected, the department expects the implementation of this BRAC round to produce capabilities that will enhance defense operations and management, despite less than anticipated savings. In addition, both DOD and the BRAC Commission used an estimation model, known as the Cost of Base Realignment Actions (COBRA), to assess the costs and savings of proposed BRAC recommendations during the decision-making process. The COBRA model relied to a large extent on standard factors and averages and was not intended to represent budget-quality estimates. As a result, neither DOD's nor the BRAC Commission's cost and savings estimates can be assumed to represent the actual completion costs that Congress will need to fund through appropriations or fully reflect the savings to be achieved after implementation.

DOD's estimated costs and savings to implement the recommendations from the latest BRAC round are likely to change further due to uncertainties surrounding certain implementation details for some recommendations, potential increases in military construction costs, and likely increases in the cost of environmental cleanup for some BRAC properties. Moreover, we believe that DOD may have overstated its net annual savings estimates by about 46 percent or $1.85 billion. DOD's estimated net annual recurring savings of about $4 billion includes $2.17 billion in eliminated overhead expenses, which will free up funds that DOD can then use for other priorities. However, DOD's net annual recurring savings estimate also includes $1.85 billion in military personnel entitlements—such as salaries and housing allowances—for personnel DOD plans to transfer to other locations rather than eliminate. While DOD disagrees with us, we do not believe that transferring military personnel produces tangible dollar savings outside the military personnel accounts since these personnel will continue to receive salaries and benefits. Because DOD's BRAC budget submission to Congress does not explain the difference between net annual recurring savings attributable to military personnel entitlements and net annual recurring savings that will make funds available for other uses, DOD is generating a false sense that all of its reported savings could be used to fund other defense priorities.

DOD has made progress in planning for BRAC 2005 implementation, but several complex challenges to the implementation of those plans increase the risk that DOD might not meet the September 2011 statutory deadline. By statute, DOD must complete the recommendations for closing or realigning bases made in the BRAC 2005 round within 6 years from the date the President submitted to Congress his approval of the BRAC Commission's recommendations. Although DOD has completed several BRAC actions already, the department faces a number of challenges related to the synchronization and coordination involved in implementing some key recommendations. For example, the realignment of over 123,000 military and civilian personnel must be carefully synchronized with the completion of over $21 billion in new construction or renovation projects to support them. In addition, some recommendations are dependent on the completion of other recommendations before facilities can be renovated for new uses, and some DOD installations are affected by more than six BRAC recommendations. Delays in completing some interrelated actions could cause a domino effect that might jeopardize DOD's ability to meet the statutory 2011 BRAC deadline.[10] In addition, our analysis shows that 43 percent of DOD's 240 business plans for implementing BRAC recommendations involve formal coordination between at least two military services or defense agencies. Such joint recommendations involving more than one military component have created challenges in achieving unity of effort.

This report contains a recommendation that DOD explain its annual recurring savings attributable to military personnel entitlements in its budget submission to Congress, thus providing more transparency over these savings. In commenting on a draft of this report, the department concurred with our recommendation and agreed to include an explanation of the annual recurring savings in its BRAC budget justification material that accompanies the annual President's budget. Also, DOD noted that although net annual recurring savings have decreased from $4.2 billion to $4 billion, these estimated savings still represent a significant benefit that will result from the implementation of BRAC recommendations. DOD's written comments are reprinted in appendix VII. DOD also provided technical comments, which we have incorporated into this report as appropriate.

[10] Pub. L. No. 101-510, § 2904, as amended (1990).

Background

DOD has undergone four BRAC rounds since 1988 and is currently implementing its fifth round.[11] For the most recent BRAC round—referred to in this report as the BRAC 2005 round—DOD applied legally mandated selection criteria that included four criteria related to military value as well as other criteria regarding costs and savings, economic impact to local communities, community support infrastructure, and environmental impact, as shown in figure 1.

Figure 1: DOD's Selection Criteria for the BRAC 2005 Round

Military value criteria.

1. The current and future mission capabilities and the impact on operational readiness of the total force of the Department of Defense, including the impact on joint warfighting, training, and readiness.
2. The availability and condition of land, facilities, and associated airspace (including training areas suitable for maneuver by ground, naval, or air forces throughout a diversity of climate and terrain areas and staging areas for the use of the Armed Forces in homeland defense missions) at both existing and potential receiving locations.
3. The ability to accommodate contingency, mobilization, surge, and future total force requirements at both existing and potential receiving locations to support operations and training.
4. The cost of operations and the manpower implications.

Other criteria.

5. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.
6. The economic impact on existing communities in the vicinity of military installations.
7. The ability of the infrastructure of both the existing and potential receiving communities to support forces, missions, and personnel.
8. The environmental impact, including the impact of costs related to potential environmental restoration, waste management, and environmental compliance activities.

Source: Pub. L. No. 101-510, § 2913.

In applying these BRAC 2005 selection criteria, priority consideration was given to military value. In fact, as required by BRAC legislation, military value was the primary consideration for making BRAC recommendations, as reported by both DOD and the BRAC Commission. DOD also

[11] The first round in 1988 was completed under the Defense Authorization Amendments and Base Closure and Realignment Act (Pub. L. No. 100-526, Title II, as amended (1988)). Subsequently, additional BRAC rounds were completed in 1991, 1993, and 1995 as authorized in the Defense Base Closure and Realignment Act of 1990 (Pub .L. No.101-510, Title XXIX, as amended (1990)). The latest round—BRAC 2005—was authorized in the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. No. 107-107, Title XXX, (2001)).

incorporated into its analytical process several key considerations required by BRAC legislation, including the use of certified data and basing its analysis on its 20-year force structure plan.[12] In commenting on DOD's BRAC process in July 2005, we reported that DOD established and generally followed a logical and reasoned process for formulating its list of BRAC recommendations.[13] Using this analytical process, the Office of the Secretary of Defense (OSD) provided over 200 BRAC recommendations to the BRAC Commission for an independent assessment in May 2005. The BRAC Commission had the authority to change the Secretary's recommendations if it determined that the Secretary deviated substantially from the legally mandated selection criteria and DOD's force structure plan. After assessing OSD's recommendations, the BRAC Commission stated that it rejected 13 recommendations in their entirety and significantly modified another 13. Ultimately, the BRAC Commission forwarded a list of 182 recommendations for base closure or realignment to the President for approval. The BRAC Commission's recommendations were accepted in their entirety by the President and Congress and became effective November 9, 2005.[14] The BRAC legislation requires DOD to complete recommendations for closing or realigning bases made in the BRAC 2005 round within a 6-year time frame ending September 15, 2011, 6 years from the date the President submitted to Congress his approval of the recommendations.

To provide a framework for promoting consistency in estimating the costs and savings associated with various proposed BRAC recommendations, DOD used an estimation model, known as the Cost of Base Realignment

[12] Specified DOD personnel are required to certify to the best of their knowledge and belief that information provided to the Secretary of Defense or the 2005 Defense Base Closure and Realignment Commission concerning the realignment or closure of a military installation is accurate and complete. Pub. L. No. 101-510, § 2903(c)(5). The force structure plan is the numbers, size, and composition of the units that comprise U.S. forces, for example, divisions, air wings, aircraft, tanks, and so forth. Pub. L. No. 101-510, § 2912(a)(1)(A).

[13] GAO, *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, GAO-05-785 (Washington, D.C.: July 1, 2005).

[14] The President was required to approve or disapprove the BRAC Commission's recommendations in their entirety by September 23, 2005. After they were approved, the recommendations were forwarded to Congress, which had 45 days or until adjournment of Congress to disapprove the recommendations on an all-or-none basis; otherwise, the recommendations became effective.

Actions (COBRA).[15] The COBRA model has been used in the base closure process since 1988. It provided important financial information to the selection process as decision makers weighed the financial implications for various BRAC actions along with military value and other selection criteria when arriving at final decisions regarding the suitability of BRAC recommendations.[16] In addition, the department designed the model to calculate estimated costs and savings associated with actions that are necessary to implement BRAC recommendations over the 6-year implementation period and to calculate recurring costs or savings thereafter. As such, the BRAC Commission continued to use DOD's COBRA model for making its cost and savings estimates.

The COBRA model relies to a large extent on standard factors and averages but is not intended to—and consequently does not—represent budget-quality estimates. As a result, neither DOD's or the BRAC Commission's COBRA-generated estimates can be assumed to represent the actual completion costs that Congress will need to fund through appropriations or fully reflect the savings to be achieved after implementation. We have examined COBRA in the past and have found it to be a generally reasonable estimator for comparing potential costs and savings among candidate alternatives but have not considered it a tool for use in budgeting.[17] In the intervening years, COBRA has been revised to address certain problems we and others have identified after each round. As with any model, the quality of the output is dependent on the quality of the input. For example, a DOD analyst could assume a building could be renovated to accommodate receiving personnel; however, when BRAC implementation began, site surveys showed that the building could not be renovated, thus requiring new construction that increased estimated costs.

[15] The COBRA model provided for several key outputs such as (1) estimated one-time costs for such factors as military construction, personnel severance, or moving costs over the implementation period; (2) estimated savings for such factors as personnel reductions or eliminations, or reduced operations and maintenance costs; (3) savings that are expected to occur annually after the implementation period; (4) the payback period for estimating when total savings will exceed total costs; and (5) the 20-year savings, also known as net present value, of implementing BRAC actions.

[16] Pub. L. No. 101-510, § 2913(c)(1) requires DOD to consider the extent and timing of potential costs and savings, including the number of years until savings exceed costs, in its BRAC selection process.

[17] GAO, *Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments*, GAO-05-785 (Washington, D.C.: July 1, 2005) and *Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment*, GAO/NSIAD-95-133 (Washington, D.C.: Apr. 14, 1995).

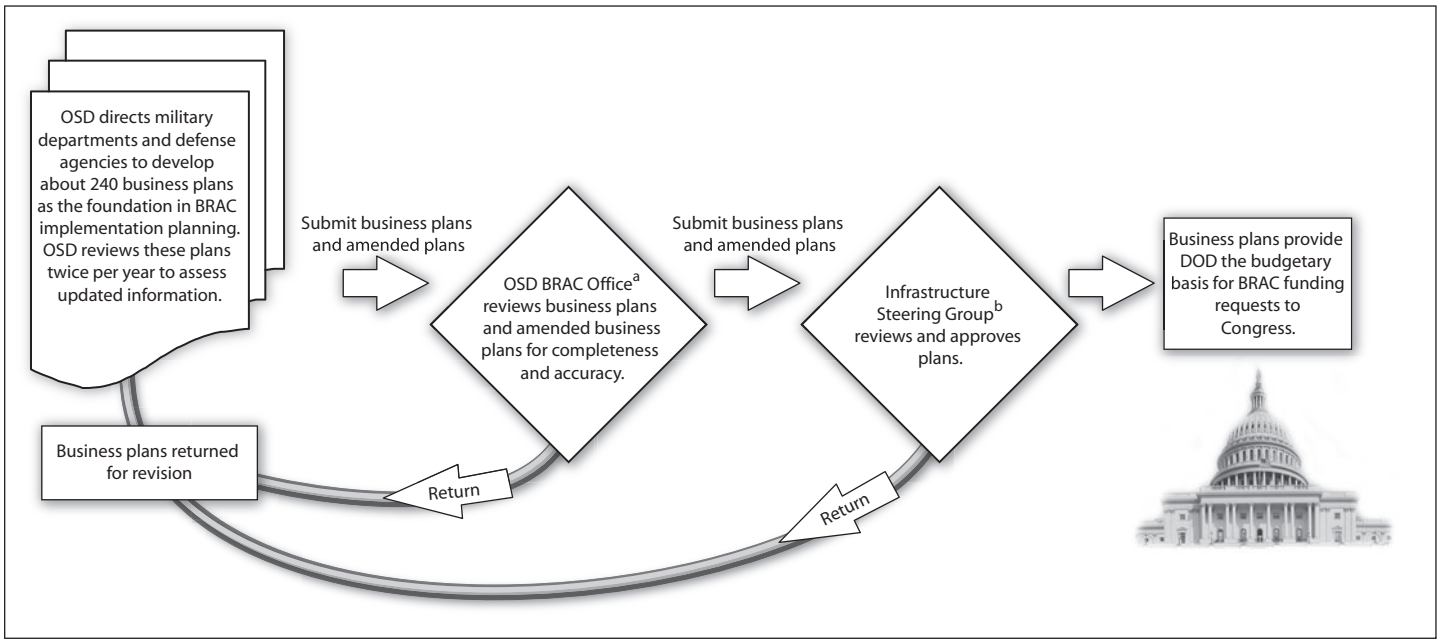
The model provides a standard quantitative approach to comparing estimated costs and savings across various proposed recommendations. In this and previous BRAC rounds, DOD subsequently developed budget-quality estimates once BRAC recommendations became effective. Thus, the BRAC Commission's estimated implementation costs and savings were useful for comparing candidate recommendations and DOD has subsequently refined these estimates based on better information after conducting site surveys.

BRAC legislation requires DOD to submit an annual schedule containing revised BRAC cost and savings estimates for each closure and realignment recommendation to Congress. To meet this legislative requirement, DOD presents its schedule in its annual BRAC budget submission to Congress. For BRAC 2005 recommendations, DOD's first presentation of its cost and savings schedule was in its fiscal year 2007 budget submission to Congress in March 2006. However, the department stated in its submission that it did not have enough time to formulate a reasonable BRAC budget and that the fiscal year 2007 BRAC budget submission contained significant funding shortfalls. DOD's second presentation of its cost and savings schedule was its fiscal year 2008 BRAC budget submission to Congress in February 2007.

For the BRAC 2005 round, the OSD BRAC Office—under the oversight of the Under Secretary of Defense for Acquisition, Technology and Logistics—has monitored the services' and defense agencies' implementation progress, analyzed budget justifications for significant differences in cost and savings estimates, and facilitated the resolution of any challenges that may impair the successful implementation of the recommendations within the 6-year completion period. To facilitate its oversight role, OSD required the military departments and certain defense agencies to submit a detailed business plan for each of their recommendations. These business plans include information such as a listing of all actions needed to implement each recommendation, schedules for personnel movements between installations, updated cost and savings estimates based on better and updated information, and

implementation completion time frames.[18] OSD's general process for reviewing business plans is shown in figure 2.

Figure 2: DOD's Review Process of the BRAC 2005 Business Plans



Source: GAO.

[a]OSD BRAC Office oversees the planning and execution of the BRAC 2005 program.

[b]The Secretary of Defense established the Infrastructure Steering Group to oversee the BRAC 2005 process. The group is chaired by the Under Secretary of Defense (Acquisition, Technology and Logistics), and composed of the Vice Chairman of the Joint Chiefs of Staff, the Service Vice Chiefs, the Deputy Under Secretary of Defense (Installations and Environment), and the Military Department Assistant Secretaries for Installations and Environment.

OSD BRAC officials consider their business plans to be living documents that will evolve over the course of the 6-year implementation period. Additionally, OSD's General Counsel assesses whether the business plans meet the intent of the BRAC Commission's recommendations.

[18] OSD assigned one of the military services or a defense agency to take the lead in developing business plans for each recommendation or a distinct part of a recommendation. For recommendations affecting multiple services or defense agencies, the military service or defense agency with facility management authority at the gaining site usually prepared the business plan.

DOD Plans to Spend More and Save Less Than Originally Estimated and Will Take Longer Than Expected to Recoup Up-Front Costs

Compared to the BRAC Commission's estimates, DOD plans to spend more and save less to implement BRAC recommendations than the BRAC Commission originally estimated, and it will take longer than expected for DOD to recoup its up-front costs. Since the BRAC Commission issued its cost and savings estimates in 2005, DOD's reported estimates of the costs to implement about 180 BRAC recommendations have increased by $10 billion to about $31.2 billion while annual savings estimates have decreased by about $200 million—$4.2 billion to $4 billion. Moreover, our analysis of DOD's current estimates shows that it will take until 2017 for the department to recoup its up-front costs to implement BRAC recommendations—4 years longer than the BRAC Commission's estimates indicate this would happen. Similarly, whereas the BRAC Commission estimated that the implementation of the BRAC 2005 recommendations would save DOD about $36 billion over a 20-year period ending in 2025, BRAC implementation is now expected to save about $15 billion, a decrease of 58 percent.

DOD Plans to Spend More and Save Less Than Originally Estimated

Since the BRAC Commission issued its cost and savings projections in 2005, cost estimates to implement the BRAC 2005 recommendations have increased from $21 billion to $31 billion (48 percent) compared to the BRAC Commission's reported estimates[19] and net annual recurring savings estimates have decreased from $4.2 billion to $4 billion (5 percent) compared to the BRAC Commission's reported estimates as shown in table 1.

[19] The BRAC Commission forwarded 182 BRAC recommendations to the President who approved them in their entirety. Our analysis shows DOD requested funds to implement 175 recommendations because 7 recommendations do not involve implementation costs for various reasons.

Table 1: Comparison of BRAC Cost and Savings Estimates

Dollars in millions				
			Difference	
Category	BRAC Commission's reported estimates[a]	DOD's estimates[b]	Amount	Percent
One-time costs during implementation (fiscal years 2006 through 2011)	$21,025	$31,160	$10,135	48
Net annual recurring savings after implementation (fiscal years 2012 through 2025)	4,225	4,014	(212)	(5)

Source: GAO analysis of BRAC Commission and DOD data.

Notes: Amounts may not total due to rounding.

[a]The BRAC Commission reported its estimates in constant fiscal year 2005 dollars (i.e., does not include projected inflation). Also, OSD officials told us they disagreed with the BRAC Commission's reported estimates for 18 recommendations and would increase one-time costs during BRAC implementation by about $224 million and increase net annual recurring savings after implementation by about $144 million to the BRAC Commission's estimates shown in this table.

[b]DOD reported its BRAC estimates in the fiscal year 2008 BRAC budget submission to Congress in current dollars (i.e., includes projected inflation).

A comparison of the BRAC Commission's reported projections with DOD's data shows that estimated implementation costs have increased by $10.1 billion or 48 percent and estimated net annual recurring savings have decreased by $212 million or 5 percent. However, another way to compare expected BRAC costs and saving is by omitting the effects of inflation. We found that using the same constant dollar basis as used by the BRAC Commission—meaning inflation is not considered—DOD's estimated one-time costs to implement BRAC increased to about $28.6 billion or 36 percent in constant dollars and estimated net annual recurring savings decreased to about $3.4 billion or 20 percent in constant dollars compared to the BRAC Commission's reported estimates.

We found that estimated military construction costs accounted for about 64 percent of the increase in expected BRAC one-time costs. Specifically, the BRAC Commission estimated that to implement the BRAC recommendations, military construction costs would be about $13 billion, whereas DOD's current estimates for military construction, without inflation, were about $20 billion. We estimated that inflation accounted for about 25 percent, or about $2.6 billion of the increase in expected one-time costs. This mostly occurred because the BRAC Commission presented its estimates using constant fiscal year 2005 dollars, which does not include

the effects of projected inflation, whereas DOD's budgeted estimates were presented in current (inflated) dollars because budget requests take into consideration projected inflation. Further, the BRAC Commission estimates did not include projected environmental cleanup costs for BRAC-affected bases, which is a consistent practice with past BRAC rounds because DOD is required to perform needed environmental cleanup on its property whether a base is closed, realigned, or remains open. Environmental cleanup added about 6 percent, or about $590 million in expected costs. Finally, other projected expenses such as operation and maintenance accounted for about 5 percent or about $500 million of the increase in expected costs. Because the BRAC Commission's data do not include some specific budget categories that are used in the DOD BRAC budget, we could not make direct comparisons and precisely identify all estimated cost and savings changes.

Estimated One-time Costs Have Increased

Our analysis shows that estimated one-time costs to implement 33 BRAC recommendations, representing nearly 1/5 of all the BRAC recommendations for this round, increased by more than $50 million each compared to the BRAC Commission's estimates. (See app. II for a listing of these recommendations.) DOD's expected costs to implement 6 of these recommendations increased by a total of about $4 billion. Specifically, we found about:

- $970 million increase in the estimated costs of consolidating various leased locations and closing other locations of the National Geospatial-Intelligence Agency to Fort Belvoir, Virginia, largely because the agency identified the need for additional supporting facilities, such as a technology center and additional warehouse space, as well as increased costs for information technology and furnishings to outfit the new buildings. According to OSD's business plan, the COBRA analysis of specific costs and the number of personnel to realign were classified;
- $700 million increase in the estimated costs of realigning Walter Reed Army Medical Center, D.C., and relocating medical care functions to the National Naval Medical Center, Bethesda, Maryland, and Fort Belvoir, Virginia, largely because planning officials identified the need for additional space and supporting facilities at the receiving installations that increased estimated military construction costs by almost $440 million. Most of these estimated cost increases are expected to occur at the National Naval Medical Center, Maryland, because of increased requirements to renovate existing facilities, such as the medical center. Additionally, several other facilities, such as a parking structure and a larger than-initially-expected addition to the medical center, increased the construction cost estimates as well;

- $680 million increase in the estimated costs of relocating the Army's armor center and school from Fort Knox, Kentucky, to Fort Benning, Georgia, to support the creation of a new maneuver school, largely because the Army identified the need for about $400 million in construction of several facility projects, such as training ranges, instructional facilities, barracks, medical facilities, and a child development center that were not in the initial estimates. Also, the Army identified the need for about $280 million more in infrastructure support, such as water, sewer, and gas lines, as well as roads to support the new maneuver school at Fort Benning;
- $680 million increase in the estimated costs of closing Fort Monmouth, New Jersey, largely because of increases in expected military construction costs, such as $375 million at Aberdeen Proving Ground, which is to receive many of the missions from the planned closure of Fort Monmouth and for additional facilities, such as a communications equipment building and an instructional auditorium. Also, the Army identified the need for additional infrastructure improvements at Aberdeen such as utilities, roads, and information technology upgrades. The Army determined that its military construction estimates would increase because the existing facilities at Aberdeen could not accommodate an increase in size of Fort Monmouth's Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance mission as originally estimated. Moreover, military construction costs to relocate the U.S. Army Military Academy Preparatory School from Fort Monmouth to West Point, New York, increased about $175 million largely because the scope of the facility construction increased from approximately 80,000 square feet to more than 250,000 square feet and planning officials identified the need to spend about $40 million to prepare the site for construction, particularly for rock removal, given the terrain at West Point. Also, DOD's cost estimates for environmental cleanup at Fort Monmouth have increased by more than $60 million;
- $600 million increase in the estimated costs of co-locating miscellaneous OSD, defense agency, and field activity-leased locations to Fort Belvoir and Fort Lee, Virginia, largely due to increases in military construction cost due to the identification of various required facilities at the receiving installations not included in the original estimate. For example, construction costs increased because it was determined a structured parking garage costing about $160 million would be needed to accommodate the increase in personnel with parking needs compared to the original nearly $3 million estimate for a flat surface parking lot. An additional estimated cost increase of nearly $50 million is needed to cover the costs for a heating and cooling plant and various safety and antiterrorism protection features. Estimated costs also increased by more than $160 million to implement this recommendation for increased information technology needs; and

- $550 million increase in the estimated costs of establishing the San Antonio Regional Medical Center and realigning enlisted medical training to Fort Sam Houston, Texas, largely because planning officials identified additional requirements to move medical inpatient care functions from Wilford Hall Medical Center at Lackland Air Force Base, Texas to Fort Sam Houston, including operating rooms and laboratory facilities not included in the original estimate. Additionally, requirements for more instructional and laboratory space increased to accommodate an increase in the number of students expected to receive medical training at Fort Sam Houston. Based on the services conducting additional analysis and using other planning assumptions, the number of students now expected to arrive at Fort Sam Houston for medical enlisted training increased by more than 2,700 (44 percent)—from about 6,270 students to approximately 9,000 students.

  BRAC implementing officials told us that information gained from site visits, such as better information on the actual condition and availability of certain facilities, was a key factor as to why the department's estimates changed from the BRAC Commission's estimates. For example, DOD's estimated cost increased over earlier projections as a result of better data becoming available on the realignment of the Army Forces Command headquarters due to the closure of Fort McPherson, Georgia. These data showed the Command realigned to Fort Bragg and Pope Air Force Base, North Carolina would be located in over 20 different buildings. The Army decided, therefore, to preserve existing operational efficiencies by keeping the entire Command intact in one location, as it is now at Fort McPherson, by building a new facility at Fort Bragg although this plan led to the increase in expected costs to implement the recommendation.

  Moreover, data for some recommendations changed as certain requirements became better defined over time. For example, personnel requirements related to the recommendation to activate a brigade combat team and its associated headquarters unit at Fort Hood, Texas, and then relocate it to Fort Carson, Colorado, became better defined after the BRAC Commission made its estimates. During the BRAC decision-making process in 2005, the Army planned its facility requirement on about 3,200 soldiers per brigade combat team but subsequently increased the personnel requirement to 3,900 soldiers per brigade combat team as it budgeted for needed facilities in formulating the fiscal year 2008 BRAC budget submission. Likewise, the personnel requirement in providing facilities for an associated headquarters unit increased from 300 soldiers in the initial analysis to 900, thus increasing the expected costs. Thus, the number of personnel to be accommodated at Fort Carson in order to

implement this BRAC recommendation increased by 37 percent from what was initially expected, which in turn increased the size of the facilities necessary to house the additional soldiers expected to arrive at Fort Carson, leading to an increase in expected cost to implement this recommendation.

As in all previous BRAC rounds, the BRAC Commission used DOD's COBRA model to generate its estimates. Both we and the BRAC Commission acknowledged in our respective BRAC 2005 reports that the COBRA model, while valuable as a comparative tool, does not provide estimates that DOD is expected to use in formulating the BRAC budget and against which Congress will appropriate funds. We have stated that COBRA does not necessarily reflect with a high degree of precision the actual costs or savings that are ultimately associated with BRAC implementation. We have also stated that the services are expected to refine COBRA estimates following the BRAC decision-making process to better reflect expected costs and savings using site-specific information. While COBRA estimates do not reflect the actual costs and savings ultimately attributable to BRAC, we have recognized in the past and continue to believe that COBRA is a reasonably effective tool for the purpose for which it was designed—to aid in BRAC decision making—and that the BRAC Commission's COBRA-generated estimates are the only reasonable baseline to use to identify BRAC cost and savings changes since the recommendations became effective.[20]

Savings Estimates Have Decreased

Our analysis shows that estimated net annual recurring savings to implement 13 BRAC recommendations decreased by more than $25 million each compared to the BRAC Commission's estimates. (See app. III for a listing of these recommendations.) The BRAC Commission estimated that BRAC 2005 would result in net annual recurring savings of $4.2 billion beginning in fiscal year 2012; however, we calculated that the net annual recurring savings have decreased to

[20] In DOD's initial BRAC fiscal year 2007 budget submission to Congress in March 2006, the department stated that it did not have enough time to formulate a reasonable BRAC budget and that the budget submission contained significant funding shortfalls. Based on our analysis of DOD's initial BRAC budget submission, we agreed and believed it would have been inappropriate for us to use the data in our analysis.

$4 billion (5 percent).[21] DOD attributed the decrease in its savings estimate primarily to changes in initial assumptions or plans. We identified several BRAC recommendations for which savings estimates decreased compared to the BRAC Commission's estimates. Specifically, we found about:

- $90 million decrease in the estimated savings of closing various leased locations of the National Geospatial-Intelligence Agency and realigning other locations to Fort Belvoir, Virginia. Initially, officials at the National Geospatial-Intelligence Agency and the OSD BRAC Office explained that fewer personnel eliminations caused some of the decrease in savings. Additionally, the day before we released this draft for comment, an OSD BRAC Office official explained to us that they underreported the estimated savings from expected lease terminations in the fiscal year 2008 BRAC budget submission. However, time did not permit us to analyze this information.
- $80 million decrease in the estimated savings of closing three chemical demilitarization depots (Deseret Chemical Depot, Utah; Newport Chemical Depot, Indiana; and Umatilla Chemical Depot, Oregon), largely because the Army expects not to close these facilities within the BRAC statutory implementation time frame because DOD must complete the chemical demilitarization mission to comply with treaty obligations before these facilities can close, which resulted in less expected savings;
- $70 million decrease in the estimated savings of establishing joint bases at multiple locations, largely because the Army did not include its share of the expected savings due to unresolved issues concerning joint base operations, whereas the other services included the COBRA-generated savings in DOD's BRAC budget submission to Congress. OSD had not approved the business plan for this recommendation; thus additional information on expected savings was not available for us to review; and
- $50 million savings decrease in realigning the Defense Logistics Agency's supply, storage, and distribution network, largely because of the need to retain higher inventory levels than anticipated and less personnel elimination.

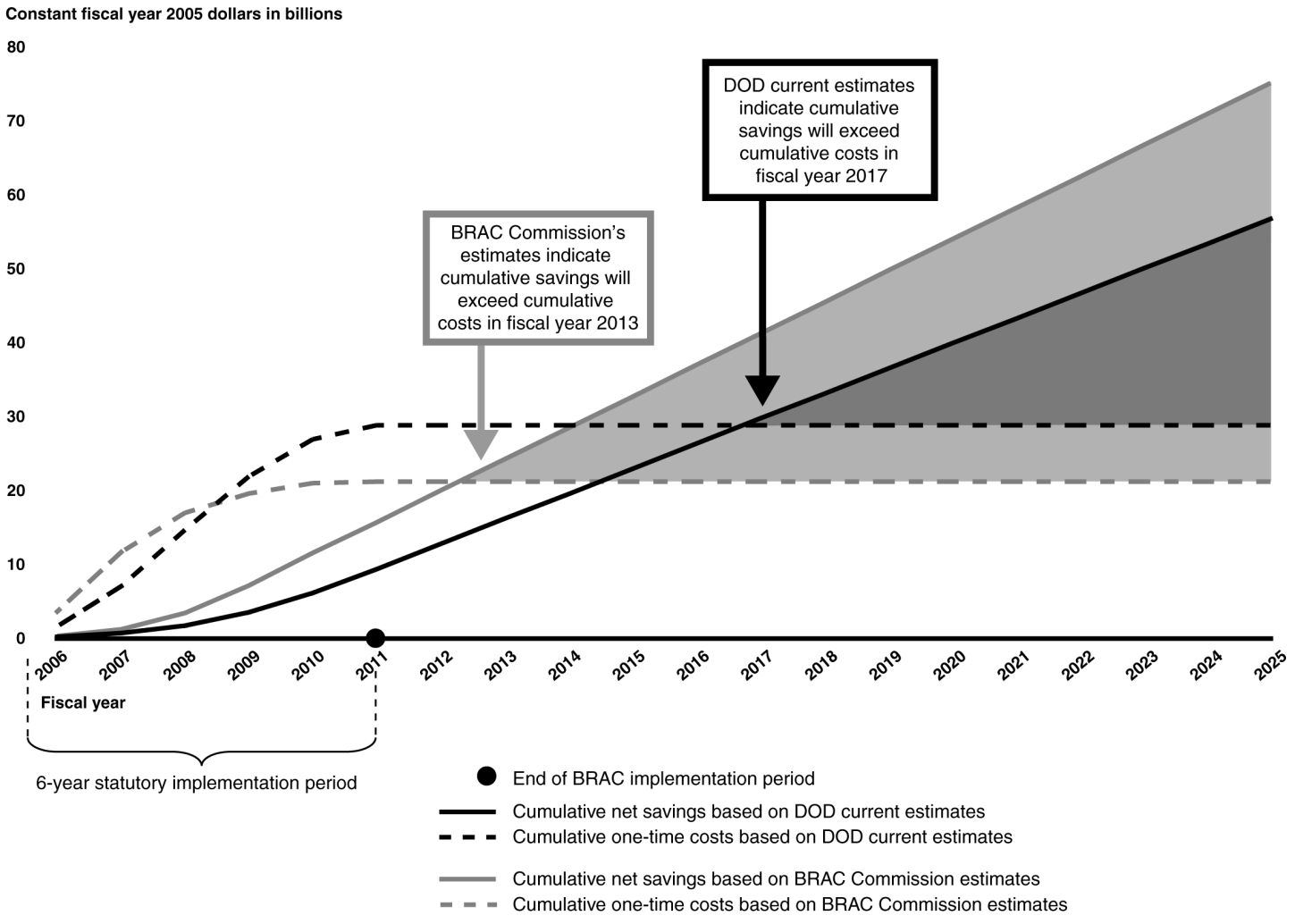
[21] Estimates for net annual recurring savings are based on DOD's annual recurring costs and savings expected in 2012, the year after DOD expects to complete BRAC implementation. OSD BRAC officials told us they expect 2012 to be the first year to accrue the full amount of net annual recurring savings because some recommendations are not expected to be completed until late 2011. Based on data OSD provided us, DOD expects to generate about $400 million more in annual recurring savings using its 2012 data, which we have included in our analysis, compared to the data provided in the department's fiscal year 2008 BRAC budget submission to Congress.

DOD Will Take Longer to Recoup Up-Front Costs Than the BRAC Commission Expected

DOD's current estimates to implement the BRAC recommendations show that it will take until 2017 for the department to recoup its up-front costs—4 years longer than the BRAC Commission's estimates indicated it would take for DOD's up-front investments to begin to pay back.[22] Historically, it has taken DOD about 6½ years to recoup up-front costs for actions such as constructing new facilities, providing civilian severance pay, or moving personnel and equipment as a result of implementing BRAC recommendations. Our analysis of the BRAC Commission's estimates shows that the time required to recoup such costs would be 8 years, or in 2013. However, using DOD's current estimates, our analysis shows that the time required to recoup costs would be 12 years, or in 2017, as shown in figure 3.

[22] Payback period is a metric used by DOD and the BRAC Commission in evaluating individual BRAC recommendations and represents the time required to recoup up-front investment costs to implement BRAC recommendations. Thus, payback or the break-even point is when cumulative savings exceed cumulative costs.

Figure 3: Comparison of Time to Recoup BRAC Costs Using BRAC Commission and DOD's Data



Sources: GAO analysis of DOD and BRAC Commission data.

Similarly, because DOD expects to spend more and save less compared to the BRAC Commission's estimates, projected 20-year savings have

decreased by more than half.[23] The BRAC Commission estimated that the implementation of this BRAC round would save about $36 billion over a 20-year period ending in 2025. However, based on our analysis of DOD's current estimates, implementation of this BRAC round will save about $15 billion, a decrease of $21 billion (58 percent), in fiscal year 2005 constant dollars. OSD BRAC officials told us that, although the 20-year savings estimate is less than the BRAC Commission expected, the department expects the implementation of this BRAC round to produce capabilities that will enhance defense operations and management, despite less than anticipated savings.

Moreover, DOD expects a majority of the expected costs and savings to be related to the implementation of a small percentage of the BRAC recommendations. For example, we determined that DOD expects the implementation of about 13 percent of the recommendations to incur 65 percent of the expected one-time costs (see app. IV); 15 percent of the recommendations to generate 85 percent of the expected annual recurring savings (see app. V); and 16 percent of the recommendations to generate 85 percent of the expected 20-year savings (see app. VI).

DOD's Estimates to Implement BRAC Recommendations Will Likely Continue to Evolve, and Savings Estimates May be Overstated

Based on our analysis, we believe DOD's cost and savings estimates to implement the BRAC 2005 recommendations are likely to continue to evolve in future BRAC budget submissions. First, DOD's estimates for some key recommendations are uncertain because they are based on implementation details that are still evolving, especially for some complex recommendations such as establishing 12 new joint bases. Second, military construction costs could increase due to various economic factors and a possible readjustment of Army construction costs. Third, environmental cleanup costs for BRAC implementation are preliminary and are likely to increase. Furthermore, we believe that DOD's annual recurring savings estimates may be overstated, largely because 46 percent of this savings is due to questionable military personnel savings.

[23] Twenty-year savings, also known as 20-year net present value in the BRAC Commission's report, is a financial calculation that accounted for the time value of money by determining the present value of future savings minus up-front investment costs over a specified period of time. Determining net present value is important because it illustrates both the up-front investment costs and long-term savings in a single amount. In the context of BRAC implementation, net present value is calculated for a 20-year period from 2006 through 2025.

Details for Several Key Recommendations Are Uncertain and Estimates Are Likely to Change

Many details involved in the implementation of several key BRAC recommendations were uncertain when the department submitted its fiscal year 2008 BRAC budget submission to Congress in February 2007; thus, these estimates are likely to continue to change in succeeding BRAC budget submissions. OSD officials told us that some estimates could change as implementation planning progresses and that initial planning for many recommendations was very difficult but they wanted to provide Congress with the best budget data available at the time of the budget submission. However, until DOD resolves implementation details surrounding its BRAC recommendations, it will continue to have difficulty in more precisely estimating costs and savings and the resolution of these details could cause the department's cost and savings estimates to change. For example:

- **Realigning Walter Reed Army Medical Center, Washington, D.C.** Multiple groups reviewed current and future medical care for wounded soldiers, and DOD officials told us that cost estimates in DOD's next BRAC budget submission to Congress could change pending the outcomes of these various review groups. OSD officials told us implementation costs will likely increase from the reported $1.7 billion estimate if the time frame to complete the recommendation is accelerated, as recommended by OSD's independent panel to review current rehabilitative care at Walter Reed.[24]
- **Co-locating miscellaneous OSD, defense agency, and field activity leased locations to Fort Belvoir, Virginia.** The Army had planned to relocate these agencies and activities to Fort Belvoir's Engineering Proving Ground, but in August 2007 the Army announced it is considering a nearby location currently belonging to the U.S. General Services Administration in Springfield, Virginia. Then, in October 2007, the Army announced it is also considering another site in Northern Virginia for relocating about 6,000 personnel. The reported cost estimate of $1.2 billion to implement this recommendation is likely to change depending on the Army's site location for relocating these OSD offices, defense agencies, and defense field activities.
- **Establishing Army Centers of Excellence at several locations.** The Army was not certain about the number of personnel it expected to eliminate as a result of combining several Army schools and centers at the

[24] Report by the Independent Review Group on Rehabilitative Care and Administrative Processes at Walter Reed Army Medical Center and the National Naval Medical Center, April 2007.

time of the fiscal year 2008 BRAC budget submission to Congress.[25] Based on our analysis, once the Army resolves the implementation details for these recommendations, the combined net annual savings estimate of $332 million is likely to change in the next BRAC budget submission.

- **Realigning Fort Bragg, North Carolina.** The decision as to where to relocate on Eglin Air Force Base, Florida, the Army's 7th Special Forces Group currently located at Fort Bragg remained uncertain as of August 2007. According to officials at Eglin, the planned location of the Special Forces Group could change because of various space and noise issues associated with the installation's implementation of another BRAC recommendation to establish a joint training site for the Joint Strike Fighter aircraft, also at Eglin Air Force Base. DOD's estimated $343 million in cost in its fiscal year 2008 BRAC budget submission to Congress would change depending on the final site location for the 7th Special Forces Group at Eglin.
- **Establishing joint basing at multiple locations.** The services have yet to agree on many of the details involved with this recommendation to create 12 joint bases. According to BRAC implementing officials and recent testimony before Congress, it is still uncertain what the organizational and personnel requirements will be for these joint bases, thus making it difficult to provide a realistic estimate on the costs or savings from implementing this recommendation. DOD is currently estimating net savings of $116 million annually.
- **Realigning medical enlisted training at Fort Sam Houston, Texas.** Part of this recommendation required the services to co-locate their medical training to one location with the potential of transitioning to a joint training effort. Fort Sam Houston officials told us that the expected savings from this recommendation were anticipated based on a joint training effort. However, BRAC implementing officials told us the services had not yet agreed on the final joint curriculum when the fiscal year 2008 BRAC budget submission was provided to Congress; thus the number of instructors needed and several other details remained uncertain. These officials told us that once these details become final, the amount of expected net savings, which DOD estimated to be about $91 million annually, could change for this recommendation.

[25] Combining several existing schools and centers is associated with three BRAC recommendations. These Army recommendations are (1) realign the Armor School at Fort Knox, Kentucky, with the Infantry School at Fort Benning, Georgia, to create the new Maneuver Training Center; (2) realign various combat service support functions from various installations to Fort Lee, Virginia, to establish a combined Combat Service Support Center; and (3) realign the Air Defense Artillery School from Fort Bliss, Texas, to Fort Sill, Oklahoma, to form the new Net Fires Center.

- **Creating a Naval Integrated Weapons and Armaments Research, Development and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, California.** Navy officials told us they were uncertain how many personnel associated with a testing range mission will realign as they plan for the implementation of this recommendation. Moreover, the DOD Inspector General recently reported that the Navy did not adequately document the number of personnel expected to realign in this recommendation's proposed business plan, citing that the number of personnel to move has ranged from about 1,660 to nearly 650.[26] Until OSD resolves implementation details surrounding this recommendation, it will continue to have difficulty in more precisely estimating the associated costs and savings. DOD estimated it will cost about $427 million to implement this recommendation as presented in the fiscal year 2008 BRAC budget submission and OSD estimated it will accrue a net recurring savings of $68 million annually after 2011.
- **Co-locating medical command headquarters.** Various BRAC implementing officials associated with planning the implementation for this recommendation told us that depending on the still undecided final site location and the number of personnel to relocate, the $50 million in estimated costs to implement this recommendation could likely change.

These recommendations illustrate the evolving nature of implementation planning and the likelihood that the associated cost and savings estimates could likely change. They are not the only recommendations which may experience changes in costs or savings; however, they are some of the recommendations from which DOD expects to incur the most costs and savings relative to other BRAC 2005 recommendations. Thus, changes to cost and savings estimates related to these recommendations will have a larger effect on the overall BRAC implementation estimates.

Military Construction Costs Could Increase

Military construction costs could increase due to various economic pressures and if the Army's new initiatives designed to reduce construction costs do not achieve the planned results. DOD's current cost estimates of $31 billion to implement the BRAC recommendations involve about $21 billion in estimated costs for military construction that could likely increase because of greater than expected inflation and the market demand for new construction. Since the majority of expected BRAC costs are for military construction, systemic increases in the cost of

[26] DOD Inspector General, *Navy's Proposed Business Plan for Base Realignment and Closure 2005 Recommendation 184*, D-2007-127 (Arlington, Va.: Sept. 25, 2007).

construction could have a considerable effect on the total cost to implement BRAC 2005. This change is important because DOD's estimate of $21 billion in military construction is the single largest cost item associated with implementing BRAC 2005 recommendations and is unprecedented given that DOD spent less than $7 billion for military construction in the four previous BRAC rounds combined. In addition, we recognize that determining costs in construction programs that span years of effort is difficult. As such, DOD told us they will continue to monitor reasons for potential cost growth for BRAC construction contracts.

Additionally, BRAC implementing officials expressed concern that construction costs have the potential to increase in areas already experiencing high commercial construction demands such as the National Capital Region, Washington, D.C. and San Antonio, Texas. For example, DOD estimated it could cost about $3.4 billion in construction to implement several recommendations in the National Capital Region, Washington, D.C. (the realignment of Walter Reed Medical Center, the relocation of the National Geospatial-Intelligence Agency, and the realignment to Fort Belvoir due to numerous terminations of DOD-leased space in the Washington, D.C. area). Moreover, DOD estimated it could cost about $1.3 billion in construction to implement the recommendation to establish a new joint medical enlisted training center and relocate Lackland Air Force Base's medical inpatient care to Fort Sam Houston, San Antonio, Texas. U.S. Army Corps of Engineers (USACE) officials told us they are concerned about what effect construction demand might have on bid proposals given the sizable amount of construction to take place in a limited amount of time to meet the BRAC statutory completion time frame. Additionally, service officials at various installations expressed concern about the potential for increases in construction costs because of ongoing reconstruction due to damage caused by Hurricane Katrina, coupled with the large volume of anticipated BRAC construction that could also affect bid proposals.

Similar to the current commercial construction market in general, military construction has been affected by rising costs for construction labor and materials for the last several years. USACE officials told us the actual rate of construction inflation for the last several years has exceeded the federal government's inflation rate used for budgetary purposes, which is required to be used in budgeting for construction projects. While this difference was as high as 6.1 percentage points in 2004, the difference between the actual rate of construction inflation and the government's budgetary inflation rate has diminished recently. USACE officials told us that if the extent to which the actual rate of inflation continues to exceed the

budgeted rate as implementation proceeds, and if construction material costs are higher than anticipated, they would either have to redirect funding from other sources to provide for construction projects or resort to a reduction in the scope of some construction projects. However, this trend may not necessarily continue into the future depending on the economics surrounding the construction industry.

USACE is currently transforming and streamlining its process for managing and contracting for military construction. USACE officials told us that these transformation efforts could help in meeting Army's expected large volume of military construction as well as costs associated with BRAC and other force structure initiatives such as overseas rebasing and Army modularity. USACE has developed a strategy intended to reduce construction costs by 15 percent and reduce construction time by 30 percent. Through its transformation strategy, USACE intends to change how it executes construction projects by

- standardizing facility designs and processes,
- expanding the use of premanufactured building where sections or modules of a building are constructed and transported to a construction site to be assembled,
- executing military construction as a continuous building program rather than a collection of individual construction projects, and
- emphasizing commercial rather that government building standards, which would allow contractors greater flexibility to use a wider variety of construction materials to meet construction requirements.

The Army has already incorporated a 15 percent reduction into its BRAC construction estimates and has budgeted accordingly. Although USACE officials expressed optimism that these cost savings will be realized, and preliminary results are encouraging, these results are based on recent, limited experience using this new process. Specifically, USACE initiated five construction pilots in 2006, all of which were awarded under its price limit. However, if the cost of construction materials escalates or if there is a shortage of construction labor, especially in locations of high construction volume such as Washington, D.C, and San Antonio, Texas, USACE told us that some of the expected military construction transformation savings could decrease. Given that the Army is expected to incur almost 60 percent of the estimated BRAC construction costs ($12 billion), the impact on overall BRAC costs if the Army is unable to achieve its projected 15 percent savings could be considerable, especially since USACE officials told us the majority of the Army's BRAC-related

construction projects incorporated the 15 percent reduction into their estimates.

Environmental Cleanup Costs Are Preliminary and Likely to Increase

We reported in January 2007 that DOD's available data showed that at least $950 million will be needed to complete environmental cleanups underway for known hazards on the military bases scheduled for closure as a result of the BRAC 2005 round.[27] Our prior work has shown that some closures result in more intensive environmental investigations and the uncovering of additional hazardous contaminations, thus resulting in higher cleanup costs than DOD predicted and budgeted. For example, additional hazardous contaminations were found at the former McClellan Air Force Base, California, which was recommended for closure in 1995. The discovery of traces of plutonium during a routine cleanup in 2000 caused cleanup costs to increase by $21 million. However, as certain bases undergo more complete and in-depth environmental assessments, a clearer picture of environmental cleanup costs will likely emerge.

Annual Recurring Savings Estimates May be Overstated

DOD's estimated annual recurring savings resulting from base closures and realignments may be overstated by about 46 percent. Currently, DOD calculates total estimated annual recurring savings of about $4 billion. This amount includes $2.17 billion in eliminated overhead expenses such as the costs no longer needed to operate and maintain closed or realigned bases and reductions in civilian salaries, which will free up funds that DOD can then use for other defense priorities. However, DOD's annual recurring savings estimate also includes $1.85 billion in military personnel entitlements—such as salaries and housing allowances—for military personnel DOD plans to shift to other positions but does not plan to eliminate. While DOD disagrees with us, we do not believe that transferring personnel to other locations produces tangible dollar savings outside the military personnel accounts that DOD can use to fund other defense priorities since these personnel will continue to receive salaries and benefits.

We recognize that DOD is trying to transform its infrastructure and the Secretary of Defense's primary goal for the BRAC 2005 process was military transformation. We also recognize DOD's position that military

[27] GAO, *Military Base Closures: Opportunities Exist to Improve Environmental Cleanup Cost Reporting and Expedite Transfer of Unneeded Property*, GAO-07-177 (Washington, D.C.: Jan. 30, 2007).

personnel reductions allow the department to reapply these personnel to support new capabilities and improve operational efficiencies. Nonetheless, DOD's inclusion of military personnel entitlements in its estimates of annual recurring savings could generate a false sense that all of its reported savings would generate funds that DOD could apply elsewhere. Because DOD's BRAC budget submission to Congress does not explain the difference between recurring savings attributable to military personnel entitlements and recurring savings that will make funds available for other defense priorities, DOD's overall estimated annual recurring savings appear almost twice as large as those which will actually be realized. In addition, our analysis shows that the current percentage of estimated annual recurring savings from military personnel entitlements (46 percent) is considerably higher compared to the last round of BRAC that took place in 1995, in which DOD derived about 5 percent of BRAC annual recurring savings from military personnel entitlements. During the previous four rounds of BRAC that took place between 1988 and 1995, the military was downsizing in personnel strength, yet the average percentage of annual recurring savings DOD derived from military personnel entitlements was 26 percent.

We reported in July 2005 that military personnel position eliminations are not a true source of savings since DOD intends to reassign or shift personnel to other positions without reducing military end strength associated with the corresponding BRAC recommendation. Moreover, the BRAC Commission stated in its September 2005 report that DOD's inclusion of savings from eliminating military personnel positions distorts the actual savings attributable to BRAC recommendations. The service officials we interviewed could not link actual military personnel eliminations directly to implementing a BRAC recommendation, as illustrated in the following:

- Army officials said its military end strength will not be reduced due to any BRAC recommendations. In fact, the Army plans to increase its active-duty end strength by 65,000 over the next several years.
- Navy officials said they anticipate reducing the Navy's end strength by 26,000 active duty military personnel between fiscal years 2006 and 2011. However, they told us they have not linked any of these anticipated reductions to BRAC recommendations.
- Air Force officials said they are in the process of reducing the service's active-duty end strength by about 40,000. However, Air Force officials said that they cannot link any reductions in military end strength to implementing their BRAC recommendations and the personnel drawdown is independent of BRAC.

DOD policy and Office of Management and Budget's guidance[28] require that an economic analysis be explicit about the underlying assumptions used to estimate future costs and benefits, which we believe includes estimating BRAC savings. If the savings we question were omitted from DOD's savings estimates, net annual recurring savings would decrease by about 46 percent. As a result, DOD's BRAC budget submission does not provide enough information to allow Congress full oversight of the savings that can be applied to other programs outside of the military personnel account. Greater transparency over the assumptions behind DOD's BRAC savings estimates would help to promote independent analysis and review and facilitate congressional decision making related to the multibillion-dollar BRAC implementation program.

In addition to taking issue with how DOD characterizes military personnel savings, we also disagree with DOD claiming savings for closing a base that is actually going to stay open. At the time of DOD's fiscal year 2008 BRAC budget submission to Congress, DOD claimed about $260 million in annual recurring savings for closing Cannon Air Force Base, New Mexico, which is now going to remain open. Although DOD recommended closing Cannon in May 2005 as a proposed recommendation, the BRAC Commission modified the proposed closure, and stated in its September 2005 report to the President that Cannon could remain open if the Secretary of Defense identified a new mission for the base and relocated the base's fighter wing elsewhere.[29] Subsequently, the Air Force announced in June 2006 that Cannon would remain open and the 16th Special Operations Wing, currently located at Hurlburt Field, Florida, would relocate to Cannon. Nevertheless, DOD still claimed about $200 million in annual savings for military personnel entitlements and about $60 million in annual savings for categories such as base operation and maintenance in its fiscal year 2008 BRAC budget. Officials at the Air Force BRAC office told us that they claimed these annual savings because they disestablished the fighter wing at Cannon, although they said most of the military

[28] DOD Instruction 7041.3, *Economic Analysis for Decisionmaking* (Nov. 7, 1995) and Office of Management and Budget, Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Oct. 29, 1992).

[29] Although the BRAC Commission language refers to Cannon Air Force Base as a realignment, this is in reference to establishing an enclave at Cannon that could remain open until December 31, 2009, during which time the Secretary of Defense could seek other newly identified missions for possible assignment to Cannon.

personnel and aircraft associated with the disestablished fighter wing were reassigned or relocated and will continue to operate.[30]

Furthermore, we have taken issue with estimated savings for several Air National Guard BRAC recommendations. As we reported in May 2007, the implementation of several Air National Guard recommendations is expected to result in annual recurring costs of $53 million rather than the annual recurring savings of $26 million estimated by the BRAC Commission—a $79 million per year difference that occurred primarily due to language in the BRAC Commission's report that prevents the Air National Guard from reducing its current end strength in some states.[31]

DOD Has Made Progress Implementing BRAC, but Several Challenges Increase Risk That All Recommendations Might Not be Completed by the Statutory Deadline

DOD has made progress implementing BRAC 2005, but faces a number of synchronization and coordination challenges related to implementing many BRAC recommendations. These challenges increase DOD's risk of not meeting the September 2011 statutory deadline. For example, personnel movements involving tens of thousands of personnel must be synchronized with the expenditure of billions of dollars to construct or renovate facilities needed to support them by 2011. The time frames for completing many BRAC recommendations are so closely sequenced and scheduled to be completed in 2011 that any significant changes in personnel movement schedules or construction delays could jeopardize timely completion. Also, some recommendations are dependent on the completion of others, and delays in completing some interrelated actions might cause a domino effect that could jeopardize DOD's ability to meet the statutory 2011 BRAC deadline. BRAC 2005, unlike prior BRAC rounds, included more joint recommendations involving more than one military component, thus creating challenges in achieving unity of effort among the services and defense agencies.

[30] In commenting on a draft of this report, the Air Force BRAC Office said they claimed these savings because the decision to reallocate Air Force resources and mission to Cannon was made after the BRAC recommendation was approved and was therefore, a non-BRAC programmatic decision.

[31] GAO, *Military Base Closures: Management Strategy Needed to Mitigate Challenges and Improve Communication to Help Ensure Timely Implementation of Air National Guard Recommendations*, GAO-07-641 (Washington, D.C.: May 16, 2007).

DOD Has Made Progress Implementing BRAC

DOD's implementation of BRAC 2005 has progressed since the recommendations became effective in November 2005. For example, Navy officials reported that they completed implementing 14 BRAC actions[32] involving the closure of Navy reserve centers and recruiting districts. To dedicate resources and facilitate communications to plan for the implementation of hundreds of BRAC actions, the military services and affected defense agencies have their own BRAC program management offices. Over the past 2 years, these offices have begun the planning and design for the $21 billion military construction program necessitated by the most recent BRAC round, including initiating site surveys and environmental assessments needed before military construction projects can begin.

OSD realized that the complexity of the BRAC 2005 round required it to strategically manage and oversee the entire BRAC 2005 program. During prior BRAC rounds, OSD's oversight of BRAC implementation was typically limited to adjudicating disagreements among the services over implementation issues, according to OSD BRAC officials. However, for this BRAC round, the Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics stated in 2005 that the large number of transformational recommendations, particularly recommendations to promote joint facility operations, would present OSD with significant implementation challenges. To meet these challenges, the department initiated a process to develop business plans that laid out the requisite actions, timing of those actions, and the costs and savings associated with implementing each recommendation. Additionally, OSD recognized that the development of business plans would serve as the foundation for the complex program management necessary to implement the BRAC 2005 recommendations. As such, the primary implementation activity of the military services, and defense agencies has been to develop about 240 business plans for OSD review and approval. According to OSD, these business plans have been used as the primary vehicle to delineate resource requirements and generate military construction requirements.

As of October 2007, OSD has approved about 220 business plans. Some business plans remain in draft and have not been approved for various reasons. According to OSD, these business plans involve complex issues associated with the services' lines of authority and sizeable personnel

[32] In the context of BRAC, actions are activities necessary to implement final and approved recommendations of the BRAC Commission to close or realign military installations.

realignments that OSD BRAC officials told us they intend to resolve soon. However, OSD has deferred the approval of about 15 business plans pending the development of broader policies to facilitate the implementation of the recommendations associated with joint basing and chemical demilitarization. Finally, officials in OSD's BRAC Office told us they plan to continue reviewing business plans as part of their comprehensive, centrally managed oversight of the BRAC program. Recognizing that business plans provide important implementation details, in June 2007 OSD directed the services and defense agencies to update these business plans twice a year in conjunction with OSD program reviews.

Challenges in Synchronizing Many BRAC Actions Could Hinder DOD's Ability to Complete Recommendations within the Statutory Time Frame

The department faces a number of challenges related to synchronizing the completion of many BRAC recommendations in order to meet the statutory 2011 time frame. For example, personnel movements involving tens of thousands of military and civilian personnel must be synchronized with billions of dollars worth of construction or renovation activities needed to ensure they have the necessary facilities to support them. Also, the implementation of some recommendations is dependent on the completion of other recommendations before facilities can be renovated for new uses, and some DOD installations are affected by more than six separate recommendations. Delays in synchronizing and completing these interrelated actions could cause a domino effect that might jeopardize DOD's ability to meet the statutory 2011 BRAC deadline. Also, synchronizing the implementation of several force structure initiatives could further complicate DOD's BRAC implementation efforts.

DOD Must Synchronize Personnel Movements with Construction Time Frames

Implementation challenges primarily stem from the complexity of synchronizing the realignment of over 123,000 personnel with the completion of over $21 billion in new construction or renovation projects. According to DOD officials, construction schedules are often the primary driver in setting BRAC implementation timelines due to the amount of time needed to design and build new facilities or renovate existing facilities. The time frames for completing many BRAC recommendations are closely sequenced and scheduled to be completed in 2011 but any significant changes in personnel movement schedules or construction delays could jeopardize DOD's ability to meet the statutory 2011 BRAC deadline.

According to OSD's approved business plans and DOD officials, the following are some BRAC recommendations that could experience synchronization challenges:

- **Realigning Army reserve components, constructing 125 new Armed Forces Reserve Centers, and closing 387 existing reserve component facilities:** Army reserve component officials told us they are managing the construction of new Armed Forces Reserve Centers in a compressed time frame. The data in our recently issued report show that 26 percent of the BRAC actions implementing these recommendations will begin in fiscal year 2010, according to the approved business plans.[33] This approach compresses the amount of time available to construct the facilities and respond to any construction delays that might arise, which increases the risk that the projects might not be completed in time to meet the BRAC statutory completion deadline. On the other hand, Army officials told us that they would assume less risk because many of these projects are small and can be completed within shorter time frames compared to larger projects. For example, the Army considered starting construction on the Armed Forces Reserve Centers toward the beginning of the implementation period and closing older reserve facilities. Instead, more complex and costly recommendations became a higher priority and reserve center actions were delayed.
- **Co-locating miscellaneous OSD, defense agency, and field activity leased locations at Fort Belvoir, Virginia:** OSD officials told us that these activities have scheduled the arrival of over 6,000 personnel by September 1, 2011—2 weeks before the BRAC statutory deadline—to implement over 30 discrete actions associated with this recommendation. In addition, recent developments could affect the timing of this realignment to Fort Belvoir because, at the time of our review, the Army was revising its implementation planning to accommodate the possibility of using nearby land owned by the U.S. General Services Administration or another location in Northern Virginia, which will require additional studies to determine environmental impacts and transportation requirements at the new location, according to Fort Belvoir officials. If the process of identifying alternative site locations results in delaying the movement of miscellaneous OSD offices, defense agencies, and field offices, this could jeopardize meeting the statutory deadline.
- **Realigning the National Geospatial-Intelligence Agency to Fort Belvoir, Virginia:** The fiscal year 2008 BRAC budget submission shows that construction is expected to be completed by June 2011, which allows 3 months before the statutory deadline to move its missions. To mitigate mission impact and the risk of not completing these moves if construction

[33] GAO, *Military Base Realignments and Closures: Plan Needed to Monitor Challenges for Completing More than 100 Armed Forces Reserve Centers*, GAO-07-1040 (Washington, D.C.: Sept. 13, 2007).

is delayed, the agency plans to begin moving its personnel in phases starting in April 2010.

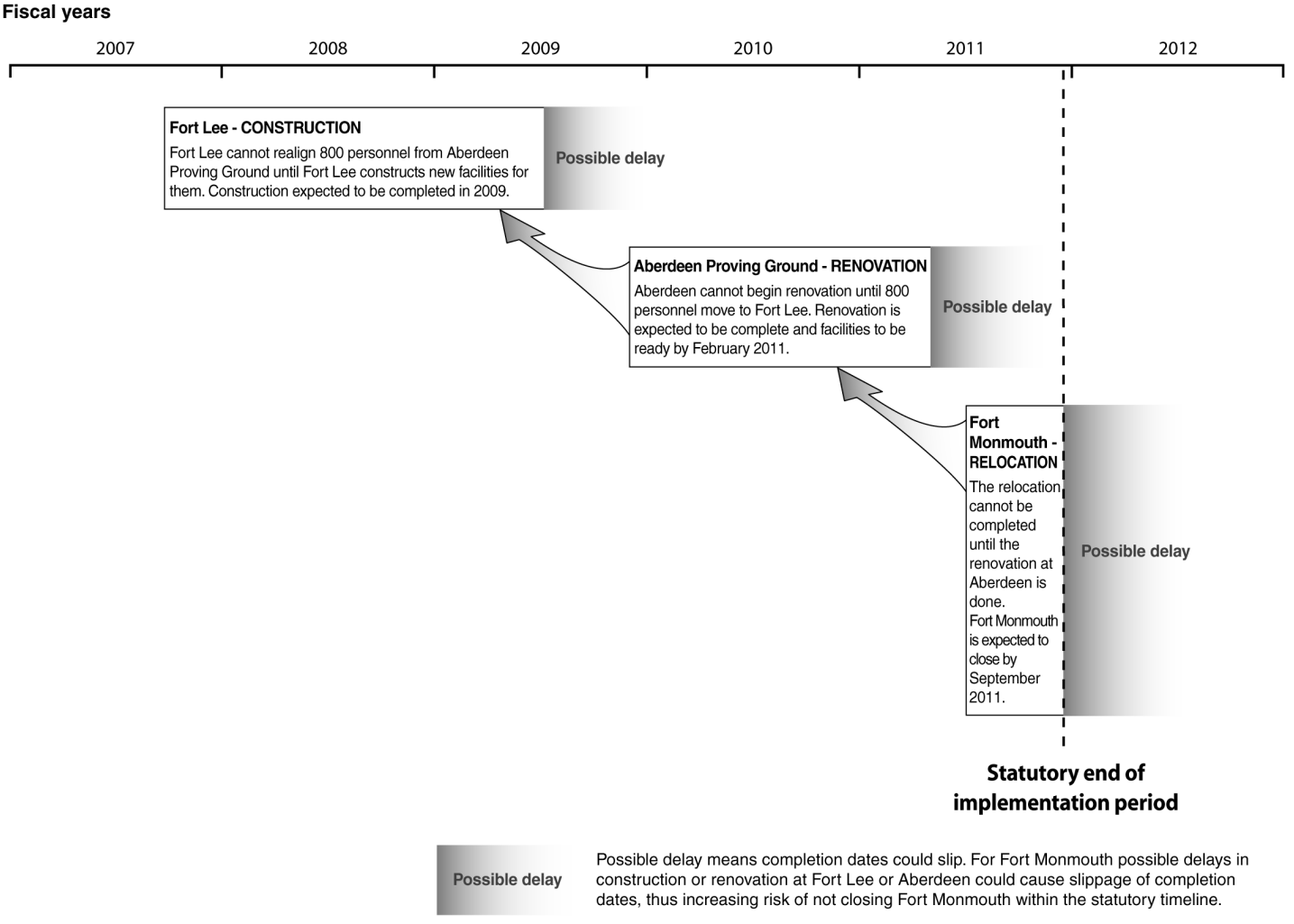
- **Realigning Walter Reed Army Medical Center, Washington, D.C., to the National Naval Medical Center, Maryland, and Fort Belvoir, Virginia:** Completion is scheduled by September 2011 according to the business plan. The medical joint cross-service group that developed this recommendation in 2005 stated that delays in constructing and occupying the buildings could risk the timely completion of this recommendation and concluded that aggressive actions would be needed to meet the 6-year deadline. Army and OSD officials testified before Congress in January 2007 that the time frame was "very tight" for completing this recommendation.[34] Also, in response to various concerns about the quality of care for warfighters at Walter Reed, an official with the Army's Surgeon's General Office told us in September 2007 that certain parts of the recommendation supporting the construction of intensive medical care facilities are expected to be completed sooner than originally planned, while the move to the National Naval Medical Center, Maryland, and Fort Belvoir, Virginia is still scheduled to be completed by September 2011. DOD's standard construction schedules for medical facilities indicate new hospitals, or additions and renovations to an existing hospital, generally take longer to complete compared to other facilities.

Some Recommendations Are Dependent on the Completion of Others

In some cases, DOD's synchronization challenges are exacerbated when the completion of one recommendation is dependent on the completion of another. For example, the BRAC recommendation to close Fort Monmouth, New Jersey, involves relocating personnel from the Army's Communications-Electronics Life Cycle Management Command currently located at Monmouth to Aberdeen Proving Ground, Maryland. The new facilities at Aberdeen are expected to be renovated by February 2011. However, DOD cannot begin those renovations until the training activity currently occupying the Aberdeen facilities relocates to Fort Lee, Virginia, an action associated with the implementation of another BRAC recommendation. Consequently, the training activity cannot vacate the Aberdeen space until a new facility is built for them at Fort Lee sometime in 2009. This interdependence is shown in figure 4.

[34] House Appropriations Subcommittee on Defense hearing on Military Medical Readiness and Related Issues, January 19, 2007.

Figure 4: Sequencing of Personnel Movement for Several Interdependent BRAC Recommendations



Source: GAO.

Likewise, such interdependence could undermine the Navy's ability to complete within the statutory deadline the recommendation to consolidate various Navy-leased locations onto government-owned property. The business plan that describes the actions and time frames for moving various Navy-leased locations onto government-owned property stated that it will begin renovating space for the move to Arlington, Virginia, in September 2008. However, the current occupant of the space—a

component of the Defense Information Systems Agency—is not scheduled to vacate the space the Navy is to move into until June 2011 because the Defense Information Systems Agency component needs to wait until it can move into newly constructed space at Fort Meade, Maryland—an action associated with another BRAC recommendation. Although both DOD components are working on a solution, the business plans for these two recommendations stated several options in order to meet the 2011 BRAC deadline, such as having the Navy occupy "portable facilities," build a new facility, or explore other workarounds to meet the statutory time frame.

Some Installations Affected by Multiple Recommendations

Another factor that could threaten the timely completion of some of the BRAC recommendations is the number of DOD installations that are affected by more than one recommendation. Based on BRAC Commission data, 27 installations are affected by six or more BRAC recommendations that include installations such as Fort Belvoir, Virginia; Fort Sam Houston, Texas; Lackland Air Force Base, Texas; Wright-Patterson Air Force Base, Ohio; Naval Station Norfolk, Virginia; Aberdeen Proving Ground, Maryland; and Redstone Arsenal, Alabama. In addition to their routine duties for facility management, installation officials are responsible for synchronizing and coordinating the movements of personnel with the availability of facilities. The following are examples of installations affected by multiple recommendations:

- **Fort Belvoir, Virginia:** Officials responsible for implementing the BRAC actions associated with 14 separate recommendations told us that they need to synchronize the availability of various facilities to accommodate the increase of nearly 24,000 personnel expected to arrive, primarily as a result of BRAC recommendations resulting in the closure or realignment of numerous DOD agencies and activities. These officials said that they have concerns about meeting the overall time frame because their plans do not allow for any delays in construction projects or funding. Fort Belvoir officials told us they are encountering challenges when planning the synchronization of the large volume of construction and personnel movement throughout the implementation period. For example, the Army initially planned to site the implementation of 2 recommendations (realigning the National Geospatial-Intelligence Agency and co-locating miscellaneous OSD, defense agency, and field activity leased locations) at Fort Belvoir that would have an unfavorable impact on the surrounding community due to increased traffic congestion. Though Fort Belvoir in October 2007 announced new plans to obtain property near Fort Belvoir that might lessen traffic congestion for the move of miscellaneous OSD, defense agency, and field activity leased locations, Fort Belvoir officials told us that these plans could raise new implementation challenges to

meet the statutory deadline because of additional time needed for environmental impact studies, planning and design of new construction, and demolition of existing structures at the new proposed site.

- **Fort Sam Houston, Texas:** Installation officials at Fort Sam Houston told us that they have to synchronize numerous actions involving eight separate BRAC recommendations and have concerns about coordinating the availability of facilities—either to be constructed or renovated—with the planned net increase of over 10,000 personnel. Furthermore, officials told us the lack of guidance on how installation officials will establish a joint base with nearby Lackland and Randolph Air Force Bases, Texas, in accordance with the BRAC recommendation on joint basing exacerbates the uncertainty in planning for the implementation of these recommendations.

Force Structure Initiatives Further Complicate DOD's BRAC Implementation Efforts

Two Army force restructuring initiatives—modularity and overseas rebasing strategy—could exacerbate the Army's BRAC synchronization challenges. The Army considers modularity to be the most extensive reorganization of its force since World War II, in which it restructures itself from a division-based force to a more agile and responsive modular brigade-based force. According to Army estimates, this initiative will require a significant investment through fiscal year 2011. DOD's Global Defense Posture Realignment Plan, also known as overseas rebasing, will result in a global realignment of U.S. forces and installations, including the planned transfer to American territory of up to 70,000 defense personnel and about 100,000 family members and civilian employees currently living overseas. As a result of mostly these force structure initiatives and BRAC, the Army plans to relocate over 150,000 soldiers and civilian personnel by fiscal year 2012, representing over 20 percent of the Army's total projected active-duty and civilian personnel end strength. To illustrate, Army installations that expect personnel increases of greater than 5,000 over the next 5 years, as of March 2007, are shown in table 2.

Table 2: Army Installations Expecting Net Gains of at Least 5,000 Personnel for Fiscal Years 2006 through 2011 Due to BRAC, Overseas Rebasing, Modularity, and Other Miscellaneous Restationing Actions (as of March 2007)

Installation	FY 2006 beginning population	Estimated FY 2011 population	Estimated net gain in population	Percentage of population increase	Estimated Army military construction (dollars in thousands)
Fort Belvoir, VA	21,437	45,332	23,895	111	$277,700
Fort Bliss, TX	20,130	38,063	17,933	89	2,076,280
Fort Bragg, NC	57,352	69,136	11,784	21	1,421,011
Fort Lewis, WA	36,147	47,110	10,963	30	1,191,249
Fort Sam Houston, TX	24,819	34,980	10,161	41	179,540
Fort Benning, GA	40,592	50,487	9,895	24	1,423,461
Fort Riley, KS	15,188	24,608	9,420	62	905,570
Fort Lee, VA	13,495	20,645	7,150	53	965,500
Fort Meade, MD	35,504	41,915	6,411	18	104,900
Fort Carson, CO	24,066	29,756	5,690	24	958,129

Source: GAO analysis of Army headquarters-level data.

Notes: Personnel growth consists of Army military (active and reserve), military students and trainees, civilians, non-Army military and civilians, and mission contractors. Figures do not include family members and nonmission-related contractors and expected increases that may occur as a result of plans to increase the Army's active end strength by 65,000 personnel.

As shown in table 2, some installations are expecting substantial growth; Forts Belvoir, Bliss, Riley, and Lee each anticipate net personnel gains of more than 50 percent. For example, the Army plans to relocate at Fort Bliss, Texas, about 18,000 personnel as part of BRAC, the transformation of Army modular brigade units, and DOD's overseas rebasing efforts. The Army is planning 54 new construction projects over the 6-year BRAC implementation period to accommodate the increase in base population at Fort Bliss. Also, some of the installations listed in table 2 may experience more growth in the next several years depending on whether the Army's active end strength is increased by 65,000 soldiers.

Coordination Among Multiple Services and Agencies Presents Additional Challenges

BRAC 2005, unlike prior BRAC rounds, included more joint recommendations involving more than one military component, thus creating challenges in achieving unity of effort among the services and defense agencies. According to our analysis, 43 percent of the 240 OSD-required business plans involved formal coordination between at least two services or agencies. Service officials said that gaining consensus among military services and defense agencies has been challenging in the areas of personnel and facility requirements, implementation schedules, and funding responsibilities. For example, officials told us it was a challenge

due to the joint nature in planning for the implementation of the recommendation to realign Fort Bragg, North Carolina, by relocating Army's 7th Special Forces Group to Eglin Air Force Base, Florida. Service officials told us it took time for the Army and Air Force to coordinate how to share base operations costs given these two services have different standards for calculating these costs. Similarly, regarding the recommendation to establish the Joint Strike Fighter initial joint training site at Eglin Air Force Base, Florida, it took time for the Navy, Marine Corps, and Air Force to agree on cost-sharing arrangements and a joint training curriculum designed to achieve savings from consolidated training on the aircraft. Likewise, other complex joint cross-service recommendations could be slowed by a similar need to coordinate and negotiate agreements. The following are some BRAC recommendations with unresolved coordination challenges.

- **Create joint bases involving multiple defense installations:** The 26 defense installations involved with creating 12 new joint bases required DOD to define the governance structure over how these joint bases should be organized, the associated chain of command authority, and the operational concepts for managing these joint bases.[35] According to service officials, some of their most challenging issues to resolve include 1) transferring real property and budget authority to the lead service, 2) determining standard levels of base operating support and which base functions to transfer to the lead service, 3) deciding whether civilian personnel on a joint base will become employees of the lead service, 4) agreeing on common terminology and standards, and 5) funding contributions from each service. These challenges to establishing joint bases have been problematic since each service has its own concept of how installations should be managed and organized. In particular, during recent congressional testimony, the Air Force expressed views on joint basing concepts contrary to those of OSD and the other services.[36] To overcome these challenges, OSD formed a special working group to resolve these issues and OSD officials told us they would approve the joint basing business plan when more of the planning details have been resolved.

[35] To establish joint bases, DOD plans to transfer various installation management functions from bases that are contiguous or in close proximity to each other to a designated lead military service. For example, OSD plans to transform three bases—McGuire Air Force Base, Fort Dix, and Naval Air Engineering Station Lakehurst–New Jersey—into one joint base with the Air Force providing installation services.

[36] Testimony before the House Appropriations Subcommittee on Military Construction and Veterans Affairs in March 2007.

- **Realign supply, storage, and distribution management at multiple locations:** There are several potential issues between the Defense Logistics Agency and the military services that may affect the planned implementation of the recommendation. While baseline agreements have been reached between the Defense Logistics Agency and the services on the transfer of supply-related personnel positions and related inventories to the Defense Logistics Agency, some important aspects of the implementation plans are incomplete and still need to be resolved. For example, performance-based agreements that will establish responsibilities, metrics to measure performance, costs, and business rules between the Defense Logistics Agency and the services have yet to be negotiated and agreed upon. Additionally, the funding and decision-making process for future maintenance, upgrades, usage, and integration of information technology systems transferring to Defense Logistics Agency has not been agreed to. Lastly, due to the way the Defense Logistics Agency plans to implement the recommendation by staging the personnel transfers over time by each military service, it plans to apply lessons learned to resolve issues as implementation proceeds. We also reviewed a separate BRAC action, which is part of this recommendation, in more detail and issued our report in October 2007.[37]
- **Co-locate medical command headquarters:** The affected agencies have had challenges in reaching agreement on where to co-locate these medical commands. Specifically, the Air Force and OSD Health Affairs have disagreed with the business manager on associated cost and implementation time frames. As such, OSD has not yet approved the business plan for this recommendation.

As a result of these coordination challenges, the planning process has lengthened beyond that which DOD officials initially expected, which could result in delayed implementation of certain recommendations. The need for gaining consensus about planning and implementation details among the services and defense agencies could continue throughout the BRAC implementation period. At the same time, DOD believes the review process helps to ensure that BRAC actions meet the intent of the law, are accurate, and effectively coordinated. However, if gaining consensus among these entities continues to be a challenge or if new organizations established under BRAC continue to lack fully developed operational concepts and organizational structures, it may become increasingly

[37] GAO, *Military Base Realignments and Closures: Transfer of Supply, Storage, and Distribution Functions from Military Services to Defense Logistics Agency*, GAO-08-121R (Washington, D.C.: Oct. 26, 2007).

difficult to implement these recommendations before the statutory 2011 deadline.

Conclusion

DOD recognizes that its BRAC recommendations and its implementation are of high public interest. As such, it is paramount that DOD communicates openly about the expected savings that could result from the implementation of BRAC actions. As long as DOD continues to assert that nearly half of its estimated $4 billion in annual recurring BRAC savings come from military personnel reassignments, which will not free up funds for other defense priorities, DOD could create a false sense that BRAC 2005 will result in a much higher dollar savings than will actually be realized to readily fund other priorities. Without explaining the difference between annual recurring savings attributable to military personnel reassignments and annual recurring savings that will make funds available for other defense priorities, DOD could lessen the credibility of the BRAC program and decrease the public's trust in the BRAC process. Greater transparency over the source of expected BRAC savings could help to preserve public confidence in the integrity of the BRAC program.

Recommendation for Executive Action

To provide more transparency over DOD's estimated annual recurring savings from BRAC implementation, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics, in consultation with the Office of the Under Secretary of Defense (Comptroller), to explain, in DOD's BRAC budget submission to Congress, the difference between annual recurring savings attributable to military personnel entitlements and annual recurring savings that will readily result in funds available for other defense priorities.

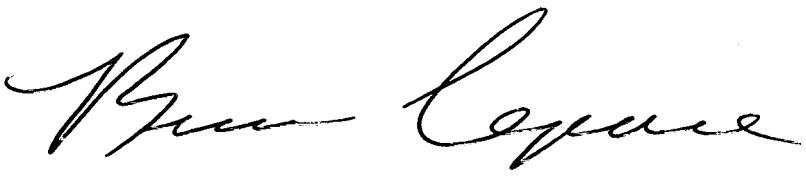
Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD concurred with our recommendation and agreed to include an explanation of the annual recurring savings in its BRAC budget justification material that accompanies the annual President's budget. DOD also noted in its comments to us that military personnel reductions attributable to a BRAC recommendation as savings are as real as savings generated through end strength reductions. DOD also stated that while it may not reduce overall end strength, its reductions in military personnel for each recommendation at a specific location are real and these personnel reductions allow the department to reapply these military personnel to support new capabilities and improve operational efficiencies. While we recognize these benefits from reapplying freed up military personnel to

other locations due to implementing BRAC recommendations, we do question that nearly half of DOD's annual recurring savings estimate of $4 billion includes military personnel entitlements—such as salaries and housing allowances—for military personnel DOD plans to shift to other positions but does not plan to eliminate thus requiring DOD to continue paying the salaries and benefits. While DOD disagrees with us, we do not believe that shifting or transferring personnel to other locations produces tangible dollar savings outside the military personnel accounts that DOD can use to fund other defense priorities since these personnel will continue to receive salaries and benefits. DOD did acknowledge however, that these savings may not be available to fund other defense priorities because they have already been spent to fund military personnel priorities. It is also worth noting that DOD commented that although its net annual recurring savings estimates have decreased from $4.2 billion to $4 billion, these savings still represent a significant benefit that will result from the implementation of BRAC recommendations. DOD's written comments are reprinted in appendix VII. DOD also provided technical comments, which we have incorporated into this report as appropriate.

We are sending copies of this report to interested congressional committees; the Secretaries of Defense; the Secretaries of the Army, Navy, and Air Force; Commandant of the Marine Corps; and the Director, Office of Management and Budget. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you or your staff has any questions concerning this report, please contact me on (202) 512-4523 or by e-mail at leporeb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs are on the last page of this report. GAO staff that made major contributions to this report are listed in appendix VIII.



Brian J. Lepore, Director
Defense Capabilities and Management

List of Congressional Addressees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Daniel K. Inouye
Chairman
The Honorable Ted Stevens
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Tim Johnson
Chairman
The Honorable Kay Bailey Hutchison
Ranking Member
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Susan Collins
Ranking Member
Committee on Homeland Security and
Governmental Affairs
United States Senate

The Honorable Ike Skelton
Chairman
The Honorable Duncan L. Hunter
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable John P. Murtha, Jr.
Chairman
The Honorable C.W. Bill Young
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

The Honorable Chet Edwards
Chairman
The Honorable Roger F. Wicker
Ranking Member
Subcommittee on Military Construction,
Veterans Affairs, and Related Agencies
Committee on Appropriations
House of Representatives

The Honorable Tom Davis
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

Appendix I: Scope and Methodology

We reviewed the Defense Base Closure and Realignment Commission's 182 recommendations to realign and close military bases, but mostly focused our work on the recommendations that changed the most in expected costs and savings compared to the Commission's estimates. Recognizing that the Department of Defense (DOD) was in the process of initial planning for base realignment and closure (BRAC) implementation, and the associated financial data were changed frequently during our review, we compared BRAC cost and savings estimates primarily using two key publicly available documents—the 2005 BRAC Commission report to the President released in September 2005 and DOD's latest BRAC budget submission provided to Congress in February 2007. We used data from the BRAC Commission report to the President because the estimates contained in this report were the closest estimates available associated with the final and approved BRAC recommendations. We used DOD's most recent BRAC budget submission because it was the most authoritative information publicly available for making broad comparisons of BRAC cost and savings estimates. Specifically, we compared the change in cost estimates as well as the estimates for net annual recurring savings that DOD expects to incur after BRAC implementation and noted those recommendations that have increased the most in expected costs and decreased the most in expected savings. In addition, we used the BRAC Commission's data generated from DOD's estimation model, known as the Cost of Base Realignment Actions, to determine changes in expected one-time costs, to include military construction cost estimates and inflation. We generally reported costs and savings in current dollars and not constant dollars except where noted.

To calculate DOD's estimate of net annual recurring savings, we used OSD's data provided to us for estimated savings in fiscal year 2012—the year after OSD expects all recommendations to be completed—because these data more fully captured these savings and allowed us to replicate the same methodology used by the BRAC Commission in its calculation of this estimate. We used OSD's fiscal year 2012 data and subtracted the estimates for annual recurring costs from the estimates for annual recurring savings, which is the same method both DOD and we have used for prior BRAC rounds. To determine expected 20-year savings—also known as the 20-year net present value—we used the same formulas and assumptions as DOD and the BRAC Commission used to calculate these

savings.[1] Specifically, we used DOD's BRAC fiscal year 2008 budget data for expected costs and savings to implement each recommendation for fiscal years 2006 through 2011. We also used data that the BRAC Office in the Office of the Deputy Under Secretary of Defense for Installations and Environment provided us for expected net annual recurring savings after the completion of each recommendation for fiscal years 2012 to 2025. We then converted these data to fiscal year constant 2005 dollars using DOD price indexes to distinguish real changes from changes due to inflation. We used fiscal year 2005 dollars to calculate 20-year savings because the BRAC Commission also used fiscal year 2005 dollars for this calculation.[2] Finally, we calculated how many years it would take for expected BRAC savings to recoup the expected initial investment costs to implement the recommendations, comparing the fiscal years, or break-even points, when cumulative net savings would exceed cumulative one-time costs. We did this to be consistent with the way DOD had reported their break-even points for past BRAC rounds, which is a methodology we also replicated in our prior reports on BRAC implementation.

To assess the reliability of DOD's BRAC cost and savings data, we tested computer-generated data for errors, reviewed relevant documentation, and discussed data quality control procedures with officials at the Office of the Secretary of Defense (OSD) BRAC Office. We determined that the data were sufficiently reliable for the purposes of making broad comparisons between DOD's reported cost and savings estimates and the BRAC Commission's reported estimates.

To determine why DOD's estimates changed compared to the BRAC Commission's estimates, we reviewed over 200 OSD-approved business plans that outlined actions, time frames, and financial estimates for implementing each BRAC recommendation. We also obtained and analyzed information from the U.S. Army Corps of Engineers about its

[1] DOD reported 20-year savings estimates for each base closure and realignment recommendation in its report to the BRAC Commission. Subsequently, the BRAC Commission also reported 20-year savings estimates for each BRAC recommendation in its report to the President. OSD BRAC officials told us that DOD does not include 20-year savings estimates in its BRAC budgets to Congress because this information is not required. Consequently, we calculated 20-year savings for comparison purposes in a manner consistent with the BRAC Commission's calculation of these savings.

[2] Applying the same formulas and assumptions as used by the BRAC Commission, we used a 2.8 percent discount rate to calculate the accumulated net present value of expected 20-year savings.

recent initiative to transform how it manages military construction projects and how these new initiatives are expected to reduce military construction costs during BRAC implementation. We did not validate the services' or defense agencies' BRAC military construction requirements because DOD's Office of the Inspector General, the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency were reviewing BRAC military construction projects at the time of this report. Their work in this area is expected to continue over the next several years. However, we met with staff of these audit services periodically over the course of our review.

Further, we met periodically with officials at the OSD BRAC office and corresponding BRAC implementation offices in the Army, Navy, and Air Force to determine why DOD's estimates changed compared to the BRAC Commission's estimates. We also met with these officials to discuss their roles and responsibilities as they began BRAC implementation planning and to obtain their perspectives on any implementation challenges that they encountered. Given the unprecedented number of BRAC 2005 closures and realignments, we focused our analysis on broad issues affecting DOD's cost and savings estimates and implementation challenges rather than on specific implementation issues of individual recommendations.

To obtain the perspective of installation and command officials directly involved in BRAC implementation planning and execution, we visited 17 bases and 8 major commands affected by BRAC. We selected these bases and commands because they were among the closures or realignments that DOD projected to have significant costs or savings, or because we wanted to obtain more information about particular implementation issues. Installations we visited include:

- Aberdeen Proving Ground, Maryland;
- Brooks City-Base, Texas;
- Eglin Air Force Base, Florida;
- Fort Belvoir, Virginia;
- Fort Benning, Georgia;
- Fort Bliss, Texas;
- Fort Dix, New Jersey;
- Fort McPherson, Georgia;
- Fort Monmouth, New Jersey;
- Fort Monroe, Virginia;
- Fort Sam Houston, Texas;
- Lackland Air Force Base, Texas;

- McGuire Air Force Base, New Jersey;
- National Naval Medical Center, Maryland;
- Randolph Air Force Base, Texas;
- Rock Island Army Arsenal, Illinois; and
- Walter Reed Army Medical Center, District of Columbia.

In addition, we met with officials from eight commands to obtain a command-level perspective about BRAC implementation and because these commands were involved in coordinating the business plans or were responsible for key decisions in implementation planning. Commands visited include the Air Force's Air Education and Training Command; Army Communications–Electronics Life Cycle Management Command; Army Forces Command; Army Information Systems Engineering Command; Army Medical Command; Army Training and Doctrine Command; Naval Installations Command; and the U.S. Army Corps of Engineers. As we obtained information concerning implementation challenges during interviews, we assessed the reliability of that information by asking similar questions from officials at different military services at the installation and headquarters levels.

We conducted our work from November 2005, when the BRAC recommendations became effective, through October 2007 so we could analyze data in DOD's BRAC budget submission provided to Congress in February 2007. Our work was done in accordance with generally accepted government auditing standards.

Appendix II: BRAC Recommendations with the Largest Increases in Estimated Costs

Appendix II lists specific base realignment and closure (BRAC) recommendations that have increased the most in estimated one-time costs compared to the BRAC Commission estimates reported in September 2005. Table 3 shows that the Department of Defense's (DOD) one-time implementation cost estimates have increased by more than $50 million each for 33 recommendations compared to BRAC Commission estimates.

Table 3: BRAC Recommendations That Increased by More Than $50 Million in Estimated One-Time Costs (Fiscal Years 2006 through 2011)

Dollars in millions

Recommendation	BRAC 2005 Commission reported estimates[a]	DOD's fiscal year 2008 budget estimates[b]	Difference	
			Amount	Percent
Close National Geospatial-Intelligence Agency leased locations and realign others to Fort Belvoir, VA	$1,117.30	$2,090.97	$973.67	87
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, VA	988.76	1,688.38	699.62	71
Realign Maneuver Training to Fort Benning, GA	773.10	1,454.65	681.55	88
Close Fort Monmouth, NJ	780.43	1,458.11	677.68	87
Co-locate miscellaneous OSD, defense agency, and field activity leased locations	601.75	1,200.00	598.25	99
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, TX	1,040.90	1,591.02	550.12	53
Realign to establish Combat Service Support Center at Fort Lee, VA	754.00	1,145.40	391.40	52
Realign supply, storage, and distribution management	192.70	577.32	384.62	200
Consolidate Defense Information Systems Agency at Fort Meade, MD	219.98	572.83	352.85	160
Close Fort McPherson, GA	214.54	550.07	335.53	156
Close Brooks City-Base, TX	325.30	592.30	267.00	82
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	128.73	370.02	241.29	187
Co-locate military department investigation agencies with DOD Counterintelligence and Security Agency to Marine Corps Base Quantico, VA	171.99	388.14	216.15	126
Close Fort Monroe, VA	72.40	288.06	215.66	298
Co-locate missile and space defense agencies to Redstone Arsenal, AL	178.20	373.53	195.33	110
Close Naval Support Activity New Orleans, LA	46.15	232.73	186.58	404
Realign Fort Hood, TX	435.80	621.75	185.95	43

Dollars in millions

Recommendation	BRAC 2005 Commission reported estimates[a]	DOD's fiscal year 2008 budget estimates[b]	Difference	
			Amount	Percent
Realign to create joint centers for chemical, biological, and medical research, development, and acquisition	55.23	233.92	178.69	324
Close Lone Star Army Ammunition Plant, TX	29.00	173.43	144.43	498
Consolidate depot level reparable procurement management consolidation	124.90	263.89	138.99	111
Reserve Component Transformation, TX	375.60	500.79	125.19	33
Co-locate miscellaneous Air Force leased locations and National Guard Headquarters leased locations	90.50	212.47	121.97	135
Realign to relocate undergraduate pilot and navigator training	71.70	193.19	121.49	169
Relocate Army headquarters and field operating activities	199.90	320.85	120.95	61
Close Fort Gillem, GA	56.80	150.43	93.63	165
Relocate miscellaneous Department of the Navy leased locations	61.75	155.07	93.32	151
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, CA	343.33	426.95	83.62	24
Realign to relocate Air Defense Artillery Center and School to Fort Sill, OK	247.00	326.16	79.16	32
Reserve Component Transformation, OK	168.70	238.89	70.19	42
Consolidate Transportation Command components at Scott Air Force Base, IL	101.88	171.60	69.72	68
Realign defense research service-led laboratories at multiple locations	136.05	203.39	67.34	49
Reserve Component Transformation, NY	103.80	162.65	58.85	57
Close Naval Air Station Brunswick, ME	$193.12	$245.97	$52.85	27

Source: GAO analysis of BRAC Commission and DOD data.

[a]In constant fiscal year 2005 dollars.

[b]In current dollars.

Appendix III: BRAC Recommendations with the Largest Decreases in Estimated Net Annual Recurring Savings

Appendix III lists specific base realignment and closure (BRAC) recommendations that have decreased the most in estimated net annual recurring savings compared to the BRAC Commission estimates. Table 4 shows that the Department of Defense's (DOD) net annual recurring savings estimates have decreased by more than $25 million each for 13 recommendations compared to BRAC Commission estimates.

Table 4: BRAC Recommendations That Have Decreased by More Than $25 Million in Estimated Net Annual Recurring Savings (Projected for Fiscal Year 2012)

Dollars in millions

Recommendation	BRAC 2005 Commission reported estimates[a]	DOD current estimates[b]	Difference	
			Amount	Percent decrease
Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, VA	$127.70	$35.48	($92.23)	72
Establish joint bases at multiple locations	183.76	116.39	(67.37)	37
Realign Fort Hood, TX[c]	(45.27)	(105.78)	(60.51)	134
Realign supply, storage, and distribution management	203.21	157.58	(45.63)	22
Realign Grand Forks Air Force Base, ND	66.69	25.06	(41.63)	62
Close Deseret Chemical Depot, UT	37.95	0	(37.95)	100
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, TX	129.04	91.22	(37.82)	29
Close Naval Air Station Willow Grove, PA and realign Cambria Regional Airport, Johnstown, PA	73.90	36.32	(37.58)	51
Realign to establish Joint Strike Fighter initial joint training site at Eglin Air Force Base, FL[c]	(3.33)	(40.69)	(37.36)	1122
Close Umatilla Chemical Depot, OR	34.69	0	(34.69)	100
Realign Otis Air National Guard Base, MA, and Lambert-St. Louis International Airport Air Guard Station, MO[c]	27.88	(6.21)	(34.09)	122
Realign Operational Army (Integrated Global Presence and Basing Strategy)[c]	(294.68)	(324.78)	(30.10)	10
Co-locate miscellaneous Air Force leased locations and National Guard Headquarters leased locations	30.84	1.08	(29.76)	97

Source: GAO analysis of BRAC Commission and DOD data.

[a]In constant fiscal year 2005 dollars.

[b]Data provided by DOD for fiscal year 2012 expected savings.

[c]Both the BRAC Commission and subsequently DOD estimated that this recommendation would incur a net annual recurring cost (denoted by the parenthesis) after the BRAC implementation period rather than a net annual recurring savings. We used the parenthesis to denote an increase in net annual recurring cost. We included this recommendation because DOD's current estimate shows net annual recurring cost has increased by more than $25 million.

Appendix IV: BRAC Recommendations DOD Expects to Cost the Most

Appendix IV lists individual base realignment and closure (BRAC) recommendations that the Department of Defense (DOD) expects to cost the most to implement. DOD expects 24 recommendations (13 percent) to generate 65 percent of the one-time costs to implement BRAC recommendations during fiscal years 2006 through September 15, 2011, as shown in table 5.

Table 5: BRAC Recommendations DOD Expects to Cost the Most to Implement (Fiscal Years 2006 through 2011)

Dollars in millions	
Recommendation	**One-time costs**
Realign Operational Army (Integrated Global Presence and Basing Strategy)	$2,918
Close National Geospatial-Intelligence Agency leased locations and realign others to Fort Belvoir, VA	2,091
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, VA	1,688
Establish San Antonio Regional Medical Center and realign medical enlisted training to Fort Sam Houston, TX	1,591
Close Fort Monmouth, NJ	1,458
Realign Maneuver Training to Fort Benning, GA	1,455
Co-locate miscellaneous OSD, defense agency, and field activity leased locations	1,200
Realign to establish Combat Service Support Center at Fort Lee, VA	1,145
Realign Fort Hood, TX	622
Close Brooks City-Base, TX	592
Realign supply, storage, and distribution management	577
Consolidate Defense Information Systems Agency to Fort Meade, MD	573
Close Fort McPherson, GA	550
Army reserve component transformation, TX	501
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, CA	427
Co-locate military department investigation agencies with DOD Counterintelligence and Security Agency to Marine Corps Base Quantico, VA	388
Co-locate missile and space defense agencies to Redstone Arsenal, AL	374
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	370
Realign Fort Bragg, NC	343

Dollars in millions

Recommendation	One-time costs
Realign to relocate Air Defense Artillery Center and School to Fort Sill, OK	326
Relocate Army headquarters and field operating activities	321
Close Fort Monroe, VA	288
Consolidate Defense Finance and Accounting Service	280
Close Naval Air Station Willow Grove, PA and realign Cambria Regional Airport, Johnstown, PA	266
Total one-time estimated costs from the recommendations listed above	**$20,344**
Total one-time estimated costs from all recommendations	**$31,160**
Percentage of one-time costs from recommendations listed above of all recommendations	**65%**

Source: GAO analysis based on DOD data.

Note: Totals may not add because of rounding.

Appendix V: BRAC Recommendations DOD Expects to Save the Most Annually

Appendix V lists individual base realignment and closure (BRAC) recommendations that the Department of Defense (DOD) expects to save the most annually after it has implemented the recommendations. DOD expects 28 recommendations (15 percent) to generate 85 percent of the net annual recurring savings as shown in table 6.

Table 6: BRAC Recommendations DOD Expects to Save the Most Annually After Implementation (Projected for Fiscal Year 2012)

Fiscal year 2012 dollars in millions	
Recommendation	**Net annual recurring savings[a]**
Realign to establish fleet readiness centers	$304
Consolidate Defense Finance and Accounting Service	284
Realign Cannon Air Force Base, NM[b]	260
Realign Pope Air Force Base, NC	212
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, VA	172
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	170
Realign supply, storage, and distribution management	158
Close Fort Monmouth, NJ	154
Consolidate depot level reparable procurement management consolidation	150
Realign to establish Combat Service Support Center at Fort Lee, VA	148
Realign Maneuver Training to Fort Benning, GA	133
Establish joint bases at multiple locations	116
Close Naval Air Station Brunswick, ME	115
Realign by converting medical inpatient services to clinics at various installations	106
Consolidate Transportation Command components at Scott Air Force Base, IL	97
Close Fort McPherson, GA	94
Close Brooks City-Base, TX	92
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, TX	91
Co-locate miscellaneous OSD, defense agencies, and field activity leases at Fort Belvoir, VA	72
Close Naval Station Ingleside, TX and realign Naval Air Station Corpus Christi, TX	69

Fiscal year 2012 dollars in millions

Recommendation	Net annual recurring savings[a]
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, CA	68
Close Fort Monroe, VA	65
Consolidate Defense Information Systems Agency at Fort Meade, MD	52
Relocate medical command headquarters	51
Realign to relocate Air Defense Artillery Center and School to Fort Sill, OK	50
Co-locate missile and space defense agencies to Redstone Arsenal, AL	45
Realign defense research service-led laboratories at multiple locations	43
Close Naval Air Station Atlanta, GA	42
Total net annual recurring savings from the recommendations listed above	**$3,413**
Total net annual recurring savings from all recommendations	**$4,014**
Percentage of net annual recurring savings from recommendations listed above of all recommendations	**85%**

Source: GAO analysis based on DOD data.

Note: Totals may not add because of rounding.

[a]Data provided by DOD for fiscal year 2012 expected savings.

[b]In May 2005, DOD proposed closing Cannon Air Force Base, New Mexico. In September 2005, the BRAC Commission stated that Cannon could remain open if DOD identified a new mission for the base. Subsequently, the Air Force announced in June 2006 that Cannon will remain open because they plan to activate a new mission at the installation.

Appendix VI: BRAC Recommendations DOD Expects to Save the Most Over a 20-Year Period

Appendix VI lists individual base realignment and closure (BRAC) recommendations that the Department of Defense (DOD) expects to save the most over a 20-year period. DOD expects the implementation of 29 recommendations (16 percent) to generate 85 percent of the 20-year savings as shown in table 7.

Table 7: BRAC Recommendations DOD Expects to Save the Most Over a 20-Year Period (Fiscal Years 2006 through 2025)

Constant fiscal year 2005 dollars in millions	
Recommendation	**20-year net present value[a]**
Realign to establish fleet readiness centers	$3,361
Realign Cannon Air Force Base, NM[b]	2,837
Consolidate Defense Finance and Accounting Service	2,800
Realign Pope Air Force Base, NC	2,382
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	1,436
Consolidate depot level reparable procurement management	1,367
Realign supply, storage, and distribution management	1,251
Establish joint bases at multiple locations	1,032
Realign by converting medical inpatient services to clinics at various installations	1,015
Consolidate Transportation Command components at Scott Air Force Base, IL	930
Close Naval Air Station Brunswick, ME	905
Close Naval Station Ingleside, TX and realign Naval Air Station Corpus Christi, TX	488
Relocate medical command headquarters	482
Realign to establish Combat Service Support Center at Fort Lee, VA	457
Realign commodity management privatization	454
Close Fort McPherson, GA	452
Close Naval Station Pascagoula, MS	446
Close Brooks City-Base, TX	417
Close Fort Monmouth, NJ	381
Close Naval Air Station Atlanta, GA	372
Close Fort Monroe, VA	330
Co-locate miscellaneous Army leased locations	319
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, CA	285

Constant fiscal year 2005 dollars in millions

Recommendation	20-year net present value[a]
Realign to consolidate maritime command, control, communications, computers, intelligence, surveillance, and reconnaissance, research, development, and acquisition, test and evaluation functions at multiple locations	272
Realign defense research service-led laboratories at multiple locations	268
Realign Army Reserve Command and Control - Northeast	260
Realign Mountain Home Air Force Base, ID	254
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, VA	251
Close Fort Gillem, GA	249
Total savings from the recommendations listed above	**$25,756**
Total savings from only recommendations that accrue a net savings after 20 years	**$30,358**
Percentage of savings from recommendations listed above of all recommendations that accrue a net savings after 20 years	**85%**

Source: GAO analysis based on DOD data.

Notes: Totals may not add because of rounding.

[a]Net present value: A financial calculation that takes the time value of money into account by determining the present value of the up-front initial investment minus future net savings over a specified period of time. In the context of BRAC, net present value is the total one-time costs minus the total net savings that DOD expects to incur from fiscal year 2006 through fiscal year 2025 to project 20-year savings at 2.8 percent discount rate.

[b]In May 2005, DOD proposed closing Cannon Air Force Base, New Mexico. In September 2005, the BRAC Commission stated that Cannon could remain open if DOD identified a new mission for the base. Subsequently, the Air Force announced in June 2006 that Cannon will remain open because they plan to activate a new mission at the installation.

Appendix VII: Comments from the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

DEC 0 3 2007

Mr. Brian J. Lepore
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Strect, N.W.
Washington, DC 20548-0001

Dear Mr. Lepore,

This is the Department of Defense (DoD) response to the GAO draft report, "MILITARY BASE REALIGNMENTS AND CLOSURES: Cost Estimates Have Increased and Are Likely to Continue to Evolve," dated November 5, 2007 (GAO Code 350840/ GAO-08-159).

The Department appreciates the opportunity to comment on this draft report and concurs with the GAO's one recommendation concerning insertion of an explanation of the annual recurring savings in the Department's Base Realignment and Closure (BRAC) 2005 budget justification material executive summary, as indicated in the enclosed.

The report accurately characterizes the Department's viewpoint that, even though the BRAC 2005 round is costing more and saving less than originally estimated in 2005, implementation of these recommendations are expected to enhance defense capabilities as the Department reshapes and realigns forces to meet future national security needs.

Regarding the increase in one-time costs between the original Cost of Base Realignment Actions (COBRA) FY05 constant dollar estimates and the estimates reflected in the FY 2008 President's Budget, the Department agrees that the majority of that increase is associated with funding Military Construction (MilCon) projects. With approximately 70 percent of the BRAC 2005 FY08 President's Budget allocated to facilitize new capabilities, it is understandable that most of the increase would be associated with MilCon.

The reasons for such increases, beyond inflation, include management decisions to pursue new construction versus use of renovated space, use of site specific survey assessments, and to accommodate changes in unit sizes, functions or responsibilities by increasing facilities, changing configurations or building additional facilities. In other cases, business decisions were made to enhance quality of life and training infrastructure at installations receiving missions beyond those initially estimated by COBRA.

Specifically, the Army added approximately $2 billion to improve training ranges, consolidate reserve centers, for child care and other quality of life facilities and in support of medical facilities.

The Department concurs with the GAO assessment that the original COBRA model estimates, while valuable as a comparative tool, do not provide estimates that the Department is expected to use in formulating the BRAC budget against which Congress will appropriate funds. Specifically, the Department's experience is such that the combination of actual on-site surveys and better definition of requirements contributed to MilCon cost increases as the more detailed implementation planning process progressed.

Regarding the treatment of annual recurring savings, the Department considers military personnel reductions attributable to a BRAC recommendation as savings that are as real as savings generated through end-strength reductions. While the Department may not reduce overall end-strength, the reductions in military personnel for each recommendation at a specific location are real. As is the case of monetary savings, personnel reductions allow the Department to re-apply these military personnel to support new capabilities and to improve operational efficiencies. In this context, savings from military personnel reductions are real savings. However, the Department acknowledges that these savings may not be available to fund other Defense priorities because they have already been spent to fund military personnel priorities.

Finally, in spite of the fact that net annual recurring savings (ARS) have decreased from $4.2 billion to $4.0 billion, as indicated in the report, the Department emphasizes that the ARS still represents a significant benefit that will result from successful implementation of these recommendations.

The Department's comments regarding the specific recommendation in the report are outlined in the enclosure. We appreciate the work performed by the GAO.

Sincerely,

for
Philip W. Grone
Deputy Under Secretary of Defense
(Installations and Environment)

Enclosure:
As stated

GAO DRAFT REPORT – DATED NOVEMBER 5, 2007
GAO CODE 350840/GAO-08-159

"MILITARY BASE REALIGNMENTS AND CLOSURES: Cost Estimates Have Increased and Are Likely to Continue to Evolve"

DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATION

RECOMMENDATION: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics, in consultation with the Office of the Under Secretary of Defense (Comptroller), to explain, in DoD's budget submission to Congress, the difference between annual recurring savings attributable to military personnel entitlements and annual recurring savings that will readily result in funds available for other defense priorities.

DOD RESPONSE: DoD concurs with this recommendation. The Department will include an explanation of the annual recurring savings in its BRAC 2005 budget justification material executive summary that accompanies the annual President's Budget. As explained in the Department's main response to this draft report, personnel reductions allow the Department to re-apply these military personnel to support new capabilities and to improve operational efficiencies. In this context, savings from military personnel reductions are real savings. However, the Department acknowledges that these savings may not be available to fund other Defense priorities because they have already been spent to fund military personnel priorities.

Appendix VIII: GAO Contact and Staff Acknowledgments

GAO Contact

Brian J. Lepore, (202) 512-4523 or leporeb@gao.gov

Acknowledgments

In addition to the individual named above, Barry Holman, Director (retired); Laura Talbott, Assistant Director; Leigh Caraher; Grace Coleman; Susan Ditto; Thomas Mahalek; Julia Matta; Charles Perdue; Benjamin Thompson; and Tristan T. To made key contributions to this report.

Related GAO Products

Military Base Realignments and Closures: Impact of Terminating, Relocating, or Outsourcing the Services of the Armed Forces Institute of Pathology. GAO-08-20. Washington, D.C.: November 9, 2007.

Military Base Realignments and Closures: Transfer of Supply, Storage, and Distribution Functions from Military Services to Defense Logistics Agency. GAO-08-121R. Washington, D.C.: October 26, 2007.

Defense Infrastructure: Challenges Increase Risks for Providing Timely Infrastructure Support for Army Installations Expecting Substantial Personnel Growth. GAO-07-1007. Washington, D.C.: September 13, 2007.

Military Base Realignments and Closures: Plan Needed to Monitor Challenges for Completing More than 100 Armed Forces Reserve Centers. GAO-07-1040. Washington, D.C.: September 13, 2007.

Military Base Realignments and Closures: Observations Related to the 2005 Round. GAO-07-1203R. Washington, D.C.: September 6, 2007.

Military Base Closures: Projected Savings from Fleet Readiness Centers Are Likely Overstated and Actions Needed to Track Actual Savings and Overcome Certain Challenges. GAO-07-304. Washington, D.C.: June 29, 2007.

Military Base Closures: Management Strategy Needed to Mitigate Challenges and Improve Communication to Help Ensure Timely Implementation of Air National Guard Recommendations. GAO-07-641. Washington, D.C.: May 16, 2007.

Military Base Closures: Opportunities Exist to Improve Environmental Cleanup Cost Reporting and to Expedite Transfer of Unneeded Property. GAO-07-166. Washington, D.C.: January 30, 2007.

Military Bases: Observations on DOD's 2005 Base Realignment and Closure Selection Process and Recommendations. GAO-05-905. Washington, D.C.: July 18, 2005.

Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments. GAO-05-785. Washington, D.C.: July 1, 2005.

Military Base Closures: Observations on Prior and Current BRAC Rounds. GAO-05-614. Washington, D.C.: May 3, 2005.

Military Base Closures: Updated Status of Prior Base Realignments and Closures. GAO-05-138. Washington, D.C.: January 13, 2005.

Military Base Closures: Assessment of DOD's 2004 Report on the Need for a Base Realignment and Closure Round. GAO-04-760. Washington, D.C.: May 17, 2004.

Military Base Closures: Observations on Preparations for the Upcoming Base Realignment and Closure Round. GAO-04-558T. Washington, D.C.: March 25, 2004.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "E-mail Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are $2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, DC 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, jarmong@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548