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SENATE ARMED SERVICES COMMITTEE

STATEMENT OF

REAR ADMIRAL MICHAEL JOHNSON

COMMANDER

NAVAL FACILITIES ENGINEERING COMMAND

BEFORE THE SENATE ARMED SERVICES COMMITTEE

READINESS AND MANAGEMENT SUPPORT SUBCOMMITTEE

HEARING ON

FISCAL YEAR 2002 MILITARY CONSTRUCTION

AND FAMILY HOUSING

AUGUST 2, 2001

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REAR ADMIRAL MICHAEL R. JOHNSON
CIVIL ENGINEER CORPS
UNITED STATES NAVY

Rear Admiral Michael R. Johnson, CEC, USN, assumed duty as Commander, Naval Facilities Engineering Command (NAVFAC), and Chief of Civil Engineers on October 20, 2000. He previously was triple-hatted as Commander, Atlantic Division, NAVFAC; Commander, Second Naval Construction Brigade; and Director, Shore Activities Readiness, Commander-in-Chief, U.S. Atlantic Fleet, in Norfolk, Va.

A native of Enid, Okla., and raised in Fullerton, Calif., RADM Johnson received his bachelor's in civil engineering from the University of Colorado, Boulder, and in 1970 he was commissioned an Ensign via the NROTC Program. In 1972 after a tour on board USS MOUNT KATMAI (AE 16), he transferred to the Civil Engineer Corps. RADM Johnson also holds a bachelor's degree in business/economics from Chapman College and earned master's degrees in civil engineering and in public works management at the University of Pittsburgh.

His earlier tours included Chief Staff Officer, 31st Naval Construction Regiment; Commanding Officer, Naval Mobile Construction Battalion 40; Public Works Officer, Naval Air Station, Adak, Alaska, with additional duty as Resident Officer in Charge of Construction, Adak/Officer in Charge of Construction, Adak; Seabee Enlisted Detailer/Branch Head, Bureau of Naval Personnel with additional duty as Seabee Enlisted Community Manager in the Office of the Deputy Chief of Naval Operations, Washington, D.C. Other tours included Seabee Division, NAVFAC; Public Works Officer, Naval Station, Panama Canal area; ROICC/Officer in Charge of Construction, Panama Canal area and Civil Engineer Advisor to Latin American navies; Alpha Company Commander/Detail Sigonella Officer in Charge NMCB Four; and Assistant Resident Officer in Charge of Construction/Assistant Public Works Officer at Marine Corps Logistics Supply Base Pacific, Barstow, Calif.

From August 1990 to March 1991, RADM Johnson deployed to Operation Desert Shield/Desert Storm where he served as Commander, Naval Construction Battalions, U.S. Pacific Fleet (Forward Deployed) and then as Commander, Third Naval Construction Regiment, assigned to the First Marine Expeditionary Force, U.S. Central Command, Saudi Arabia. His next duty assignment was Deputy Director, Facilities and Engineering Division for the Deputy Chief of Naval Operations (Logistics), where he served from August 1992 to July 1995. From August 1995 to October 1997, RADM Johnson was the Commander, Southwest Division, Naval Facilities Engineering Command, San Diego.

RADM Johnson is a registered professional engineer in the Commonwealth of Pennsylvania, member of the Acquisition Professional Community, and a Fellow in the American Society of Civil Engineers and The Society of American Military Engineers. He is a member of the National Society of Professional Engineers, American Public Works Association, American Society of Public Administration, and the Naval Institute.

Personal decorations presented to RADM Johnson include the Legion of Merit with three Gold Stars, Meritorious Service Medal with four Gold Stars, Navy and Marine Corps Commendation Medal, Army Commendation Medal, and Navy and Marine Corps Achievement Medal.

RADM Johnson is married to the former Terry Leigh Reutter of Kent, Wash. They have two children, Jessica and Shawn, both currently attending college.

INTRODUCTION

Mister Chairman and distinguished members of the Committee. Thank you for the opportunity to discuss the Navy's Military Construction, Family Housing, and Base Realignment and Closure programs. I am Rear Admiral Michael Johnson, Commander, Naval Facilities Engineering Command.

The Navy's amended fiscal year 2002 Military Construction budget request inaugurates a strong commitment by the Navy and the Administration to upgrade our aging infrastructure. It increases funding to meet current needs and begins a long-range plan to streamline, restructure, and upgrade the Navy's facilities.

PROGRAMMATIC APPROACH

Admiral Vern Clark, Chief of Naval Operations, has clearly articulated his top five priorities for the Navy: Manpower, Current Readiness, Future Readiness, Quality of Service (quality of life and work), and Alignment. These priorities provide our "road map" for handling our daily operations in support of the Fleet and play a significant role in shaping the Navy's strategies for future investment in facilities and infrastructure.

The Military Construction program directly supports the CNO's top five priorities through a set of programmatic categories that we use to evaluate infrastructure investments. These categories are: Restoration and Modernization (primarily Waterfront and Airfields); Environmental Compliance; Deficit Reduction (primarily Bachelor Quarters and QOL); New Mission; and Family Housing. By using these programmatic categories as our guide, the Navy's military construction program is properly aligned with Fleet requirements.

FACILITIES INVESTMENT

The Navy owns more than 160,000 facilities valued in excess of $125 billion dollars. Our infrastructure includes operational, training, maintenance, administration, housing, research, development, testing, and evaluation (RDT&E), supply, and medical facilities, as well as utility systems. The Navy's infrastructure is old, and its age and condition are negatively impacting readiness. Forty-three percent of our infrastructure was constructed before 1950. The average age of Navy facilities is 45 years. The Navy reported 67% of its facility categories in a C-3 or C-4 condition in the fiscal year 2000 Installation Readiness Report (IRR) submitted to Congress by the Secretary of Defense in February 2001. A C-3 condition code is used to identify facilities that marginally meet mission demands with major difficulty. A C-4 condition code identifies facilities that do not meet the vital demands of the mission category. Our desired state is C-2 (meets mission demands with some minor deficiencies that have a limited impact on mission capability) or C-1 (meets mission demands with minor deficiencies that have a negligible impact on mission capability).

The Secretary of Defense is committed to a Facility Strategic Plan that will streamline, restructure, and upgrade our facilities. One of the goals of this plan is to reduce the age of the Department of Defense's facilities by reducing the Navy's historic average recapitalization rate of over 160 years to 67 years.

The Navy has adopted a new investment strategy for our facilities that is founded on the Facility Sustainment Model (FSM). The FSM provides a life cycle based approach to computing our sustainment requirement by multiplying facility quantities (most often square feet) from our inventory times unit cost factors (most often dollars per square foot) from industry. Sustainment is defined as the annual maintenance and scheduled repairs required to maintain an inventory of facilities in their current condition without incurring additional deterioration. The portion of facility investment that goes beyond sustainment to improve

facility conditions is called Restoration and Modernization, and includes both Operations & Maintenance (O&M) funded repair projects and Military Construction projects. The "SRM" (Sustainment, Restoration, and Modernization) program replaces what was previously known as the "Real Property Maintenance" (RPM) program. By linking SRM and Military Construction together in a complete facility investment strategy, the Navy can prepare a more comprehensive and credible analysis of these requirements. The Navy will use this methodology for developing the fiscal year 2003 Military Construction program.

SUSTAINMENT, RESTORATION, AND MODERNIZATION FUNDING

In fiscal year 2002, our SRM investment is projected to be $1.36B, or 2.1% of plant value. While this is a 10% increase over our fiscal year 2001 funding, it is still short of accepted industry standards. Several independent industry studies have recommended an acceptable range for SRM funding of 2-4% of current plant value, with the private sector funding at closer to 3.5%. The Navy has averaged only 1.6% over the past 10 years, and is clearly well below industry standards. As a result, the Navy faces a significant $2.6 billion backlog of critical deficiencies. The critical backlog represents those deficiencies that result in significant negative impact to environmental, safety, quality-of-life, or mission related requirements. Of our total SRM funding, $1.09B or 80% is required for sustainment, leaving insufficient restoration and modernization funds to significantly reduce the critical backlog and improve installation readiness ratings.

MILITARY CONSTRUCTION BUDGET

The Navy's Military Construction budget includes these appropriations: Military Construction, Navy (MCON); Military Construction, Naval Reserve (MCNR); Family Housing, Navy (FHN); and Base Realignment and Closure (BRAC). The Navy's fiscal year 2002 Military Construction program totals $1.83 billion, approximately 2% of the entire Department of the Navy fiscal year 2002 budget.

The overall Navy military construction request for fiscal year 2002 is lower than the fiscal year 2001 enacted amount due primarily to decreases in Base Realignment and Closure (BRAC) and Family Housing. However, the budget request for Military Construction, Navy (MCON), Military Construction, Navy Reserve (MCNR), and Family Housing Operations and Maintenance are 19%, 133%, and 3% respectively, greater than the fiscal year 2001 requested amounts. The following table outlines the Navy's fiscal year 2002 military construction budget request compared to the fiscal year 2001 budget request and enacted amounts (not including the recent supplemental bill):

FY 2002 Military Construction Budget Request

ACCOUNT	FY01 Request	FY01 Enacted	FY02 Request	% Growth Request FY02 – FY01
MCON	$607.0M	$733.1M	$724.1M	19%
MCNR	$9.5M	$43.3M	$22.1M	133%
Family Housing Construction	$294.8M	$339.9M	$195.0M	-34%
Family Housing Ops & Maint.	$736.6M	$733.9M	$759.0M	3%
BRAC	$447.0M	$467.2M	$131.5M	-71%
TOTAL	$2,094.9B	$2,317.4B	$1,831.7B	-14%

Our BRAC request for fiscal year 2002 is of some concern. I will discuss this in more detail later.

PROGRAM GOALS AND OBJECTIVES

Utilizing CNO's top five priorities and corresponding programmatic categories as our "programming benchmark," the fiscal year 2002 military construction budget was developed based on the following guidance:

- ?? Maintain and modernize essential existing infrastructure while reducing excesses
- ?? Meet all legislative, regulatory, or agreement-based compliance requirements
- ?? Improve readiness
- ?? Improve quality of service for members and families

The fiscal year 2002 budget request continues to support the Navy's specific philosophy of improving living conditions for members and families. Fifty-five percent of the fiscal year 2002 budget request (excluding BRAC) will fund quality of life projects. The current budget will significantly reduce inadequate family housing and reduce the housing deficit in high cost areas by 2009 through a combination of construction, improvements, and public/private ventures (PPV). Central heads in the Navy's bachelor quarters will be eliminated by fiscal year 2008. We are constructing and renovating bachelor quarters to comply with the 1 + 1 room configuration for permanent party personnel. The budget also includes four bachelor quarters to begin addressing berthing required for the 25,000 sailors who now live aboard ship while in homeport. Specific highlights for the various military construction appropriations are described below.

MILITARY CONSTRUCTION, NAVY & NAVAL RESERVE

Our Military Construction, Navy and Naval Reserve programs continue our approach of budgeting for those projects that meet the highest priority of readiness and quality of service needs of the Fleet and Reserves. The Navy convenes a Shore Installations Programming Board (SIPB) each year to evaluate and prioritize military construction projects with other installation investments. Projects are selected based on a number of different criteria, including Fleet priorities and the most critical readiness, quality of service, and compliance needs.

The Navy's fiscal year 2002 military construction program (including Reserves) is $746.2 million dollars, 21% greater than the fiscal year 2001 budget request. The Navy is making significant investments to improve existing infrastructure by earmarking 74% of the fiscal year 2002 program for restoration and modernization projects. Approximately 23% of the program is dedicated to deficit reduction projects and 3% to projects supporting new mission. The majority of projects supporting deficit reduction and new mission are for bachelor quarters.

Phase Funded Projects

The Navy continues to utilize phase funding for projects with a cost greater than $50 million. Full authorization is requested for each project in the first year and the appropriation in annual increments, generally over 2 to 3 years. Phase funding is generally used for pier projects because they are very expensive and require a lengthy construction period.

In the fiscal year 2002 program, we are requesting the final increment of funding for pier replacements at Naval Station, San Diego, California and Naval Shipyard, Puget Sound, Bremerton, Washington. Additionally, we are requesting funding to complete the CINCPAC Headquarters building at Camp HM Smith, Hawaii. The budget also includes a request for

full authorization and the first increment of funding for a pier replacement at Naval Station, Norfolk, Virginia.

Operational and Training Facilities

Our construction program funds 18 operational facilities (including phase funded projects) totaling $189 million. Examples include:

?? Pier Replacement at Naval Station, Norfolk, Virginia: This $61.5 million dollar project replaces Pier 3 that was originally constructed as a supply pier. The new pier will provide the capability to berth all classes of ships (except aircraft carriers) that are currently homeported or planned to be homeported at NAVSTA Norfolk.

?? Pier Replacement at Naval Station, San Diego, California: This $53.2 million dollar project replaces Piers 10 and 11 that have deteriorated beyond economical repair. The new pier will support large deck amphibious assault ships and surface combatants that are currently homeported or planned to be homeported at NAVSTA San Diego.

There are also 3 training projects totaling $19 million dollars. Examples include:

?? Surface Warfare Officers School Applied Instruction Building at Naval Station, Newport, Rhode Island: This $15.3 million dollar project provides a properly sized and configured training facility to meet current and future student population.

?? Reserve Center Addition at Naval Reserve Center, Duluth, Minnesota: This $3 million project provides an addition and renovates existing space to adequately support training and administration of assigned Naval Reserve units.

Maintenance Facilities

There are 16 maintenance projects totaling $122 million dollars. Examples include:

?? Aircraft Maintenance Hangar at Naval Air Station, Brunswick, Maine: This $41.7 million dollar project constructs a new six bay hangar to replace inadequate and structurally unsound facilities.

?? Drydock Support Facility at Naval Shipyard, Pearl Harbor, Hawaii: This $7.9 million dollar project constructs permanent waterfront facilities for shipyard personnel working on ships undergoing major maintenance at the forward section of Drydock 2.

Utilities

There are 8 projects in the program totaling $77 million dollars to support utilities improvements. Examples include:

?? Waterfront Electrical Upgrades at Naval Station, Norfolk, Virginia: This $15.6 million dollar project upgrades the capacity of the electrical distribution system to support ships' electrical demand requirements.

?? Sewer Force Main at Public Works Center, Pearl Harbor, Hawaii: This $16.9 million dollar project provides a new sewer main to replace an aging force main from Pearl Harbor Naval Shipyard to the Navy's water treatment facility.

Quality of Life

There are important quality of life projects included in our fiscal year 2002 budget. The single largest effort is for the construction and modernization of Bachelor Quarters (BQs). Today, we have 75,000 single sailors assigned to shore duty and 16,000 recruits in training at NTC Great Lakes. Our responsibility is to provide quality shelter for these Sailors in the most cost effective manner possible, considering facilities on base or in the community.

To provide a greater degree of privacy for single military members, the Department of Defense adopted a 1 + 1 construction standard in 1995 for permanent party personnel. This configuration consists of two individual living and sleeping rooms with closets, and a shared bath and service area. The 1 + 1 standard does not apply to recruits, students, and transients. Since 1995, the Navy has constructed 41 projects to support 12,900 Sailors.

The Navy has 14 BQ projects to support 4,722 Sailors in the fiscal year 2002 budget totaling $303 million:

- Two recruit barracks at NTC Great Lakes housing 2,112 recruits
- Two barracks modernization projects for permanent party enlisted personnel providing 444 bed spaces at Naval Activities Guam, and Naval Station Norfolk, Virginia.
- Two replacement barracks projects for permanent party enlisted personnel providing 300 bed spaces at Naval Air Facility Washington DC and Naval Construction Battalion Center Gulfport, Mississippi.
- Two new barracks projects for permanent party enlisted personnel providing 256 beds spaces at Headquarters Command Larissa, Greece and Naval Air Station Lemoore, California.
- Two barracks for transient students providing 410 bed spaces at Naval Air Station Brunswick, Maine and Naval Air Facility El Centro, California.
- Four new barracks providing 1,200 bed spaces for shipboard Sailors at Naval Station Mayport, Florida, Naval Station San Diego, California and Naval Station Pearl Harbor, Hawaii. Two of these four barracks also support permanent party enlisted personnel at Pearl Harbor.

Navy Homeport Ashore Program

In addition to our ongoing program to improve the living conditions for our shore station Sailors, the Navy is addressing one of its most pressing challenges: the 25,000 E-1 through E-4 enlisted unaccompanied Sailors who now live aboard ship while in homeport. Studies and surveys have shown that these young Sailors have the worst accommodations in the Department of Defense. When deployed, these Sailors have no choice but to sleep in bunk beds in open spaces with dozens of their shipmates, and little more than a small locker to store their personal belongings. When the ship returns to homeport, these Sailors must continue to live aboard ship. In contrast, unaccompanied E-1 through E-4s assigned to aviation squadrons or submarines live aboard ship when deployed, but merit BQ spaces when the ship is in homeport. A 1999 Navy Quality of Life Domain Study concluded that shipboard life and standards of living are major dissatisfiers for target retention groups.

The Chief of Naval Operations has committed to developing a Homeport Ashore program that will provide these Sailors accommodations, either in a BQ or in the community, when their assigned ship is in homeport. We have a pilot project underway at Naval Base Pearl Harbor, Hawaii, where a unique combination of recent fleet reductions, a large initial inventory of BQ spaces, and a desire of more senior enlisted to live in the community, has made BQ spaces available. About 1,500 shipboard E-1 through E-4 Sailors are afforded the opportunity to "move ashore" into BQ spaces when their ships return from deployments. Initial results are extremely positive. While the Navy is focused on retaining Sailors at all levels, the efforts at Naval Base Pearl Harbor have contributed to increases in first term Sailor retention of 7.7% above the PACFLT average and an overall increase in retention of 2.3% above the PACFLT average.

The Navy remains committed to providing BQs that meet the 1 + 1 construction standards. While I am pleased to announce the broad commitment, there are key aspects that must still be resolved. Specific procedures associated with the housing of the shipboard Sailors, the rate at which we will construct to meet our needs, individual stations' ability to support the construction effort while continuing operations, and the mix of construction for shore Sailors or shipboard Sailors must be evaluated and weighed carefully.

FAMILY HOUSING

Our Family Housing program continues our commitment to eliminate inadequate family housing and reduce the housing deficit in high cost areas by fiscal year 2010 through a combination of construction, improvements, and public/private ventures (PPV). In fact, the updated Family Housing Master Plan that we will be submitting to Congress will show that the Navy will eliminate inadequate housing in 2009 due in part to an acceleration of PPV projects.

The Navy's fiscal year 2002 family housing construction program is $232 million dollars, 32% less than the fiscal year 2001 enacted amount, due in part to our focus on PPVs. However, we are still constructing, replacing, and improving family housing in our inventory. Major projects in our fiscal year 2002 program include the following:

- Construction of 160 homes at Naval Station, Pascagoula, Mississippi for $23.4 million dollars;
- Replacement of 70 homes in Hawaii for $16.8 million dollars;
- Replacement of 10 homes at Naval Air Station, Sigonella, Italy for $2.4 million dollars; and
- Improving 1,290 homes at various locations for $123 million dollars.

We are continuing to have success with our PPV efforts. Since the implementation of "differential lease payments," bringing military member's out-of-pocket expenses to zero, the percentage of military occupants at the Everett and South Texas locations continues to grow.

The second phases of both Kingsville and Everett PPV's were executed in November and December 2000, respectively. Phase I of a San Diego privatization effort for 3,248 homes is scheduled to begin this summer. Later this year, we anticipate executing PPV agreements at New Orleans and South Texas, totaling more than 1,500 homes. The fiscal year 2002 budget includes a follow-on phase of a privatization effort in San Diego that will help alleviate the housing shortage in one of the Navy's highest cost of living areas. Additionally, we are about to enter negotiations with the Virginia Housing Development Authority on a Hampton Roads, Virginia project and have notified the Congressional Committees of our intent to issue a solicitation for a regional Pennsylvania project.

The Navy's fiscal year 2002 family housing, operations and maintenance program is $759 million dollars, 3% greater than the fiscal year 2001 enacted amount. This increase is due primarily to increasing utility costs. These funds are essential to maintain our existing inventory by funding operations, utilities, maintenance, and leasing costs.

BASE REALIGNMENT AND CLOSURE

While I want to highlight our accomplishments in this program, I also want to put these past successes in context of the future. Our base closure account, due to several factors, is becoming a limiting factor on property conveyance.

Realignment and Closure Status

We are implementing four rounds of base realignment and closure (BRAC), 1988 under Public Law 100-526 and 1991, 1993, and 1995 under Public Law 101-510. As a result

of these decisions, we are executing a total of 178 actions consisting of 46 major closures, 89 minor closures, and 43 realignments.

We will complete closure and realignment of all bases by July 2001, except two moves from leased space to government owned space. One remaining activity is the Naval Management Systems Support Office (NAVMASSO) Chesapeake, VA. The primary actions were completed in October 1997 when NAVMASSO was disestablished and re-established as the Space and Naval Warfare Systems (SPAWAR) Center Chesapeake, an Echelon III command under SPAWAR. Relocation of this activity has been deferred until January 2002 due to construction delays of the joint use facility NAVMASSO will be occupying. The other remaining BRAC action will move the Assistant Secretary of the Navy (Research, Development, and Acquisition) and Chief of Naval Operations, Environmental Readiness Directorate offices from leased space in Crystal City into the Pentagon in April 2003.

BRAC Costs and Savings

We have closed or realigned bases to make the Navy's shore infrastructure more proportional to its force structure and to provide resources to recapitalize our weapons systems and platforms. We are reaping the financial rewards of our investments; through fiscal year 2000, we had spent approximately $10 billion dollars on all four BRAC rounds to construct new or adapt existing facilities, move personnel, equipment, ships and aircraft to their new homeports, and clean up contamination. By the end of fiscal year 2001, the Navy will achieve a net savings of $5.8 billion dollars. Beginning in fiscal year 2002, we will save an additional $2.5 billion dollars annually. These net savings estimates have been validated by several independent sources.

Environmental Cleanup

Our main focus is now on finishing environmental cleanup and completing property disposal. This is no easy task. We have already spent more than $1 billion dollars through fiscal year 2000 on environmental work at our BRAC bases.

Each base has established a BRAC cleanup team composed of remediation managers from the Navy, the State, and the Environmental Protection Agency to review, prioritize, and expedite the necessary cleanup consistent with reuse plans. We recognize the dynamics of reuse and stand prepared to phase our cleanup plans as required to support community redevelopment needs.

We're making good progress in cleanup of contaminated property. The Navy identified about 900 contaminated sites at 51 BRAC installations. A contaminated site crosses the "cleanup finish line" when it achieves Remedy-in-Place/Response Complete (RIP/RC) and the environmental regulator subsequently concurs. As of the end of fiscal year 2000, we had achieved RIP/RC status at 64% of the contamination sites. By the end of fiscal year 2001, we expect to have completed cleanup at 79% of all BRAC sites.

Property Reuse

The National Environmental Policy Act (NEPA) of 1969 requires that we consider the potential environmental impacts of disposal and reuse of base closure property before we convey property. We evaluate issues involving historic preservation, air quality, noise, traffic, natural habitat, and endangered species. The NEPA process concludes with the issuance of a Record of Decision (ROD). The Navy has three disposal RODs remaining to be issued for the former Naval Station Treasure Island, Fuel Depot at Point Molate, and Naval Air Station South Weymouth.

All Local Redevelopment Authorities (LRA) have developed their reuse plans. We strive to support immediate reuse opportunities through Interim Leases and Leases in Furtherance of Conveyance. This immediate reuse effort enables communities to move in and transform the property from vacant buildings to an interim use while we pursue final transfer.

Section 334 Early Transfer

Section 334 of the fiscal year 1997 Defense Authorization Act established a framework for the Department of Defense (DoD) to initiate an early transfer of contaminated property to the community. This authority allows DoD to defer the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) requirement that all remediation actions have been taken before the date of property transfer. We had previously completed two such transfers: the former Fleet Industrial and Supply Center Oakland, CA was conveyed to the Port of Oakland in June 1999, and the former Naval Air Station Memphis, TN was conveyed to the Municipality of Millington in December 1999. Since last year's budget submission, we have completed four additional early transfers.

- The former Fleet Industrial and Supply Center Alameda Annex, CA was conveyed to the City of Alameda in July, 2000.
- A portion (51 acres) of the former Naval Training Center San Diego, CA was conveyed to the San Diego Unified Port District in February 2001 to be used for airport operations.
- The former Naval Air Station, Guam, consisting of approximately 1,800 acres, was transferred to the Guam Aviation Authority in September, 2000.
- The fourth early transfer consisted of several parcels of property, approximately 1,500 acres, located on Guam. This property was transferred to the local government in April 2001.

Property Disposal

The Navy must dispose of 51 parcels of land covering 161,000 acres at 88 BRAC bases. Each BRAC base has a disposal strategy tailored for that base that incorporates LRA reuse plans with environmental cleanup timetables, NEPA documentation, conveyance plans and schedules. To date, the Navy has conveyed over 65,000 acres through economic development conveyances, negotiated sales, public sales, or public benefit transfer.

After a base closes, disposal of the base closure property presents the most complex challenge. Section 2821 of the National Defense Authorization Act for fiscal year 2000 (Public Law 106-65), amended the Department of Defense's Economic Development Conveyance (EDC) authority to give us the authority to transfer property to local redevelopment authorities exchanging consideration for job creation opportunities. Section 2821 also provides authority to modify previously approved EDC agreements if a change in economic circumstances necessitates such a modification. Although LRAs have applied for "no cost" EDCs of our remaining bases, this will only expedite disposal of base closure property to a certain extent. LRAs must still satisfy regulatory criteria to acquire property by way of an EDC. The key to disposal of BRAC property is environmental remediation of the property.

BRAC Fiscal Year 2002 Budget

The BRAC account has been buffeted by budget reductions from the Department of Defense to the Congress in the last few years, primarily due to the expectations that prior year unexpended balances could be used to fund current requirements. The Naval Audit Service has been reviewing task order documents across all commands with BRAC prior year unexpended funds, and will conclude their analysis in a few months.

I regret to report that because of competing budget needs, we were unable to fully fund our BRAC funding requirement in the fiscal year 2002 budget. I cannot predict if we will be able to substantially reduce, through negotiations with regulators, the amount of work specified in State and Federal cleanup agreements.

We have other initiatives underway to make our infrastructure more effective and cost efficient. Two of those efforts, privatization of utilities and demolition, are described below.

PRIVATIZATION OF UTILITIES

Defense Reform Initiative Directive 49 directed all of the military services to privatize all their natural gas, water, wastewater, and electrical systems, except where uneconomical or where the systems are required for unique security reasons. This is expected to reduce costs while providing quality utility service. The Navy has 735 systems valued at $16.8 billion dollars available for privatization.

We are moving forward and making good progress in issuing all requests for proposals for these systems by September 30, 2001. The goal is to award all contracts by September 30, 2003.

DEMOLITION

The demolition program eliminates aging and un-needed facilities and their associated operating and maintenance costs. Defense Reform Initiative Directive 36 directed the Navy to dispose of 9.9 million square feet by the end of fiscal year 2002.

The centralized demolition program has been a huge success for the Navy. We are currently on track to meet this goal by the end of fiscal year 2001. However, we are not stopping at the Directive's goal. We are continuing to demolish facilities either through the centralized program or as a result of military construction projects. The fiscal year 2002 plan is to demolish 2 million square feet utilizing the centralized demolition program.

CONCLUSION

As Admiral Clark has stated on many occasions, the Fleet is the essence of the Navy and must remain the focal point of our efforts. Quality facilities and infrastructure are key elements in maintaining high Fleet readiness, now and in the future. There is no "quick fix" to correct our infrastructure deficiencies. The fiscal year 2002 military construction program is a positive step in a multi-year program to (1) bring our facilities and infrastructure to a level that meets Fleet readiness and (2) sustain that level of readiness. Continued support by both the Congress and the Administration over the long term is vital to improve the condition of our facilities.

This concludes my statement. I thank you for the support that this Committee and Staff has given to the Navy and ask for your continued support and assistance in enabling the Navy to achieve its vision of facilities and infrastructure which support Fleet readiness both now and in the future. I am prepared to respond to your questions.