

RECORD VERSION

STATEMENT BY

**MAJOR GENERAL LARRY J. LUST
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
DEPARTMENT OF THE ARMY**

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MILITARY CONSTRUCTION BUDGET**

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INTRODUCTION

Mr. Chairman and members of the subcommittee, it is a pleasure to appear before you to discuss the Army's Military Construction and Army Environmental Program budget request for Fiscal Year 2005. This request includes initiatives of critical importance to the Army and this committee, and we appreciate the opportunity to report on them to you. We would like to begin by expressing our appreciation for the tremendous support that the Congress has provided to our Soldiers and their families who are serving our country around the world. We are a Nation and an Army at war, and our Soldiers would not be able to perform their missions so well without your support. My statement is in two parts. Part I addresses the Army Military Construction Program. Part II addresses the Army Environmental Program.

PART I: ARMY MILITARY CONSTRUCTION

OVERVIEW

The Army has begun one of the most significant periods of transformation in its 228-year history. We are "An Army at War – Relevant and Ready." This maxim will define how we meet the Nation's military requirements today and into the future. As we are fighting the Global War on Terrorism, we are simultaneously transforming to be a more relevant and ready Army. We are on the road to a transformation that will allow us to continue to dominate conventional battlefields and provide the ability to deter and defeat adversaries who rely on surprise, deception, and asymmetric warfare to achieve their objectives. To accomplish our objective, our operational force will temporarily increase by 30,000 soldiers. We currently have almost 250,000 Soldiers mobilizing and demobilizing, deploying and redeploying – more troops are coming and going on our installations than in any era since World War II. Military

Construction is an important tool to our network of installations to meet our challenging requirements.

As part of this transformation, the Army is fielding and equipping six Stryker Brigade Combat Teams (SBCT) to meet Combatant Commanders' requirements and to continue the Army's commitment to the Global War on Terrorism. These SBCTs allow the Army to continue modernizing and transforming the Current Force. The rapid development and fielding of six SBCTs is leading the transformation of the Army – physically and culturally.

To meet the challenges of today's missions, the Army must sustain a force of high quality, well-trained people; acquire and maintain the right mix of weapons and equipment; and maintain effective infrastructure and deployment platforms to generate the capabilities necessary to sustain a lethal force. We must ensure that a trained and qualified force will be in place to support the Future Force of a transformed Army. To meet that goal and ensure continued readiness, we must take care of Soldiers and families. Our installations are a key component in this effort.

INSTALLATIONS AS FLAGSHIPS

The Army recently identified 17 Army Focus Areas to channel our efforts to win the Global War on Terrorism and to increase the relevance and readiness of the Army. One of the Focus Areas – Installations as Flagships – enhances the ability of an Army installation to project power and support families. Our installations support an expeditionary force where Soldiers train, mobilize, and deploy to fight and are sustained as they reach back for support. Soldiers and their families who live on and off the installation deserve the same quality of life as is afforded the society they are pledged to defend. Installations are a key component in the tenets of the Army Vision. Our worldwide installations structure is

inextricably linked to Army transformation and the successful fielding of the Future Force.

INSTALLATION STRATEGIES

There is much work to be done if all installations are to be flagships with the ability to both project power and support families to an equitable standard. We are a world-class combat ready force being supported by substandard facilities that impair our ability to meet the mission. To improve our facilities posture, we have specific initiatives to focus our resources on the most important areas – Barracks, Family Housing, Focused Facilities, Ranges, and Transformation.

Barracks. The Army is in the 11th year of its campaign to modernize barracks to provide 136,000 single enlisted permanent party Soldiers with quality living environments. This year's budget request includes 19 barracks projects providing new or improved housing for 4,200 Soldiers. The new complexes provide two-soldier suites, increased personal privacy, larger rooms, walk-in closets, new furnishings, adequate parking, landscaping, and unit administrative offices separated from the barracks. With the approval of \$700.4 million for barracks in this request, a significant portion of our requirement will be funded. We are making considerable progress at U.S. installations and the Army funded two barracks projects, based upon the Combatant Commander's request, for Grafenwoehr, Germany.

Family Housing. This year's budget continues our significant investment in our Soldiers and their families by supporting our goal to have funding in place by 2007 to eliminate inadequate housing. We have included funding in this year's budget request to privatize 11,906 houses. In addition we will replace 1,313 houses, build 100 new houses to support Stryker Brigade Combat Team deployment, and upgrade another 875 houses using traditional Military Construction. For families living off-post,

the budget request for military personnel increases the basic allowance for housing to eliminate out of pocket expenses. Once overseas basing decisions are made, we will adjust our plans for new housing construction overseas.

Focused Facilities. Building on the successes of our housing and barracks programs, we are moving to improve the overall condition of Army infrastructure with the Focused Facility Strategy. The Installation Readiness Report is used to determine facilities quality ratings of C-1 to C-4 based on their ability to support mission requirements.

<p><u>Installation Readiness Report – Facilities Quality Ratings</u> C-1 facilities fully support mission accomplishment C-2 facilities support the majority of assigned missions C-3 facilities impair mission performance C-4 facilities significantly impair mission performance</p>

We are a C-1 Army living and working in C-3 facilities. Our goal is to reach an overall Army average of C-2 quality by 2010 by concentrating on seven types of C-3 and C-4 facilities. These focus facilities are general instruction buildings, Army National Guard Readiness Centers, Army Reserve Centers, tactical vehicle maintenance shops, training barracks, physical fitness centers, and chapels. We are requesting \$207 million in Fiscal Year 2005 to support this initiative.

Army Range and Training Land Strategy. Providing ranges and training lands that enable the Army to train and develop its full capabilities is key to ensuring that America's forces are relevant and ready now. The Army's Deputy Chief of Staff G-3 developed the Army Range and Training Land Strategy to support the Department of Defense's Training Transformation, Army Transformation, and the Army's Sustainable Range Program. It identifies priorities for installations requiring resources to modernize ranges, mitigate encroachment, and acquire training land. The strategy serves as the mechanism to prioritize investments for these

installations and seeks to optimize the use of all range and land assets. The result is a long-range plan that provides the best range infrastructure and training lands based on mission and training requirements.

Current to Future Force. The Army is undergoing the biggest internal restructuring in the last 50 years. As part of this transformation effort, we are fielding and equipping six Stryker Brigade Combat Teams throughout the Army. This transformation will drive our efforts to ensure that our “training battlefields” continue to meet the demands of force structure, weapons systems, and doctrinal requirements. Providing ranges and training lands that enable the Army to train and develop its full capabilities is crucial to ensure that America’s forces are relevant and ready now. Our Fiscal Year 2005 Military Construction budget requests \$305 million for projects for operations and training facilities, training ranges, maintenance facilities, logistics facilities, utilities, and road upgrades in support of the Stryker Brigade Combat Teams.

The former Army Strategic Mobility Program ended in Fiscal Year 2003 with the capability of moving five and one-third divisions in 75 days. We must improve current processes and platforms so intact units arrive in theater in an immediately employable configuration.

The new Army Power Projection Program (AP3) is a combat multiplier for Army transformation and a catalyst for joint and Service transformation efforts related to force projection. AP3 is a set of initiatives and strategic mobility enabling systems, including infrastructure projects, that ensures we are able to meet Current and Future Force deployment requirements. AP3 funding began in Fiscal Year 2004. AP3 ensures the capability to deploy Army forces in accordance with Regional Combatant Commanders’ operational plans.

MILITARY CONSTRUCTION

The Army's Fiscal Year 2005 request has increased over Fiscal Year 2004 and includes \$3.7 billion for Military Construction appropriations and associated new authorizations.

Military Construction Appropriation	Authorization Request	Authorization of Appropriation Request	Appropriation Request
Military Construction Army (MCA)	\$1,535,400,000	\$1,771,285,000	\$1,771,285,000
Military Construction Army National Guard (MCNG)	N/A	\$295,657,000	\$295,657,000
Military Construction Army Reserve (MCAR)	N/A	\$87,070,000	\$87,070,000
Army Family Housing (AFH)	\$636,099,000	\$1,565,006,000	\$1,565,006,000
TOTAL	\$2,171,499,000	\$3,719,018,000	\$3,719,018,000

MILITARY CONSTRUCTION, ARMY (MCA)

The active Army's Fiscal Year 2005 Military Construction request for \$1,771,285,000 (for appropriation and authorization of appropriations) and \$1,535,400,000 (for authorization) is for People, Current Readiness, and Transformation to the Future Force. These funds are critically needed to provide new barracks, invest in training ranges and land, recapitalize existing facilities, and support three Active Army Stryker Brigade Combat Teams in Alaska, Hawaii, and Louisiana. The request also includes funds for planning and design for future projects, along with Unspecified Minor Military Construction.

The Department of Defense continues to assess its global stationing strategy. We have included only minimal, but critical, overseas projects in the Fiscal Year 2005 Military Construction budget request. These projects are required to provide the infrastructure necessary to

ensure continued Soldier readiness and family well-being that is essential throughout any period of transition.

People. We are requesting \$798 million to improve the well-being of our Soldiers, civilians, and families. Approximately 50 percent of our MCA budget request will improve well being in significant ways – providing 19 unit barracks complexes for 4,200 Soldiers (\$700 million), a basic trainee barracks complex (\$50 million), a physical fitness center (\$18 million), a chapel (\$10 million), two child development centers and a youth center (\$20 million).

Current Readiness. Our budget request includes \$504 million to keep our Soldiers trained and ready to respond to the Nation's needs. Current readiness projects include operational and training instructional facilities (\$92 million), training ranges (\$122 million), logistics facilities (\$31 million), utilities and land acquisition (\$27 million), maintenance/production and tactical equipment facilities (\$82 million), communication/administration facilities (\$104 million), a research and development facility (\$33 million), and community support facilities (\$13 million).

Current to Future Force. Our budget request also includes \$298 million for projects to ensure the Army is trained, deployable, and ready to rapidly respond to national security requirements and support transformation for the Stryker Brigade Combat Teams. Projects include operations and training facilities (\$63 million), training ranges (\$79 million), a maintenance facility (\$49 million), logistics facilities (\$19 million), and utilities and roads (\$88 million).

Other Worldwide Support Programs. The Fiscal Year 2005 MCA request includes \$171 million for planning and design, along with Unspecified Minor Military Construction. Planning and design funds (\$151 million) are used to accomplish final design of future projects and oversight of host nation construction. As Executive Agent for the

Department of Defense, the Army uses planning and design funds for oversight of construction projects funded by host nations for use by all Services. Finally, the Fiscal Year 2005 MCA budget contains \$20 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD (MCNG)

The Army National Guard's Fiscal Year 2005 Military Construction request for \$295,657,000 (for appropriation and authorization of appropriations) is focused on Current Readiness and transformation to the Future Force.

Current Readiness. In Fiscal Year 2005, the Army National Guard has requested \$116.1 million for nine projects. These funds will provide the facilities our Soldiers need as they train, mobilize, and deploy. They include one Readiness Center, one Armed Forces Reserve Center, three Army Aviation Support Facilities, two Ranges, and two Training projects.

Current to Future Force. This year, the Army National Guard is requesting \$144.2 million for 23 projects needed to transform from Current to Future Force. There are 16 projects for the Army Division Redesign Study, three for Aviation Transformation, two for the Range Modernization Program, and two for the Stryker Brigade Combat Team initiative.

Other Worldwide Support Programs. The Fiscal Year 2005 MCNG budget request contains \$30.8 million for planning and design of future projects, along with \$4.5 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

MILITARY CONSTRUCTION, ARMY RESERVE (MCAR)

The Army Reserve's Fiscal Year 2005 Military Construction request for \$87,070,000 (for appropriation and authorization of appropriations) is for current readiness and other worldwide unspecified programs.

Current Readiness. The Army Reserve will invest \$72.9 million in current readiness projects. We will invest \$58.6 million to construct four new Reserve Centers, and one military equipment park; invest \$7.9 million to modernize and expand one Reserve Center, invest \$3.9 million to construct two ranges; and invest \$2.5 million to acquire land for a future Armed Forces Reserve Center.

Other Worldwide Unspecified Programs. The Fiscal Year 2005 MCAR budget includes \$11.2 million for planning and design. The funds will be used for planning and design of future projects. The Fiscal Year 2005 MCAR budget also contains \$2.9 million for Unspecified Minor Military Construction to address unforeseen critical needs or emergent mission requirements that cannot wait for the normal programming cycle.

ARMY FAMILY HOUSING CONSTRUCTION (AFHC)

The Army's Fiscal Year 2005 family housing request is \$636,099,000 (for appropriation, authorization of appropriation, and authorization). It continues the successful and well-received Whole Neighborhood Revitalization initiative approved by Congress in Fiscal Year 1992 and supported consistently since that time, and our Residential Communities Initiative program.

The Fiscal Year 2005 new construction program provides additional housing in Alaska in support of a Stryker Brigade Combat Team and Whole Neighborhood replacement projects at nine locations in support of 1,413 families for \$394.9 million.

The Construction Improvements Program is an integral part of our housing revitalization and privatization programs. In Fiscal Year 2005, we

are requesting \$75.4 million for improvements to 875 existing units at three locations in the United States and two locations in Europe, as well as \$136.6 million for scoring and direct investment in support of privatization of 11,906 units at six Residential Communities Initiative (RCI) locations.

In Fiscal Year 2005, we are also requesting \$29.2 million for planning and design in support of future family housing construction projects critically needed for our Soldiers.

Privatization. RCI, the Army's Family Housing privatization program, is providing quality, sustainable housing and communities that our Soldiers and their families can proudly call home. RCI is a critical component of the Army's effort to eliminate inadequate family housing in the United States. The Fiscal Year 2005 budget request provides support to continue implementation of this highly successful program.

We are leveraging appropriated funds and Government assets by entering into long-term partnerships with nationally recognized private sector real estate development and management firms to obtain financing and management expertise to construct, repair, maintain, and operate family housing communities.

The RCI program currently includes 34 installations with almost 71,000 housing units – over 80 percent of the family housing inventory in the United States. By the end of Fiscal Year 2004, the Army will have privatized 19 installations with an end state of 42,000 homes.

ARMY FAMILY HOUSING OPERATIONS (AFHO)

The Army's Fiscal Year 2005 family housing operations request is \$928,900,000 (for appropriation and authorization of appropriations), which is approximately 59 percent of the total family housing budget. This budget provides for annual operations, municipal-type services,

furnishings, maintenance and repair, utilities, leased family housing, demolition of surplus or uneconomical housing, and funds supporting management of the Military Housing Privatization Initiative.

Operations (\$150 million). The operations account includes four sub-accounts: management, services, furnishings, and a small miscellaneous account. All operations sub-accounts are considered "must pay accounts" based on actual bills that must be paid to manage and operate family housing.

Utilities (\$132 million). The utilities account includes the costs of heat, air conditioning, electricity, water, and sewage for family housing units. While the overall size of the utilities account is decreasing with the reduction in supported inventory, per-unit costs have increased due to general inflation and the increased costs of fuel.

Maintenance and Repair (\$402 million). The maintenance and repair account supports annual recurring maintenance and major maintenance and repair projects to maintain and revitalize family housing real property assets. While the overall account is smaller than Fiscal Year 2004, the reduced inventory allows for greater per-unit funding than has been possible in the recent past. This allows us to better sustain our housing inventory.

Leasing (\$218 million). The leasing program provides another way of adequately housing our military families. The Fiscal Year 2005 request includes funding for over 13,600 housing units, including existing Section 2835 ("build-to-lease" – formerly known as 801 leases) project requirements, temporary domestic leases in the United States, and approximately 7,700 units overseas.

RCI Management (\$27 million). The RCI management program funding includes procurement requirements, environmental studies, real

estate requirements, management, operations, implementation, and oversight of the overall RCI program.

BASE REALIGNMENT AND CLOSURE (BRAC)

In 1988, Congress established the Defense Base Closure and Realignment Commission to ensure a timely, independent and fair process for closing and realigning military installations. Since then, the Department of Defense has successfully executed four rounds of base closures to rid the Department of excess infrastructure and align the military's base infrastructure to a reduced threat and force structure. Through this effort, the Army estimates approximately \$9 billion in savings through 2004.

The Army is requesting \$100.3 million in Fiscal Year 2005 for prior BRAC rounds (\$8.3 million to fund caretaking operations of remaining properties and \$92.0 million for environmental restoration). In Fiscal Year 2005, the Army will complete environmental restoration efforts at three installations, leaving 11 installations requiring environmental restoration. We also plan to dispose of an additional 8,000 acres in Fiscal Year 2005.

Fiscal Year 2003 was a superb year! Using all the tools the Congress provided, including the Conservation Conveyance Authority and Early Transfer Authority, the Army transferred 100,957 acres of BRAC property. This is almost 40 percent of the total Army BRAC excess acreage, and almost as many acres as all prior years combined. To date, the Army has disposed of 223,911 acres (85 percent of the total acreage disposal requirement of 262,705 acres). We have 38,794 acres remaining to dispose of at 28 installations. The Army continues to save more than \$900 million annually from previous BRAC rounds.

OPERATION AND MAINTENANCE

The Fiscal Year 2005 Operation and Maintenance budget includes funding for Sustainment, Restoration, and Modernization (SRM – \$2.54 billion) and Base Operations Support (BOS – \$6.57 billion). The SRM and BOS accounts are inextricably linked with our Military Construction programs to successfully support Installations as Flagships.

Sustainment, Restoration, and Modernization (SRM). The Fiscal Year 2005 budget for SRM is \$2.5 billion, of which \$2.42 billion funds sustainment at 95 percent of the requirement. SRM provides funding for the Active and Reserve Components to continue making positive progress towards our goal to prevent deterioration and obsolescence and restore the lost readiness of facilities.

Sustainment is the primary account in installation base support funding responsible for maintaining the infrastructure to achieve a successful readiness posture for the Army's fighting force. It is the first step in our long-term facilities strategy. Installation facilities are the deployment platforms of America's Army and must be properly maintained to be ready to support current Army missions and any future deployments.

The second step in our long-term facilities strategy is the recapitalization by restoring and modernizing our existing facility assets. In Fiscal Year 2005, the Active Army request for Restoration and Modernization is \$93.2 million. Restoration includes repair and restoration of facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes alteration or modernization of facilities solely to implement new or higher standards, including regulatory changes, to accommodate new functions, or to replace building components that typically last more than 50 years, such as foundations and structural members.

Base Operations Support. The Fiscal Year 2005 budget for Base Operations Support is \$6.57 billion (Active Army, Army National Guard, Army Reserve). This is 70 percent of the requirement. This funds programs to operate the bases, installations, camps, posts, and stations of the Army worldwide. The program includes municipal services, family programs, environmental programs, force protection, audio/visual, base communication services and installation support contracts. Army Community Service and Reserve Component family programs include a network of integrated support service that directly impact Soldier readiness, retention, and spouse adaptability to military life during peacetime and through all phases of mobilization, deployment, and demobilization.

HOMEOWNERS ASSISTANCE FUND, DEFENSE

The Army is the Department of Defense Executive Agent for the Homeowners Assistance Program. This program provides assistance to homeowners by reducing their losses incident to the disposal of their homes when military installations at or near where they are serving or employed are ordered to be closed or the scope of operations reduced. For Fiscal Year 2005, there is no request for appropriations and authorization of appropriations. Requirements for the program will be funded from prior year carryover and revenue from sales of homes. Assistance will be continued for personnel at ten installations that are impacted with either a base closure or a realignment of personnel, resulting in adverse economic effects on local communities.

PART II: ARMY ENVIRONMENTAL PROGRAM

THE ARMY ENVIRONMENTAL COMMITMENT

The Army's Environmental Program budget request for Fiscal Year 2005 totals \$1,459,735,000 (appropriations and authorization of appropriations) for its Compliance, Restoration, Conservation, Pollution Prevention, and Environmental Quality Technology Programs. This figure includes \$92,050,000 reflecting the environmental portion of the total BRAC budget request. In addition, this figure reflects the Office of the Secretary of Defense budget request of \$216,516,000 for the DoD Formerly Used Defense Site (FUDS) program for which the Army is the DoD Executive Agent.

The Army Environmental Program supports readiness and contributes to the well-being of our Soldiers and their families. It fulfills the public trust to manage Army lands by protecting natural and cultural resources, in accordance with Federal, State, and local laws. The Army is fully committed to complying with all Federal and State laws, conserving natural and cultural resources and cleaning up active, BRAC and FUDS sites. We will continue to expand implementation of Environmental Management Systems (EMS) on our installations, an effort that began Army-wide in Fiscal Year 2003, as well as efforts to further integrate pollution prevention practices into all that we do – to include our weapons systems acquisition procedures. Additionally, our technology program continues to address environment, safety, and occupational health needs comprehensively and cost effectively. By dedicating resources to these activities, we are increasingly successful in identifying efficiencies that support the Army's core missions and business practices; developing creative solutions to support our environmental stewardship efforts; protecting the health and safety of our Soldiers, civilians and communities; and helping to fulfill the Army's commitment to support and execute the National Military Strategy.

We are further determined to accomplish our environmental program tasks effectively and efficiently. Restoration, compliance and conservation require the majority of our budget dollars; however, programs in pollution prevention and innovative environmental quality technology provide venues for targeted investments to reduce future compliance and restoration requirements and recapture dollars for the Army's core missions. Overall, our Fiscal Year 2005 budget request provides for a lean, but effective, program implementation and investment in both corrective and preventive actions that eliminate past problems and prevent future ones.

RANGES AND MUNITIONS

The Army must provide our Soldiers with tough, realistic, battle-focused training in preparation for a wide variety of mission essential warfighting scenarios ranging from desert to cold region operations in both rural and urban settings. Ensuring our Soldiers have access, now and in the future, to the most realistic training possible is a challenge for both our operational and environmental communities. The continued development of surrounding lands for residential, agricultural, and industrial uses, coupled with increasing environmental requirements - a process we call encroachment - has significantly added to the challenge of providing realistic Soldier training and fielding new weapon systems.

To meet these challenges, we have developed a sustainable range management program that better integrates environmental considerations into all of our range activities – to include live fire training and testing operations. Our Army Range Sustainment Integration Council provides the leadership framework to ensure a coordinated operational, environmental and installation management focus on range sustainment.

The following initiatives illustrate the Army's commitment to range sustainment:

- We have completed an inventory of our 9,800 operational ranges within the United States.
- We are quantifying encroachment impacts by determining and defining external factors that are impacting the Army's ability to train, test, and sustain force readiness.
- We are evaluating potential environmental impacts of live fire training/testing by looking at the air emissions from functioning munitions, corrosion of munitions and characterizing conditions of our operational ranges.

At closed ranges and former defense sites, the Army is taking actions through the Military Munitions Response Program to address the risk posed by unexploded ordnance (UXO), discarded military munitions, and munitions constituents. Per Congressional direction, the Army initiated an inventory of former ranges in 2001 and will report our findings to Congress in 2004. The Army also is making prudent investments in environmental quality technology to improve its ability to detect, identify (discriminate), and respond to UXO, ultimately reducing costs significantly.

COMPLIANCE

The Army requests \$582,035,000 for the compliance program in Fiscal Year 2005. This investment makes it possible for the Army to comply with applicable federal, state and local environmental laws, regulations, and Executive Orders, as well as international agreements and Final Governing Standards overseas.

The Army's compliance goals are to attain and sustain cost-effective compliance with all applicable laws and regulations. The Army's long-term compliance objectives are to:

1. Integrate environmental compliance into all aspects of operations that support the Army's mission and promote the well-being of

Soldiers, family members, civilian employees, and citizens of neighboring communities; and

2. Sustain or reduce compliance costs by continuing to emphasize pollution prevention solutions as the preferred means for achieving compliance.

The Army focuses on achieving environmental compliance through strong command emphasis and the use of effective environmental management systems; pollution prevention; diverse training; more effective tools and innovative technologies; improved metrics and processes; close tracking of new environmental laws and regulations to ensure timely input and compliance; and, the development of strong partnerships. The cumulative result of these efforts is best exemplified by the Army achieving one of the lowest “enforcement action to inspection” ratios ever. For comparative purposes, this ratio was reduced to 0.15 in Fiscal Year 2003, as compared to 0.44 in Fiscal Year 1997.

Since most environmental laws and regulations are designed to protect human health and the environment, compliance with them is vital to maintain the well being of the Army community, our neighbors and the regions around our installations. We have steadily improved our environmental compliance posture over time. The Army received fewer new enforcement actions (ENFs) in Fiscal Year 2003 and continues to strive to resolve ENFs more quickly. Consequently, the amount of fines paid during Fiscal Year 2002 and 2003 were also significantly reduced as compared to previous years.

In support of Executive Order 13148, The Greening of the Government, the Army began implementing International Standard Organization (ISO) 14001-based Environmental Management System (EMS) Army-wide in Fiscal Year 2003. We have developed a Web-based Army EMS Implementers’ Guide plus a companion guide to facilitate

implementation. As a key part of our EMS implementation efforts, we have changed our external audit system from a compliance focus to a performance-based Environmental Performance Assessment System (EPAS), which we expect to pay even greater dividends.

Lastly, installation sustainability, as a concept, has been developed into a well-defined process through a pilot program initiated by the United States Forces Command in 2001. This program was recognized as a White House "Closing The Circle" Winner, and currently six installations have undergone sustainability workshops. The purpose of these workshops was to develop long-term sustainable goals that would be included in the Installation Strategic Plans, with full stakeholder involvement, including the local community. Mission focused, yet environmentally conforming considerations are essential components of these plans which help drive tangible results. The Army plans to expand this underlying principle of sustainability for improved planning and programming throughout the Army installations.

The Army sustainability effort is simply an approach that better ensures the long-term viability of the military mission by minimizing resource needs, reducing environmental impacts, and managing resources so as to provide realistic military training and testing environments. The sustainability concept will be further integrated across functional lines and organizations within the Army. As an example, the Army has many diverse programs that currently support sustainability, such as: Sustainable Design and Development; Residential Community Initiative (RCI); affirmative procurement; alternate fueled vehicle purchases/leases; purchasing of renewable energy; construction debris recycling, and qualified recycling programs. Also, the Army training community has undertaken a Sustainable Ranges and Training Lands program that specifically supports the war-fighting mission through timely consideration of environmental impacts and mitigation actions. One of the

primary thrusts of the Installation Management Agency is to emphasize the importance of planning and to develop an Installation Strategic Plan that will better integrate all of these various programs into a comprehensive plan that guides sustainable actions. Integrating construction, infrastructure, training, maintenance, and operations with considerations for safety, energy, the environment and resources will all help realize greater efficiencies and result in more effective operations.

POLLUTION PREVENTION

Pollution Prevention (P2) supports the Army by enabling our compliance with current and future laws and regulations, promoting good environmental stewardship of the lands entrusted to the Army, and developing new technologies and partnerships with industry. The Army requests \$38,480,000 for Pollution Prevention. Achieving and maintaining compliance through development and implementation of pollution prevention strategies is a good business practice and a cost-effective way for the Army to meet its environmental goals. The Army continues to realize significant savings from our past pollution prevention investments.

Efforts are underway to fundamentally improve operations through development and implementation of better hazardous materials management. This program is designed to enhance accountability while reducing the amount of hazardous materials that the Army generates and subsequently minimizing the amount of hazardous waste requiring costly disposal. In 1994, The Army disposed of a total of 60 million pounds of hazardous waste. That number decreased to 36 million pounds by the end of 2002, a 40 percent reduction. Through improvements to the hazardous material management program, we expect to continue this downward trend.

Our Solid Waste Minimization efforts reduce costs while promoting recycling. The goals for the solid waste management program are to

minimize the generation of solid wastes, develop cost-effective waste management practices, protect public health and the environment, and recycle to conserve natural resources. The Army currently reuses or recycles over 37 percent of all solid waste generated. Our recycling efforts significantly extend the lives of existing landfills and saved approximately \$39 million in disposal costs during Fiscal Year 2003.

The Army's Regional Environmental Offices have developed DoD/State Pollution Prevention and Environmental Partnerships in 28 states, up from 25 in 2001, while most of the remaining states have some type of partnership in existence. These partnerships promote effective dialogue on environmental issues among installations and state regulatory agencies to resolve problems early. In addition, the partnerships give Regional Environmental Coordinators, DOD and our installations the opportunity to actively participate in the development of emerging laws and regulations to minimize disconnects and unintended compliance requirements.

The Army has adopted the Sustainable Project Rating Tool (SPiRiT) to evaluate our military construction projects in terms of their sustainability, or how well they incorporate "green" building techniques, such as recyclable building materials, energy efficiency, natural daylight, and compatibility with the natural surroundings. This initiative is a common sense design and building practice intended to reduce life cycle costs while helping the Army support Federal environmental and energy goals. One of the best illustrations is the Army's Residential Community Initiative where the 50-year partnership agreements to provide military housing requires a Gold SpiRiT standard. While SPiRiT deals with how to make new buildings sustainable, another initiative concentrates on what to do with existing buildings that have reached the end of their useful lives. In the past, standard practice has been to demolish old buildings and send the debris to a landfill. Several current pilot projects focus on dismantling

buildings and selling the resultant components (e.g., hardwoods, windows, doors, plumbing, wiring, etc.) for recycling or reuse. Efforts at Forts Knox and Campbell successfully demonstrated that an installation could auction off entire buildings to generate cost savings while minimizing the impacts of demolition/deconstruction debris on the environment. Buildings and components were removed and reused by the winning bidder.

Studies have shown that approximately 80 percent of the environmental costs at military installations result from the operation and maintenance of fielded weapons systems. Therefore, an important aspect of the Army Pollution Prevention program is the early incorporation of environmental requirements, planning, and analysis into the acquisition process. Our ultimate goal is to reduce the long-term environmental costs and liabilities of systems now in development and proposed in the future. Specifically, environmental requirements continue to be an integral part of the Initial Capability Documents and Capability Development Documents for each acquisition program, and environmental quality specifications are included in development contracts. For example, the development contract for the Future Combat System (FCS), the cornerstone of the Army transformation program, contains specific environmental requirements that will minimize the environmental impact of the FCS when fielded. Environmental technical support is also provided to the acquisition managers and staff in the areas of environmental life cycle costs, technology and planning which reduces program risks for acquisition managers in the all-important areas of schedule, budget and performance.

Another successful pollution prevention initiative has been the Army's efforts in reducing the dependence on foreign oil such that 78 percent of the acquired/leased vehicles in Fiscal Year 2004 used Alternate Fuels. Pollution prevention is clearly the preferred method of doing business in a sustainable and cost effective manner. Prevention pollution

has numerous other benefits such as reducing our consumption and dependence on finite natural resources, minimizing human exposure to toxic compounds, and presenting a positive public image.

CONSERVATION

The Army's Environmental Conservation program is crucial to sustaining the land and facilities used for our Nation's military mission. Encroachment on military lands is increasing the Army's conservation requirements to protect wildlife and habitats that further impacts the ability of the Army to fully use its current land base for training.

The Fiscal Year 2005 budget request of \$76,933,000 will enable the Army to continue its good stewardship of its land and facilities. Preparing, updating, and implementing viable management plans will enable the Army to continue to manage natural and cultural resources and threatened and endangered species in compliance with applicable laws. In addition to sustaining lands for military missions, the Army provides multipurpose use of its natural and cultural resources and grants public access to the extent that safety, security and the mission allow.

In Fiscal Year 2004, the Army began to implement a campaign plan for how it manages its historic properties and meets, among other cultural resources statutes and regulations, the requirements of the National Historic Preservation Act (NHPA) and its implementing regulation, 36 CFR 800 – Protection of Historic Properties. This campaign plan is now the foundation of the Army's Historic Preservation Program and ensures efficient and effective use of resources in executing compliance responsibilities that directly support and sustain the Army's mission. The Army's historic properties compliance requirement will substantially increase over the next ten years due to the aging of its significant Cold-War era infrastructure. By 2013, almost half of the Army's 172,000 buildings and structures in the U.S. will be 50 years old or older, triggering

compliance under the NHPA. The Army also is responsible for 64,000 known archeological sites requiring NHPA compliance. The Army is addressing these issues by continuing to implement and institutionalize major programmatic initiatives like the Army Alternate Procedures for NHPA regulatory compliance and Army-wide programmatic compliance actions (agreements exist for Capehart and Wherry Era Housing; and the Army is currently developing more for other categories of historic properties).

Urban development continues to isolate natural habitats on Army installations. As a result, management efforts and costs are increasing as the burden for conserving endangered species grows. The Army's increased operational tempo and expanded land acreage requirements for weapons development and training is placing an increased demand on the land. Integrated Natural Resources Management Plans (INRMPs), required by the Sikes Improvement Act of 1997, provide excellent tools to address future problems and reduce costs of repairing disturbed natural resources while carefully managing threatened and endangered species and their critical habitat. The Army has completed 174 of the 178 required INRMPs, and we are making progress on completing the remaining four. In Fiscal Year 2003, the Army spent over \$30 million to manage and protect the 170+ threatened and endangered species on 99 Army installations.

To address the issue of urban encroachment and to protect endangered species habitat, the Army entered into a conservation agreement with The Nature Conservancy as a pilot project at Fort Bragg, North Carolina. The Army and The Nature Conservancy pooled funds for The Nature Conservancy to purchase land near the installation to prevent urban encroachment, enable training, and protect endangered species habitat. This agreement formed the basis of the Private Lands Initiative,

now termed “Army Compatible Use Buffers,” and helped provided impetus for the recently passed encroachment legislation.

In the National Defense Authorization Act for FY 03, Section 2811, Congress provided clear authority for the Military Departments to enter into cooperative arrangements to stem the encroachment on our installation boundaries. The Army has issued guidance to formally establish the Army Compatible Use Buffer (ACUB) program and to provide a rigorous evaluation process by which installations proposals can be vetted to ensure our limited resources are spent wisely. The Department of Army provides oversight and approval of projects to ensure that Army-wide interests are taken into account. Since issuance of the ACUB memorandum, a number of installations have begun to develop proposals, and several are making their way forward for Army approval. This authority provided an important mechanism to buffer Army installations from incompatible land use in surrounding lands. Along with DoD, the Army will continue pursuing these agreements as a means to protect our mission. An Army National Guard installation in Florida, Camp Blanding, is our most recent success where the Army will be able to leverage \$20 million of State funds for a 3-mile buffer around the installation. DoD and the Army greatly appreciate the Congressional foresight in adopting this measure, which will result in significant benefits to the military mission and the natural environment.

RESTORATION

The Army’s commitment to its restoration program remains strong as we reduce risks and restore property for future generations. With our regulatory, private sector and community partners, we are aggressively exploring ways to improve and accelerate cleanup. Achieving site closure and ensuring long-term remedies are challenges we are prepared to face. Improved business practices, partnerships, and innovative technologies

have enabled us to provide sound stewardship of the environment and taxpayer dollars.

The Fiscal Year 2005 budget request for Army Restoration is \$400,948,000, and this funding level will meet our legal agreements and the Defense Financial Management Regulation goal of Fiscal Year 2014. Also reflected in the total Army Environmental Program budget request is \$92,050,000 that represents the environmental portion of the total BRAC budget request. In addition, as the Office of the Secretary of Defense's (OSD) Executive Agent for the Formerly Used Defense Sites (FUDS) program, the Army requested, and the OSD supported, a request for \$216,516,000.

The Army's environmental restoration program addresses Active, Base Closure and Realignment (BRAC), and FUDS properties that became contaminated due to past practices. The Army also conducts compliance-related cleanup at active installations worldwide. Last year the Army published a comprehensive Army Environmental Cleanup Strategy with overarching objectives applicable to the entire cleanup program. Protection of human health, public safety, and the environment are primary objectives for the Army's cleanup programs. Another Army objective is to support the development and use of cost-effective cleanup approaches and technologies that improve program efficiency. Of particular significance, in Fiscal Year 2003, the Army's BRAC program exceeded its goal to transfer 100,000 acres.

By the end of Fiscal Year 2003, the Army completed response actions at 88 percent of active sites, 90 percent of its BRAC sites, and 56 percent of its FUDS sites.

The Army's Military Munitions Response Program is beginning to take shape at its active installations. In December 2003, the Army completed its inventory of "other than operational" ranges according to its

plan. As a result, we now have Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Preliminary Assessment equivalent information upon which to base resourcing decisions. Site Inspections began in Fiscal Year 2003 and will continue over the next several years. The Army's BRAC Military Munitions Response Program continues to address munitions response at transferring sites. FUDS has been addressing munitions and explosives of concern (MEC) since the beginning of the program. Through 2002, about \$40 million was spent annually to address MEC in the FUDS program. We increased spending for MEC to about \$70 million in Fiscal Years 2003 and 2004.

The President's Management Agenda calls for 50 percent of services contracts to be performance based by the end of Fiscal Year 2005, and the Army is meeting this requirement through its Performance Based Contracting (PBC) initiative. This contracting method is significantly different from the standard cost-plus type environmental restoration contract. The Army is giving contractors a statement of objectives and soliciting fixed price bids on the basis of desired outcome (a remedy in place and operating successfully, or site closeout) rather than task orders for specific activities the Army wants conducted. The fixed price element protects the Army from costly overruns and escalating "costs to complete" estimates. The fixed price also transfers financial risk to the contractor, while the Army retains ultimate environmental liability. In Guaranteed Fixed Price Remediation contracts, a subset of PBCs, the contractor may obtain private insurance to protect against cost overruns associated with unforeseen cleanup requirements.

In early February 2004 when the budget request was submitted, the Army had 16 PBC contracts in place at its active and BRAC installations. Two of these contracts have been completed, giving the Army site closure at those installations. In Fiscal Year 2003, the Army awarded seven PBCs. In Fiscal Year 2004, the Army plans to implement 30 percent

(\$119 million) of its Restoration Program budget for active installations using performance-based contracts.

The FUDS Program will also take advantage of performance-based contracts this fiscal year. The Army expects to award Fixed Price Response with Insurance (FPRI) contracts for munitions response actions throughout the United States. The Former Lowry Bombing and Gunnery Range at Aurora, Colorado, a FUDS, will be used as the pilot task order for a FPRI contract. The task order at Lowry will not exceed \$5 million and will be in addition to the \$8 million that is already planned for 2004. The Army will award up to three nationwide Indefinite-Delivery/Indefinite-Quality type contracts not to exceed \$250 million in contract capacity. Another successful initiative in the FUDS program was making available a new tool that provides information on approximately 1,500 FUDS properties throughout the United States and its Territories to regulatory agencies and community groups by use of a web-based Geographic Information System (GIS). This system provides stakeholders with information on the location, cleanup activities, estimated cost-to-complete, and a point of contact for FUDS properties.

Continuing with an initiative that began in 2001, the FUDS Program continues to expand the development of Statewide Management Action Plans (MAP). A Statewide MAP (1) provides an agreement between the State and the Army on the list of FUDS properties within that State, (2) documents the activities necessary to complete cleanup on a FUDS property, and (3) eventually leads to a long-range plan for cleanup at each FUDS property. By the end of 2004, the Army will have developed 28 Statewide MAPs, which have been very favorably received by EPA and the States.

ENVIRONMENTAL QUALITY TECHNOLOGY

The Army's Environmental Quality Technology (EQT) Fiscal Year 2005 budget request is \$52,773,000. This will fund continuation of research, development, test and evaluation that addresses the Army's highest priority EQT requirements. Additionally, it supports increased investment in range sustainability, reduces ownership costs, and provides a high rate-of-return on investment of limited EQT resources.

The Army is currently transferring to the field the first products developed as a result of the Army Environmental Requirements and Technology Assessments (AERTA) requirements process initiated in 1999. These products address challenges faced by the Army in complying with lead based paint and hazardous air pollutants regulations. Illustrative of our Fiscal Year 2005 programs is the continuation of initiatives like range sustainment and the identification and discrimination of UXO. The Army EQT training range-related programs use a holistic approach to resolve environmental issues that impact military readiness. The program addresses a comprehensive suite of historic and emerging range-related environment and safety issues that include UXO, impacts of explosives, contaminated soils on groundwater, dust control and land rehabilitation. In addition, sustainability of ranges is an over-arching concept, which incorporates appropriate sustainable design elements into planning, design, construction, operation and maintenance functions to enhance and balance total life cycle costs affecting environmental, safety and occupational health issues impacting Soldiers, installations and adjacent communities.

Unexploded ordnance and munitions' constituents present a significant challenge for installations to manage their test and training ranges as well as cleaning up BRAC, FUDS, and non-operational ranges. Current technologies used to identify, discriminate, and address UXO and munitions constituents, are for the most part, neither cost-effective nor

time efficient. Development of new UXO identification technologies capable of high detection rates and low false alarm rates is needed for health and safety reasons as well as drastically reducing the cost of site characterization and cleanup. In Fiscal Year 2003, the Army opened a standardized test site at Aberdeen Proving Ground, Maryland to evaluate methods of detection and identification of buried ordnance in collaboration with the DoD's Environmental Security Technology Certification Program. Development and fielding of these technologies is among the highest priority for the EQT Program and the DoD. The Army has recognized the importance of this work and is committed to better detection and discrimination.

The EQT Program is an increasingly robust vehicle for identification of Army environmental technology requirements. Through its comprehensive management process, the program provides senior leadership the confidence to champion its programs. Through this program, the Army continues to sustain environmentally compatible installations and weapons systems through development and exploitation of technology, without compromising mission readiness or training. The Office of the Secretary of Defense has placed the Army EQT process in the forefront as an appropriate model to be used to identify, prioritize, and resolve high-priority environmental quality technology requirements.

ACQUISITION

The Assistant Secretary of Army (Installations and Environment) works closely with the Assistant Secretariat of the Army (Acquisition, Logistics, and Technology) in support of Army Acquisition Program Managers and, by doing so, has significantly improved the Army's ability to apply broad engineering principles to environmental issues and to solve problems early in the development of systems. We are meeting the intent of Congress in requiring acquisition programs to identify the environmental quality-related costs of systems as part of a system's total ownership cost.

Not only are we assessing systems for potential environmental, safety, and occupational health impacts, the Army is working to improve our systems by exploiting environmentally beneficial technologies and products as early as possible in systems design and development.

We have been able to improve guidance for environment, safety and occupational health analyses that is more responsive in meeting our obligations under the National Environmental Policy Act, the Clean Air Act, and other challenges of national interest. We have worked to improve environmental analyses supporting decisions by system programs, streamlined analytical processes, and improved public notification using broadly available electronic media. These improvements have mirrored suggestions by the President's Council on Environmental Quality. We are working with the U.S. Environmental Protection Agency (USEPA) to identify evolutionary technology requirements as a National Emission Standard for Hazardous Air Pollutants (or NESHAP) for Defense land-based materiel. We have begun a significant environmental quality technology effort to bring on-line coating technologies that will go beyond the NESHAP criteria. Our efforts have also given us the opportunity to address environmental challenges of national interest with our most talented engineers. For example, we are working with our researchers to formulate, test, demonstrate, and employ energetic mixtures that do not require the use of perchlorates. At the same time, we are preparing an overarching plan to evaluate potential environmental issues concerning the use of both perchlorates and RDX mixtures to target high-value areas for potentially similar efforts.

Our programs are focusing on resolving future environmental quality liabilities to our installations, our training and testing ranges, our Soldiers, and our communities. Our industrial-based installations are also developing Environmental Management Systems to improve the day-to-day operations. Our Program Executive Officers and Program Managers

are taking on the mantle of environmental management and supporting installation sustainability. As we move forward in Fiscal Year 2005 and beyond, we will export environmental lessons learned to the acquisition community to assist in the fielding of more environmentally acceptable systems.

SUMMARY

Mr. Chairman, our Fiscal Year 2005 budget is a balanced program that supports our Soldiers and their families, the Global War on Terrorism, transformation to the Future Force, and current readiness.

We are proud to present this budget for your consideration because of what this \$3.7 billion Fiscal Year 2005 request will provide for the Army:

- New barracks for 4,200 Soldiers
- Adequate housing for 14,200 families
- Increase in Army National Guard and Army Reserve funding over Fiscal Year 2004
- New Readiness Centers for over 3,000 Army National Guard Soldiers
- New Reserve Centers for over 2,800 Army Reserve Soldiers
- 80-year recapitalization rate for the Army
- \$287 million investment in training ranges
- A new Basic Combat Training Complex
- Facilities support for four new Stryker Brigades

Our long-term strategies for Installations as Flagships will be accomplished through sustained and balanced funding, and with your support, we will continue to improve Soldier and family quality of life, while remaining focused on the Army's transformation to the Future Force.

This budget request further provides for protection of training lands, environmental compliance with Federal and state regulations, restoration of contaminated sites, and important technology and pollution prevention initiatives in support of Army infrastructure, material systems, and operations and training. This request is part of the total Army budget request that is strategically balanced to support both the readiness of the

force, our Soldiers, our natural resources, and our citizens. Our long-term strategy can only be accomplished through sustained, balanced funding, divestiture of excess capacity, and improvements in management and technology.

Thank you again for the opportunity to appear before you today and for your continued support for our Army. I look forward to answering your questions.