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HEARING  
ON  
NATIONAL DEFENSE AUTHORIZATION ACT  
FOR FISCAL YEAR 2019  
AND  
OVERSIGHT OF PREVIOUSLY AUTHORIZED  
PROGRAMS  
BEFORE THE  
COMMITTEE ON ARMED SERVICES  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FIFTEENTH CONGRESS  
SECOND SESSION  
SUBCOMMITTEE ON READINESS HEARING  
ON  
**FISCAL YEAR 2019 ENERGY,  
INSTALLATIONS AND ENVIRONMENT  
BUDGET REQUEST**

HEARING HELD  
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## **FISCAL YEAR 2019 ENERGY, INSTALLATIONS AND ENVIRONMENT BUDGET REQUEST**

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HOUSE OF REPRESENTATIVES,  
COMMITTEE ON ARMED SERVICES,  
SUBCOMMITTEE ON READINESS,  
*Washington, DC, Thursday, April 18, 2018.*

The subcommittee met, pursuant to call, at 2:00 p.m., in room 2212, Rayburn House Office Building, Hon. Joe Wilson (chairman of the subcommittee) presiding.

### **OPENING STATEMENT OF HON. JOE WILSON, A REPRESENTATIVE FROM SOUTH CAROLINA, CHAIRMAN, SUBCOMMITTEE ON READINESS**

Mr. WILSON. Ladies and gentlemen, good afternoon. The Readiness Subcommittee of the House Armed Services Subcommittee will come to order.

I welcome each of you to this hearing, the Department of Defense's fiscal year 2019 budget request for military construction, facilities investment, environmental restoration and compliance, installation energy resilience, and other infrastructure issues pertinent to the warfighter and our national security.

Today, the subcommittee will hear from our witnesses how the Department and the military services are posturing to meet the military infrastructure needs of the Nation, both today and in the future.

Over the past few years, the House Armed Services Committee leadership has led the call to provide the military with the resources necessary to counter advances by our adversaries.

Regretfully, years of underfunding and substantial budgetary [instability] have, up till now, hampered these efforts. I am grateful that Congress and the administration have worked together to provide the military what they need to begin to reverse the erosion of our military strength.

There is agreement on funding levels for defense for the fiscal year 2019. We have a top line from which to work with, but as General Joe Dunford said late last week in testimony before the full committee, quote, "We cannot reverse a decade-plus of erosion in one fiscal year," end of quote.

Today, the Readiness Subcommittee meets to hear how this year's President's budget intends to address installation and infrastructure readiness writ large.

Across the spectrum of operations, our military installations are essential to the readiness of the warfighter, their families, and the wholeness of the various missions and support provided by our selfless Department of Defense civilian workforce.

While clear progress is being made in many budgetary fronts, funding across the installations portfolio remain somewhat flat, if not headed in the wrong directions in some cases, which is a cause for concern. Aggravating the underfunding problem, the cost and complexity of infrastructure required to support modern weapon systems such as the fifth-generation aircraft is consuming a growing and, I am concerned, an unsustainable portion of the overall construction top line.

I am committed to work with the Department to achieve reforms that further improve the lethality of our installations to enable our military to be more agile and more efficient. The challenges are great, but working together, we can ensure that the military has the most relevant and effective infrastructure backbone to prepare [for] what will meet them in the field.

Before I introduce the witnesses, I turn to the distinguished ranking member of this Readiness Subcommittee, the gentlelady from the territory of Guam, Congressman Madeleine Bordallo, for her opening statements.

[The prepared statement of Mr. Wilson can be found in the Appendix on page 33.]

**STATEMENT OF HON. MADELEINE Z. BORDALLO, A DELEGATE FROM GUAM, RANKING MEMBER, SUBCOMMITTEE ON READINESS**

Ms. BORDALLO. Thank you very much, Mr. Chairman.

And thank you to our witnesses for being here today. I do look forward to hearing how the fiscal year 2019 budget will help the Department overcome deficits in MILCON [military construction], facilities sustainment, restoration and maintenance programs, environmental and energy programs, and ultimately, contribute to military readiness and the security of our great Nation.

Mr. Chairman, I would like to take a moment first, but I don't see them in the audience, but when they do arrive, I will be introducing the members of the Guam Chamber of Commerce who met with you this morning. We had a very interesting meeting. These are members of the Armed Services Committee.

Our military installations provide the platform from which our military is able to project power and build readiness.

Maintaining these installations is important for our warfighters, and just as important to the quality of life of our service members and their families.

Like Chairman Wilson, I am concerned by the toll that more than a decade of budget risk and instability has had on the military installations and the military infrastructure.

We are facing a more than \$70 billion backlog of deferred maintenance and repairs on our installations. And this number will continue to grow unless the Department changes its approach to installation investments.

The recent budget agreement provided additional resources to the Department of Defense for fiscal year 2018 and fiscal year 2019, and the Department has indicated its top priority is to use these additional funds to help restore military readiness.

However, as we review the budget request, I remain concerned that the emphasis has been on procuring new equipment, rather

than focusing on the O&M [operations and maintenance] and MIL-CON accounts that support the facilities, the maintenance, and training that enables readiness.

Unfortunately, the budget request for the infrastructure account seem to reinforce my concern with funding largely requested at levels below the fiscal year 2018 amount.

Construction is being largely consumed by new mission requirements and sustainment, as well below the OSD [Office of the Secretary of Defense] directed goal of 90 percent.

So with that in mind, it is my hope that our witnesses can share how the fiscal year 2019 budget request will help restore the readiness of our military installations and how the Department will leverage the new authorities and flexibility that have been provided by Congress in the recent NDAA's [National Defense Authorization Acts].

I do, however, appreciate the administration's support of the Readiness and Environmental Protection Program [REPP], which prevents civilian development from encroaching on our military installations.

The REPP program also promotes land conservation in partnership with willing landowners and local communities. And I appreciate the Department including \$75 million for the REPP program in the President's fiscal year 2019 budget request, and I support funding this program at the requested amount.

Finally, I encourage the witnesses to share specific examples of how unpredictable funding contributed to installation management challenges and impacted the quality of life for our service men and their families.

And I look forward to the discussion we will have today. And I yield back, Mr. Chairman.

[The prepared statement of Ms. Bordallo can be found in the Appendix on page 35.]

Mr. WILSON. And thank you very much, Congresswoman Bordallo. And I appreciate when you said that the delegation from Guam found the office interesting. It was interesting because when they arrived, they noticed that I had a clock indicating what time it was. It is always tomorrow in Guam. And so, in fact, right now it is 4:08 in the morning, tomorrow. So we will keep up with this, my appreciation of Guam.

I am pleased to recognize our witnesses today and thank them for taking time to be with us. Secretary Lucian Niemeyer, we will begin with you and look forward to your opening statement.

**STATEMENT OF HON. LUCIAN NIEMEYER, ASSISTANT SECRETARY OF DEFENSE FOR ENERGY, INSTALLATIONS AND ENVIRONMENT, DEPARTMENT OF DEFENSE**

Secretary NIEMEYER. I appreciate the opportunity, Chairman Wilson and Ranking Member Bordallo and distinguished members of the subcommittee, to speak to you today about the President's budget and our priorities within that budget.

We look forward to working with the committee to support our defense missions and the quality of life for our members and their family members who are called to sacrifice so much for our country on a daily basis.

First and foremost, we are very grateful to Congress for the recent-enacted Bipartisan Budget Act of 2018 which begins the recovery from the significant impacts of sequestration. We now have a responsibility to ensure and honor the trust of the American people by spending every dollar wisely, and that is our plan.

Early this year, the President released a National Security Strategy which then guided the development of a National Defense Strategy to clearly articulate the threats and challenges our Nation faces.

Our mission is clear. We must be prepared to defend the homeland, to remain the preeminent military power in the world, and advance an international order that promotes security and prosperity.

The strategy confronts the stark reality that the homeland is no longer a sanctuary. The strategy also requires each of us in the Department to drive budget discipline and affordability in order to ensure resources are directed to the highest warfighter requirements.

Our budget priorities presented to you today establishes a foundation to rebuild the agility, resilience, readiness, and lethality of our Armed Forces.

With a clear understanding of the strategy, we have set forth the following objectives that confront the challenges imposed by years of underfunded facility and infrastructure accounts.

First, we are using every program and funding source available to eliminate waste in DOD [Department of Defense] infrastructure. We continue to advocate for adequate funding for installations accounts. We are protecting installations and ranges from incompatible development, and improving combat credibility of our Nation's test and training ranges.

We are enhancing our energy security. We are exploring new opportunities for third-party partnerships. We are working with our military engineer and contracting communities to develop smarter contracts and to execute our contracts smartly. We continue to provide for the welfare of our people and resources through unparalleled environmental stewardship, and occupational safety programs.

And most importantly, we continue and will continue to collaborate with the hundreds of defense communities around the country who support our bases and provide for our troops and their families. I can't emphasize that last point enough. These guiding principles will allow us to provide the resources requested in this budget to achieve real results.

The requested \$10.5 billion in military construction in family housing programs makes significant progress in recapitalizing facilities, but this year's funding, as you both pointed out, will not fully reverse the impact of 6 years' sequestration.

We currently have an unfunded maintenance backlog exceeding \$116 billion. Twenty-three percent of the Department's facilities are in poor conditions. Another 9 percent are in failing condition. My frank assessment to you today is it may be too costly to buy ourselves out of this backlog. We must work to remove unneeded capacity in order to fund higher priorities.



As noted in National Defense Strategy, we continue to reduce excess infrastructure and will work with Congress for options for base realignment and closures.

These efforts will be enhanced by a careful evaluation we are undertaking of how and when we base new forces and new capabilities.

For example, the basing of new hypersonic systems, autonomous vehicles, cyber forces, will have an impact on their lethality. Likewise, there are station implications in the training and deployment of directed energy programs, electronic warfare and artificial intelligence programs.

In lieu of another request this year to authorize a BRAC [base realignment and closure] round, we are reviewing our facility usage. For instance, we must ensure the facilities that were sized for 100 personnel actually have 100 personnel in them. We also have proposed increased efforts to demolish our facilities we don't need. We are reducing leases in order to move back to on-base and into facilities.

Our efforts will get us part of the way, but we need your support for fair, objective, and transparent process for future base realignments and closures.

We are facing other challenges head on. We are managing the impact of increased cost of labor and materials resulting from adverse weather around the country experienced last year on our military construction execution.

We are proactively improving MILCON project delivery and contract management processes to deliver power projection projects on schedule and within budget.

Given the risks documented recently by the Department of Homeland Security, the Department's energy programs are focused on energy security for critical facilities.

We appreciate your support for the energy resilience and conservation improvement program, to improve infrastructure resilience while still maintaining a payback. We are also urgently identifying resources to improve the cyber protection of our facility-related control systems.

The Department's environmental budget supports activities ranging from managing critical habitats to addressing drinking water health advisories to making the best use of limited cleanup dollars.

We are committed to reduce a \$27 billion backlog, which is the second in the entire DOD inventory, while sustaining our reputation as the Nation's premier steward of natural resources and cultural assets.

Our warfighters also need access to unencumbered land, water, and airspace to hone their readiness and lethality without compromising health and safety. We are heavily engaged with other Federal agencies to provide larger and more realistic air and sea ranges with less maneuver restrictions to better simulate battlefields and threats around the world. Our commitment is to provide combat-credible test and training ranges.

In summation, Mr. Chairman and Ranking Member, we have both challenges and opportunities in support of our new National Defense Strategy. We have a determined sense of urgency to

achieve results now, knowing that each achievement deters aggression by our adversaries.

We appreciate congressional support for our military and look forward very much to working with you on our priorities. Thank you.

[The prepared statement of Secretary Niemeyer can be found in the Appendix on page 36.]

Mr. WILSON. And thank you very much, Secretary Niemeyer.

We now proceed to Secretary Phyllis Bayer. And please proceed with your opening statement.

**STATEMENT OF HON. PHYLLIS L. BAYER, ASSISTANT SECRETARY OF THE NAVY FOR ENERGY, INSTALLATIONS AND ENVIRONMENT, DEPARTMENT OF THE NAVY**

Secretary BAYER. Good afternoon, Chairman Wilson. Thank you. Ranking Member Bordallo, other members of the committee, it is an honor to appear before you today to testify on the readiness of the Department of Navy's energy, installations, and environmental portfolio.

I have had the honor and the privilege of serving in this position for about 8 weeks. And while I am by no means fully up to speed on all the issues affecting our infrastructure, our facilities, and our ranges, I have had the opportunity to visit several installations and witness firsthand many of the challenges that our installation professionals are facing.

More importantly, my visits have confirmed my appreciation for the strategic importance and the contributions to readiness that our installations provide.

I strongly believe that readiness begins at our installations, and I understand that my job is all about delivering readiness to the fleet and the operating forces.

I want to start by first thanking you as well for all your support for the fiscal year 2018, the omnibus bill, and we ask for your continued support for the President's fiscal year 2019 budget.

While these additional appropriations are important, and they are very helpful, they won't solve all of our infrastructure problems and the facility-related problems that we have. We have more work to do to properly maintain facilities and modernize our infrastructure to deliver readiness better, faster, cheaper, and in full support of the National Defense Strategy and in support of Secretary Mattis and Secretary Spencer's priorities.

Thank you also for the new authorities that you have provided us. Congressman Bordallo mentioned those. These authorities give our base commanders the flexibility they need to modernize these infrastructures and they can make smart business decisions with greater options available to them. It helps them to be more creative, and that is a good thing.

You have a copy of my written detailed statement; however, I would like to highlight three areas where I am working to improve installation readiness.

First, in the area of safety, and then I will touch briefly on energy and our environmental programs.

The strength of our Navy and Marine Corps team resides in the incredibly talented community of over 800,000 sailors, Marines,

and the civilians and the contractors that support them. And I am truly honored to represent them and to support them here today.

I care about the safety and the health of each and every one of them. Our operational environment is obviously inherently dangerous; however, we must always do everything that we can to ensure that their working environments are safe.

I am committed to enhancing the Navy and the Marine Corps culture of safety and to leverage best practices to do so. The gold standard is that of the OSHA, the Occupational Safety and Health Administration's Voluntary Protection Program [VPP].

It is a program of which I am personally a very big fan. This is a proven effective program that focuses everyone's attention on safety in the workplace, and it works. It keeps our people more safe from mishaps. And I am encouraging all of our installations to enroll in the VPP program to generate a vivid, persistent awareness on safe work practices. A safer workplace will improve our ability to deliver more readiness to the force.

In our energy program, we are working to improve our ability to deliver readiness by making installations more resilient against threats and vulnerabilities, cyber attacks, power interruptions or disruptions.

Our focus is sharp and we are working to ensure that the critical facilities have the appropriate backup power supplies, often using public-private partnerships that leverage the use of other people's talent and money, to ensure that our installations are fortified to deliver readiness.

Regarding our commitment to being good stewards of the environment, we continue to make progress in the area of natural and cultural resource management programs, and in one area that I know is on the minds of many, is that of emerging contaminants.

I want to assure you that I am fully committed to transparency and to keep you and your staffs and your committees—your communities, forgive me, who are our neighbors, fully informed as we address this issue and ensure safe drinking water for all.

Lastly, I want to ask for your support in an important area, and that is protecting our test and training ranges from encroachment.

Today, these ranges face all forms of encroachment. Development, crowded areas, even frequency spectrum. And the Earth is getting more crowded every day. And it is critically important that our sailors and Marines have these ranges where they can practice realistic training and where we can conduct testing in realistic conditions. And when I say "realistic," that is an environment that is as similar to the combat environment that we can possibly make it, so that sailors and Marines can gain the confidence they need and they can be ready for the next fight.

Many of our ranges, land, over the sea, under the water, are threatened by encroachment. These are complicated matters, and they require collaboration and discussion. And while we strive to be compatible with our neighbors, we must always ensure that these valuable national assets are protected and not further impacted by encroachment.

In closing, I realize that the past funding levels forced our leadership to focus only on the most important operational requirements as Congresswoman Bordallo mentioned, and that was the

right thing. However, it did come with a great impact to our shore infrastructure. We have a lot of challenges, and we have a lot of issues, and they are complex. But I am excited to face the challenges, with your help.

I look forward to working with each of you to make this happen. And I appreciate your time, and I look forward to your questions. Thank you.

[The prepared statement of Secretary Bayer can be found in the Appendix on page 60.]

Mr. WILSON. And thank you very much, Secretary Bayer.

We now proceed to Secretary John Henderson. Please proceed with your opening statement.

**STATEMENT OF HON. JOHN W. HENDERSON, ASSISTANT SECRETARY OF THE AIR FORCE FOR INSTALLATIONS, ENVIRONMENT AND ENERGY, DEPARTMENT OF THE AIR FORCE**

Secretary HENDERSON. Chairman Wilson, Ranking Member Bordallo, and distinguished members of this committee, I am honored to represent our American airmen who honorably serve our Nation, and to discuss the Air Force's fiscal year 2019 energy, installations, and environmental budget request.

I have submitted my full written statement for the record, but I would just like to hit a few key points today.

The Air Force fiscal year 2019 President's budget request for infrastructure totals \$8.75 billion. In our request, National Defense Strategy priorities to restore readiness and cost-effectively modernize continue to drive difficult choices across our portfolio.

These choices are necessary to build a more lethal and ready force. Consequently, we chose to accept risk by deferring some infrastructure funding requirements in a deliberate effort to provide the increased funding necessary to accelerate modernization and restore full combat readiness.

To mitigate this risk, we are proactively leveraging an asset management framework to ensure that we are focusing our resources on the right facilities, at the right time, with the right scope of work. To this end, we are developing analytic tools to process huge amounts of data into predictive metrics which will help improve the timeliness and prioritization of our future infrastructure investments.

We are also reforming our business processes to incorporate economies of scale across the infrastructure portfolio. Our intent is to significantly reduce the cost and time required to complete infrastructure projects, while also expanding our overall capacity to deliver when there are funds available.

We continue to use innovative funding tools like enhanced use leases, public-private partnerships, and energy savings performance contracts to support our mission, our airmen, and their families. Looking ahead, we plan to use the additional authorities provided to us in the fiscal year 2017 and fiscal year 2018 NDAA's, which will further assist us in managing our infrastructure more effectively.

Our 2019 budget request includes \$1.78 billion in military construction funds to support urgent combatant commander requirements, the beddown of the F-35 and KC-46, Presidential aircraft

recapitalization, research and test facilities modernization, and other mission-critical requirements.

Our budget also requests \$3.36 billion in facilities sustainment, restoration, and modernization; \$2.45 billion to operate existing facilities; \$395 million for military housing; and \$680 million to support environmental compliance and restoration.

In total, our fiscal year 2019 infrastructure budget request represents a strategic balance for capability and capacity, and ensures that we are best postured to field a ready and lethal force today while concurrently modernizing for the challenges of tomorrow.

On behalf of our Air Force, please accept our sincere thanks for your demonstrated support to the Bipartisan Budget Agreement which provides much-needed budgetary relief in fiscal year 2018 and fiscal year 2019, and also provides funds for military construction projects that were on our unfunded priority list.

Thank you again for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Secretary Henderson can be found in the Appendix on page 69.]

Mr. WILSON. Thank you very much, Secretary Henderson.

We are grateful now to proceed to the last witness, Acting [Assistant] Secretary of the Army for Installations and Environment, Mr. Jordan Gillis. And please proceed with your opening statement.

**STATEMENT OF JORDAN GILLIS, ACTING ASSISTANT SECRETARY OF THE ARMY FOR INSTALLATIONS, ENERGY AND ENVIRONMENT, DEPARTMENT OF THE ARMY**

Mr. GILLIS. Thank you, sir. Chairman Wilson, Ranking Member Bordallo, and distinguished members of the committee, thank you for the opportunity to discuss the installations, energy, and environmental component of the Army's fiscal year 2019 budget request.

Let me first reiterate what Mr. Niemeyer said in that we appreciate all the hard work behind the Bipartisan Budget Agreement of 2018, and are grateful for the resources that will allow us to begin to recover from the effects of sequestration.

The Army's number one priority is readiness. Army readiness begins on Army installations. We will use our funding to address readiness by prioritizing our investments where we believe we will see the greatest returns and contribute to increases in readiness.

In the near term, sustainment, restoration, and modernization investments will help address the number of facilities we have in poor and failing condition, and make sure that current facilities meet the needs of the force.

More medium-term investing in MILCON will provide new facilities where required. And underpinning it all, investing in energy resilience and addressing our environmental obligations will help ensure we have the installation and land resources we need to train, fight, and win our Nation's wars.

Thank you for the opportunity to come before you today and for your continued support of the soldiers, civilians, and families of the Army. I look forward to working with you and your staffs on this in future years' requests, and I look forward to your questions today.

[The prepared statement of Mr. Gillis can be found in the Appendix on page 90.]

Mr. WILSON. Whoops. Thank you very much for being here today. And I haven't seen somebody so brief in so long. Thank you very much. But I would like to remind each of the subcommittee members that we will adhere to the 5-minute rule for questions of the witnesses.

Beginning with me, and fortunately, we have the leadership of a professional staff member, Andrew Schulman, who will keep the time. And so beginning right now, Secretary Niemeyer, I want to thank you for being here today, and I would like to recognize your many years of service in the Senate as a professional staff member and especially your service as an Air Force officer. And we are grateful to have a veteran of your distinction and your experience in the Pentagon.

We thank you for all that you have done, and continue to do for our Nation. Even before I get to my first question, something that got my attention that you testified was about destructive weather. And last year, and this, any of you, if you know what might have occurred, but with the hurricanes that we had last year that were devastating, whether in the Gulf of Mexico or on the East Coast, is the government self-insured and what were the costs of recovery?

Secretary NIEMEYER. So we submitted an amendment for emergency appropriations. I don't have the exact dollar amount. It went into repair facilities. I can get that for the record.

[The information referred to can be found in the Appendix on page 103.]

Secretary NIEMEYER. We still continue to recover down in Puerto Rico, particularly military installations there, and, to some degree, in Florida. We are in pretty good shape from an operational perspective. As you know, also, the Corps of Engineers is involved in the restoration of power in Puerto Rico. That particular part is being worked directly between FEMA [Federal Emergency Management Agency], the Corps, and the White House on the restoration of power.

But for us, we are in pretty good shape from an operational perspective. We think we got the funding we needed. We still have some repairs we need to do, but we are recovering well. My concern was more the budget climate, the bid climate. There is a lot of work going on down there and the concern is it is going to drive our bids up in other places in the country.

Mr. WILSON. Well, thank you for addressing that. And additionally, thank you for raising, obviously, the Caribbean and how important that is.

Secretary NIEMEYER. Absolutely.

Mr. WILSON. And the installations, whether in the Virgin Islands or back over to Puerto Rico. But do you have everything else? I am going to get—

Secretary NIEMEYER. No worries.

Mr. WILSON [continuing]. A question. You have so much to be thinking about, and then you have that on the side. So how incredible.

And we recognize it may not be practical to ever provide enough funding to eliminate the growing need of backlog for maintenance

of facilities and repairs while simultaneously constructing modern facilities to emerging warfare requirements. This is where I think innovation has to play a key role.

The Congress has enacted numerous provisions over the past few years targeted at accelerating and expanding your authorities to execute construction and repair projects in a timely and cost effective manner.

Could you speak at a strategic level on your priorities and your plan of action to ensure the maximum return on the limited facility investments that you are able to bring to bear? Also, is there anything that Congress can do to help you in achieving those priorities?

Secretary NIEMEYER. I think my fellow witnesses thanked this committee, particularly, for taking the lead over the last few years on allowing some flexibility in how we could use operation and maintenance funds, to be able to address some repurposing of buildings. We think that is absolutely stunning to be able to do that. It allows us to be much more effective in how we use our infrastructure and how we can then reuse our infrastructure. I want to thank the committee for that.

We did get some additional authorities for using funding for restoration of our labs. That is fantastic. And we are moving, not as quickly as we would like to on that, but we are starting to get some traction on some of those projects.

As far as new authorities, Congressman, I would love to work with you and your staff. There are a lot of things I have got ideas on, and I think there are ways we can provide flexibility.

My concern, overarching concern, is to maintain commitment to the American people, that we put our dollars towards the highest priorities. And that is, that is going to be tough to do right now. We do have some challenges in front of us that we have to—we were given a short amount of time—in our operation and maintenance accounts before they expire here on September 30th.

So we are working very diligently to try to provide as much flexibility in the contracting world to allow us to have, to be able to carry out projects in the next 5 months to address those readiness needs.

So I don't necessarily need anything legislatively right now, I just need to be able to execute. And that is what I am working on.

Mr. WILSON. Well, I am encouraged by the flexibility of all of you, and particularly proactively demolition, mothballing, whatever can be done to facilities usage so that, to the benefit of the taxpayer and to our military and military families. So thank each of you. And I now proceed to Congresswoman Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

Mr. Chairman, I hope this doesn't count against my 5 minutes, but I would like to take a moment to acknowledge members of the Guam Chamber of Commerce, who have just arrived. They are members of the Armed Forces Committee and they are here all week with members and staff who are advocating for programs that support our military and enhance the security.

Would you kindly stand? I guess there is just two of them. They are at other meetings.

One is the chairman of the Armed Services Committee and the other is the President of the Guam Chamber.

Thank you very much.

Mr. WILSON. We are delighted that Joe and Ms. Castro are here, so best wishes. And, indeed, now your time begins.

Ms. BORDALLO. All right. Thank you.

I lost my place. I was so excited.

All right. Again, thank you, Mr. Chairman, for my time here. And my first question is for Mr. Niemeyer. And I want to thank him for meeting with the Chamber yesterday.

Secretary NIEMEYER. Yes, ma'am.

Ms. BORDALLO. They were very, very elated after the meeting with you. You gave them hope for the advancement of our military buildup on Guam. Thank you very much, Lucian.

Secretary NIEMEYER. Yes, ma'am.

Ms. BORDALLO. My first question is, the 2006 Defense Policy Review Initiative includes the relocation of 5,000 Marines from Okinawa to Guam by 2026.

Now, as you know, the construction industry in Guam relies on workers hired under the Immigration and Naturalization Act H-2B program [U.S. Department of Labor hiring program] from nearby countries. Without the H-2B workers, the buildup will face significant challenges and postponements.

So I included a provision in last year's defense bill to help address the workforce issue on Guam and am currently working on additional language in this year's bill.

So with that in mind, please confirm that the realignment of Marines to Guam remains a priority for you in the Department of Defense, and moreover, does the Department support additional legislation to ensure a sufficient construction and healthcare workforce is available on Guam to support this realignment?

Secretary NIEMEYER. Yes, ma'am. I really appreciate the question.

I have been in this position for 8 months. Within the first 3 weeks of me assuming this position, I was on a plane to Guam, spent a few days there. Once again, I have been there plenty of times as you know, making sure that our plans are on track and we are addressing the issues. And I spent some time with both the Governor and some other DOD officials making sure what is the impact we are having of recent changes in policy on visa restrictions.

Your work last year was stellar in allowing us at least to free up some visas. I am talking to Governor Calvo's staff, I think we are starting to see a little flexibility starting to break free. As you know, we share your concern that it did not go far enough. We are still committed to a One Guam approach, that what we are working with the Department of Defense not only affects our national security on Guam but also works with our neighbors, our community, too.

So we fully support, we know you have another bill pending. And hopefully we will see that through to expand that visa requirements or some of the, extend the visa H-2B program to include other than just support for military construction. We believe the



entirety of the Guam economy, a vibrant Guam economy is actually a national security priority and we support you on that.

Ms. BORDALLO. Thank you, Assistant Secretary. This means a great deal for us. We have been at this since 2003 so it has been a long, long time, and we are now progressing.

My next question is for Assistant Secretary Bayer. I had the opportunity to meet with her the other day. And she, too, is very supportive of our move to—the Marines to Guam. So I want to continue. My question to you, Secretary Bayer, is to monitor the progress of the MEC [munitions and explosives of concern] clearance operations, and its impact on the costs and the schedule of military construction projects on Guam.

While I noted late last year the Navy issued waivers for three specific projects, these waivers were for projects that were either completed or nearly so, and the committee continues to remain concerned about the progress and the Navy's way ahead.

So can you please provide an update on the steps the Navy is taking to reduce the impact to the cost and the schedule of military construction projects?

Will you also commit to working with all stakeholders to minimize the impacts of the MEC clearance requirements on the Marine Corps relocation to Guam?

Secretary BAYER. Yes, ma'am, Congresswoman Bordallo, absolutely. I will answer your second question first. Yes, you absolutely have my commitment to work and stay focused on the cost and the schedule.

This is an important issue for a lot of us over here on this side of the table. Just last week, Mr. Henderson asked us for some help on trying to expedite progress on construction. And we got together and had a very good discussion on the very latest of what is going on with the munitions of explosive content, with the MEC.

What we have learned is that some additional people have been added to the workforce there, so we think that that is going to be a big help. I shared that with you in the office the other day. And what we also learned is that the explosives safety survey that was being used for the clearance process is being updated.

And not only that, it is being updated for 16 areas, which we think the survey now is going to give better fidelity to the people on the ground so that they can give the information to the construction workers quicker, and they can clear areas faster.

So we are focused on it, as is Mr. Henderson, and you have my commitment to continue to do so.

Ms. BORDALLO. Thank you very much. And I only have 6 seconds left. So will there be a second round, Mr. Chairman?

Mr. WILSON. Yes, ma'am.

Ms. BORDALLO. Thank you. And I yield back.

Mr. WILSON. Thank you, Congresswoman Bordallo. We now proceed to Congresswoman Elise Stefanik of New York.

Ms. STEFANIK. Thank you, Mr. Chairman.

As all of our panelists noted today, movement of troops and materials is vital to our national security. And I have some concerns at a base that I represent, Fort Drum, which is an Army installation in New York's 21st District.

We have inadequate rail lines. And that infrastructure is critical to supporting the necessary throughput of troops and materials and it is important for training. This is also important when it comes to European infrastructure where plans call for the movement of entire armored brigades via rail.

How is this lack of capacity being mitigated and synchronized when it comes to our operations plans? Acting Secretary Gillis, I will go to you.

Mr. GILLIS. Thank you. I appreciate the question. So the Army has identified four power projection platforms, including Fort Drum, Fort Bliss, Fort Bragg, and Joint Base Lewis-McChord that have significant rail shortfalls that impact mission readiness.

We are currently evaluating our power projection capacity in coordination with applicable operation plans through a recently established power projection working group. This ongoing review will enable an updated optimal investment strategy to modernize the Army's power projection platforms.

Once we have completed and validated the results of that effort, we will certainly work to schedule a briefing for you and other committee members, as required. But power projection platform infrastructure requirements are nested in the Army's overall installation readiness framework. And we understand, for us as well as you, those are high priority items.

Ms. STEFANIK. Thank you for that. This is an extremely high priority, and particularly because Fort Drum is home to the 10th Mountain Division, the most deployed unit in the U.S. Army since 9/11. It is a priority for our base. It is a priority for the Army. And I want to work to make sure that we can make that investment when it comes to our infrastructure and power projection.

My next question is for Assistant Secretary Niemeyer.

Another unique asset that we have at Fort Drum is a renewable energy facility. We have a biomass facility. It means the installation is 100 percent energy secure, and 100 percent renewable.

I would like to hear your comments about that model and the strength of that model, and potentially taking that model and learning from it at other installations across the country.

Secretary NIEMEYER. Yes, ma'am. First of all, what you have done at Fort Drum, is, I think, eventually where we want to get to with the rest of the Department of Defense.

We want to be able to ensure our own power supply that we could potentially, if we need to, come off the grid and continue to power our critical missions. So what you have done there is amazing, and it does serve the model of what both the Army and the Department of Defense is looking at.

We do have some concerns moving forward on tying ourselves to a particular fuel source. As you know, we are running some challenges there with the biomass compared to the cost of natural gas. I think we are going to build off that and look, okay, where do we build some flexibility in there so we are not beholden to just one type of fuel generation source.

And we will be looking to use that model around the country. We definitely are shifting our goals, for in the past we were really focusing on just renewable generation sources. We are now, open up the gates, whatever we feel is most effective, to provide us that en-

ergy security that Fort Drum has, and we are going to use any energy source.

And so it was a great, great project, and we definitely are learning from it on how to make it even better as we move around the rest of the country.

Ms. STEFANIK. And just to delve a little bit deeper. As you are making that cost-benefit analysis, if your prioritization is making these installations energy-secure, I understand some of the cost concerns regarding the biomass facilities at Fort Drum, but it is the model for having long-term certainty and long-term security to make sure that these installations can have access to power when, you know, they are potentially off the grid.

So how do you make that cost-benefit analysis? How do you go about that?

Secretary NIEMEYER. That is a fantastic question. And I am not sure I have the definite answer for you. When I first got into this position that was one of the things we asked ourselves: What is the cost of energy security? What are you willing to pay, 10 percent more, 15 percent more? Where does that get us to, 90 percent reliability, 95 percent? We are still wrestling with that. We are still working on a case-by-case.

I understand your position perfectly that we do have a 99.9 percent reliability. What is that worth and above what we would be paying for market rate right now?

Ms. STEFANIK. And from my perspective, that is worth a lot. And the reason why it is worth a lot, is because we are looking at that as a model for other bases. So I just want to reiterate why this is an effective model at Fort Drum and why it is worth the investment. And with that, I have no further questions. Thanks.

Mr. WILSON. Thank you very much, Congresswoman Stefanik.

We now proceed to Congressman Salud Carbajal of California.

Mr. CARBAJAL. Thank you, Mr. Chair. Mr. Henderson, I have the honor of representing Vandenberg Air Force Base.

My question is in regard to the Air Force's decision to deactivate all Air Force firefighters that are nationally registered emergency medical technicians [EMTs] and firefighter paramedics by rendering their license to operate at medical emergencies as inactive.

As I have indicated in my letter to Secretary Wilson, I am extremely concerned, not only about this decision but also the process that was utilized to come to this decision.

It is my understanding that the Air Force established an emergency medical services working group comprised of nine members to address this issue. Eight members were from the surgeon general's office, and only one was from the fire and emergency services.

This means eight out of nine members working in offices not directly involved in the emergency field made decisions that had to do with emergency services on base.

I question as to whether this group had the emergency service experience to make such a decision to reduce the level of emergency medical care to the base population.

For Vandenberg, this Air Force working group determined the base only needed a single \$1 million ambulance contract covering a 97,000-acre Air Force base. Essentially, this single contract war-

ranted the fire departments to be reduced to emergency medical responders.

However, it is my understanding that this decision was made without so much as a site visit, or even a phone call to understand how enormous this base truly is. One ambulance cannot meet the 12-minute time response standard for ALS, also advanced life support, even 10 percent of the time much less the required 90 percent threshold.

Areas such as major space launch complexes and missile defense authority sites on Vandenberg are out of reach for the single ambulance contractor.

The Air Force decision to only require emergency medical responders certification is only setting the bar as low as possible, and it is absolutely unacceptable.

Mr. Henderson, this decision is affecting bases nationwide. I just can't understand why the Air Force would want to take away such an important life-saving capabilities from bases.

These firefighters already have EMT certifications. Why would you want to purposely go in and require EMR [emergency medical responder] certifications?

Secretary HENDERSON. Thank you, Congressman. And first of all, I just, for the committee, I just want to say, the safety and health of our airmen and our families and the people who occupy our installations is of paramount importance to the Air Force.

Since we discussed this yesterday, I just want to let you know that we heard you, and I understand the issues that you have raised, and I completely understand your dissatisfaction with the response that the Air Force provided you in March on this topic.

After we talked yesterday, I went back and discussed this with our staff, and we went through some of the issues that led to that response and to this analysis. And what I have discovered with that is that there is some extremely important issues that you have brought up, and our solution to address them adequately is pretty complex.

So what I would like to do, if it is okay with you, Congressman, is take this for the record, so that we can provide you an informed comprehensive response, because you raised several important issues there. Specifically about Vandenberg, but as you said, this has impacts across their enterprise on, specifically the accreditation for the firefighters and whether they need them or don't need them on specific installations.

So I would go back and relook our process for doing that and look at the issues you raised and provide a response for the record, if that is okay.

[The information referred to can be found in the Appendix on page 103.]

Mr. CARBAJAL. Thank you, Mr. Henderson. I strongly urge the Air Force to stop the transition and reevaluate, as you have stated, the issue and actually talk to the individuals at the base before making further decisions. And I look forward to receiving your follow-up on this.

Thank you very much. Mr. Chair, I yield back.

Mr. WILSON. Thank you, Congressman Carbajal. We now proceed to Congressman Joe Courtney of Connecticut.

Mr. COURTNEY. Thank you, Mr. Chairman. Thank you to the witnesses.

Mr. Niemeyer, I am trying to, again, understand the decision that was made to not proceed with BRAC, which again I think is a hard decision given the batting average over the last few years.

Secretary NIEMEYER. Zero.

Mr. COURTNEY. Your testimony on page 16 again, you describe a process of examining usage, demolishing buildings, and then coming back to Congress with options.

So given the fact that, I think, the Department always has the discretion to take down buildings or structures on bases and should, particularly ones that are out-of-date and inefficient, and that we just did have a report back from the Pentagon last October where, again, it was alleged 19 percent overcapacity.

What are we going to be seeing, you know, during the course of this year into next year, you know, we will come back to Congress. Which, it sounds, you know, reading between the lines, that is the plan.

Secretary NIEMEYER. Right. So there was some concerns about the amount of excess capacity we provided in that report last year, 19 percent. It is really tough to go around the military and see 19 percent excess facilities. And it is tough inside the Department to say, look, that is a compelling reason why we need to go ahead and ask Congress for a base realignment closure authorization.

As a military engineer my whole life, I realize that we need to do more work within the installations world to be able to more efficiently capture what is happening with our facilities.

So what we have right now is during years of force drawdown, you had, what, a brigade used to be in five buildings? A brigade leaves. That remaining brigade spreads out into 10 buildings. It looks like it is a fully utilized base, but as an engineer, I know that those facilities are only being half-utilized. I am spending heat, I am spending electricity inefficiently trying to maintain a smaller force.

So we are working right now in the Department through our reform initiative to work with the services. The Marine Corps is already underway. The Army has been doing it for a while and getting better at it. We are trying to get it to be an enterprise look, Okay, let's go back and making sure we are optimally occupying our facilities.

And we are working very diligently on that effort. We are hoping that efforts like that, by being able to capture exactly where we have excess, is enough for us to be able to talk to the Secretary and then have the Secretary come over and talk to you about the fact we probably do need some type of prudent process moving forward.

There is another aspect to this, Congressman. That is, from my perspective, BRAC is not just about saving dollars. Having been through the 2005 round when I was on the Senate Armed Services Committee, we can actually get stronger, we can get more ready, we can get more lethal by being able to consolidate forces, by being able to look at where we might have key realignments.

We have emerging technologies. You know, we didn't have unmanned systems back in 2005, or very little of them. We didn't have cyber forces. So how do we lay in those new technologies onto

our existing cold water basing structure. Do we even know what a base of the future really should look like?

Those are the types of things that I would like to undertake. So we are taking a pause. We are looking at the National Defense Strategy. We would like to reevaluate to what degree we think moving forward base closures might help us carry out the defense strategy to become more lethal. But we are just, with the National Defense Strategy just coming out 2 months ago, we weren't really, in good conscience, ready to ask Congress for an authorization for BRAC this year.

Mr. COURTNEY. Well, I am impressed with that answer. I mean, it sounds like a very intelligent, smart way to, you know, weed out inefficiencies and excess. But it also sounds like a process that could take, you know, longer than one fiscal year or one calendar year. Right? I mean, there is something like over 300,000 structures, I think, in the U.S., according to one of your predecessors, as I recall vaguely from a prior hearing.

But so and that does makes sense. If there is buildings that should be either abandoned or taken down, you don't need a BRAC to do, you know, individual structures.

So I guess, again, the question is, so is the next Congress, you know, in early 2019 going to get some—is that when you sort of foresee reporting back in terms of a cleaner analysis?

Secretary NIEMEYER. I owe some analysis and some data back to the Secretary of Defense, and then I will allow the Secretary of Defense to make that call where we go from there. Right now, I am working those questions back to the Secretary.

Mr. COURTNEY. All right. Thank you. Well, again, I think that sheds a lot of light for all of us, in terms of, you know, again, an issue that, and this committee obviously is very sensitive. So thank you. I yield back.

Mr. WILSON. Thank you very much, Congressman Courtney. We now proceed to Congressman Anthony Brown of Maryland.

Mr. BROWN. Thank you, Mr. Chairman.

My question is for Mr. Niemeyer. I have a few questions for other panelists, but I will start with Mr. Niemeyer.

It is my understanding there is about \$70 billion of backlog in infrastructure across all the services. Does that sound about right?

Secretary NIEMEYER. We calculate, we throw in a bunch of different factors. We are up over, actually over \$100 billion.

Mr. BROWN. Yeah. Big number.

I want to follow up on some of the, I think your responses to some questions on the Senate side regarding the border wall which, for the purposes of this hearing, I will just refer to as the southern border boundary.

You said that there is—is there an intent to build a 37-mile barrier along the Barry Goldwater Range?

Secretary NIEMEYER. There is an exploration of what options we have for supporting the President's plan. We have not made any decisions. We are still in just the exploration of options. If those options are executed, we would want to come back to Congress, explain what we think we can do, if we can do it, and work with Congress in making sure what can be done.

Mr. BROWN. So then maybe I can test your current understanding.

Secretary NIEMEYER. Sure thing.

Mr. BROWN. You understand that there is not a specific line item authorization for the Department to construct a border barrier at this time?

Secretary NIEMEYER. We have the fiscal year 2018 omnibus appropriations bill provided \$1.6 billion for—

Mr. BROWN. I apologize.

Secretary NIEMEYER [continuing]. Certain replacements and upgrades along the 1,800- or 1,900-mile border.

We know that is all we have right now.

Mr. BROWN. Right. Do you think \$1.6 billion would cover the 37 miles?

Secretary NIEMEYER. Right now, I believe that those funds are dedicated to other segments of the border.

Mr. BROWN. So regarding the 37 miles, you understand that there is not specific line item authorization currently from Congress to the Department to construct a barrier?

Secretary NIEMEYER. Yes, sir.

Mr. BROWN. Okay. There is a minor construction program, I am sure you are familiar with. What is the threshold for that under which you don't need authorization?

Secretary NIEMEYER. Well, the minor construction threshold is, I believe, \$3 million currently, but that is not an authority that we would want to consider here.

Mr. BROWN. Right. That is insufficient to do anything.

Secretary NIEMEYER. There are other emergency authorities that require certain levels of either coordination or proclamations that we are aware of.

Mr. BROWN. What is the maximum amount that you can do under the emergency construction?

Secretary NIEMEYER. Well, under section 2803 the max per year is \$200 million per year.

Mr. BROWN. Right.

Secretary NIEMEYER. And then there is another authorization for national emergencies that does not have a dollar limit.

Mr. BROWN. Right. So it is my understanding that in order to access that authorization, emergency authorization, you would have to identify another project that is authorized and appropriated by Congress from which to take that money, correct?

Secretary NIEMEYER. Not necessarily. We could draw funds from what we call unobligated balances.

Congress provides us, and thankfully so, the flexibility to manage our overall military construction program. So when bids come in less than they should be, we have now that delta, we then put aside to see if we can fund—if we have a bid overage, we can go and fund that.

Mr. BROWN. What is the current amount of that—

Secretary NIEMEYER. Sir, I would have to get that for your record right now what we have for prior and obligated balances. It shifts from month to month as far as—

Mr. BROWN. Is it in the billions?

Secretary NIEMEYER. I don't know if it is quite there yet. The appropriators do a good job of trimming it every year.

Mr. BROWN. I hope you do. I hope they do. I appreciate it, sure, if you could get back to me on what that is.

Secretary NIEMEYER. Yes, sir.

[The information referred to was not available at the time of printing.]

Mr. BROWN. And maybe in writing, if you can outline the response that you just provided me.

Secretary NIEMEYER. Sure thing, sir.

[The information referred to was not available at the time of printing.]

Mr. BROWN. And your most current thinking about the authorizations and the appropriations that you would consider in a building, some or all of that 37-mile barrier at the Barry Goldwater Range.

Thank you. Let's see, another question. I am electronic today.

Mr. Niemeyer, certain financial institutions, banks, not credit unions, but banks, can occupy space, commercial office space on military installations. And it is my understanding that in lieu of a lease payment, they can make an in-kind contribution.

Last year, I believe, or certainly subsequent to this year—I mean, prior to this year, Congress instructed the Department to clarify what an in-kind contribution could consist of. And we were supposed to receive that information on March 1st of this year. To my knowledge, we have not received it. Could you tell me the status of that?

Secretary NIEMEYER. Sure thing. So we have been working on this issue very diligently within the Department of Defense. I have had a couple of meetings on how we define that. I have actually got a draft report ready to go. I had some questions from my general counsel on that particular report. As soon as those questions are clarified, we will be writing to Congress. And I apologize for being late on that.

Mr. BROWN. Just one follow-up, Mr. Chairman. Do you think it will be before we mark up this year's NDAA?

Mr. NIEMEYER. That is my goal.

Mr. BROWN. That is your goal.

Okay. I yield back, Mr. Chairman. Thank you.

Mr. WILSON. Thank you, Congresswoman Brown.

We now proceed to the second round of questions.

And Secretary Niemeyer, you have come up again. And since the inception of the extraordinarily important European Defense Initiative, the Congress has provided nearly \$600 million to support the construction in Europe to prepare for EDI.

The fiscal year 2019 request includes nearly \$800 million in additional funding dedicated to infrastructure in Europe under the European Defense Initiative. This is for roads, for bridges. It is upgrading railway, and maybe particularly to take into account the different gauges between the rail systems of what was the former Soviet empire and the rest of the world. And also, what we are looking for is a positive model in the tradition of the success of Kaiserslautern, Germany.



What does the end state of EDI construction look like? Does the Department have an overall master plan for the European theater working with the European Union?

Secretary NIEMEYER. So this program is absolutely essential. As you know, the Secretary of Defense laid out three overall priorities: restore the readiness of our forces, strengthen alliances around the world, and this program goes directly to his second priority. His third priority was reform how we do business in the Department of Defense.

But we are absolutely committed. This program has been beneficial to us with our nations in Europe, and will continue to allow us to have the flexibility with our partner nations to respond to whatever contingency or scenario may happen there.

As far as long-term plan, you did put some language in the fiscal year 2018 defense authorization asking the Department to come back with a 5-year plan, and how we plan for future investments. We are working to get that over to you. It is really in our policy shop within the Department of Defense, and we will be scheduling a time with you and your staff here in the near term to go over what we believe are long-term plans.

I can't tell you what the end state is going to be. EUCOM, I am sorry, European Command is the primary generator of requirements. As relationships evolve, as nations in NATO [North Atlantic Treaty Organization] change their posture, our requirements may either go down or go up. We are constantly reevaluating those projects, making sure we're executing them on time, and then as new projects arise, we are vetting them through our DOD structure, to determine, okay, what degree they provide support for the Secretary's priorities.

So I would like to take, as far as coming over to you with the plan, I would like to take that for the record and then be able to answer more questions, potentially in a classified setting.

[The information referred to can be found in the Appendix on page 103.]

Mr. WILSON. Well, thank you very much. This is really so important. I am very grateful, as the cochairman of the European Union Caucus, to see the cooperation between the American military, the European Union, and NATO. So, this is absolutely critical for the deterrence and peace through strength in Europe.

I now proceed to Congresswoman Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman.

Each of the Secretaries this afternoon have stated that their top priority is the recovery of military readiness, and we all agree. But as I pointed out in previous hearings, the increases in this year's budget request appear focused on buying new weapons systems, new equipment, rather than sustaining the systems and the facilities that we own today.

So, with infrastructure in particular, I believe the Department has taken far too much risk over the past decade.

So, can you comment on whether you believe this budget adequately invests in your service's military infrastructure and how it will support the recovery of installation readiness, along with the overall readiness of the force?

And I think I would like to start with Secretary Gillis. We haven't asked you any questions yet.

Mr. GILLIS. No, I really enjoy testifying alongside Mr. Niemeyer. That has worked out well for me so far.

Ms. BORDALLO. He is so adequately experienced in every area.

Mr. GILLIS. Well, thank you. I appreciate the question for a change. And I share your concern.

The choices that the Army made were a result of sequestration in the Budget Control Act, and we made the choice that we had to make between readiness and facilities.

I believe now, with the funding in 2018 and 2019 projected, that we are on a much better track. For 2019, our facility sustainment, restoration, and modernization request reflects a \$196 million increase above our 2018 request.

Based on that and requested funding across all the appropriations, the Army plans to address about 8 percent of the \$11 billion backlog that we have talked about in 2019 and ultimately buy that \$11 billion backlog out over the course of 12 years. In addition, our 2019 MILCON budget request is \$234 million over and above our 2018 request.

We believe we are on the right track, but I understand your concerns about the condition of facilities.

Ms. BORDALLO. And Secretary Henderson.

Secretary HENDERSON. Thanks, Congresswoman.

So, for the Air Force, much like the Army, due to the sequestration for the last several years and several of the must-fund requirements that the Air Force is responsible for, not all those requirements took the same hit under sequestration, and some of our support funding mechanisms, especially infrastructure, took an inordinate hit over the last 4 or 5 years.

And so now, as you know, we are probably at an estimated \$33 billion or \$34 billion of backlog for deferred maintenance and costs to our facilities. As Mr. Niemeyer alluded to earlier, I just don't think there is a way we are going to buy our way out of that.

A couple of things that we are doing for a way ahead on this. First, you will see in the fiscal year 2019 budget, we have asked for a 7.7 percent increase in the sustainment part of our facility sustainment, restoration, and modernization. This is a \$209 million increase, and this will, at least, keep the good facilities good.

So the essence of your question was: Is the funding adequate? I would say it is adequate, but it is certainly not enough to buy down the backlog of deferred maintenance that we have. But by keeping up with the sustainment, you know, every dollar we defer in sustainment turns into \$15 of work later. So we are trying to keep up with that for sure.

Secondly, we have substantially increased our planning and design funds this year so that we can increase our capability to ask for more money for infrastructure in fiscal year 2020 and 2021 to meet our facilities requirements there and start to potentially grow, get back at that backlog if the funds are available then.

Third, we have maximized or accelerated our use for enhanced use leases, public-private partnerships, and the new authorities given to us by Congress. So thank you for that. I have several examples of that that we can discuss maybe in follow-on questions.

Ms. BORDALLO. Thank you.

Secretary HENDERSON. We are also leveraging an asset management framework that really focuses on the right facilities at the right time at the right scope. We are rethinking our acquisition strategy.

And so, it is a tough situation that our mission support community is dealing with right now, but we have a great team of engineers and installation managers and acquisition folks and sustainers that are continuing to keep our power projection platforms intact, while the bigger Air Force accelerates the modernization and lethality that we need to fight a high-end war.

Ms. BORDALLO. Mr. Chairman, I would like to hear a quick response from Secretary Bayer and Lucian.

Secretary Bayer, if you would care to answer.

Secretary BAYER. Absolutely, ma'am. We are in about the same situation as you have heard there, obviously.

One of the things, there is a lot of backlog, and I agree that there are probably places that we would eventually say we are going to just cut our losses there. But we are focusing our priorities of where we feel like our priorities are needed. So that is about the smartest thing we can do when we don't obviously have all the money in the world to take care of everything as best as we would like to.

I would say one of the things that I am most excited about is the ability to use the conversion authority. I saw in one place—I think you would be interested in this—where a base commander looked at a facility that he wanted to use for ship repair that was near the berth, and it was being used for something else. So he moved the function of that building to another building. He swapped it. And then he used that authority that you all gave us to repurpose that building to perform the function that he needed to be closer to the berth.

So these are things that I am excited about being able to put the money where it is needed the most, and it gives our base commanders what I mentioned earlier in my statement, the opportunity for creativity. We are hoping to use those more broadly.

Ms. BORDALLO. Thank you, thank you. And Mr. Niemeyer.

Secretary NIEMEYER. Yes, ma'am. OSD, we would love to help them more, although we are not the resources. The services carry out their priorities. I think that is the best thing OSD can do to support that. We do encourage models and programs that allow us to take our limited O&M dollars and put it towards the most urgent requirements to address the most urgent priorities.

Ms. BORDALLO. That makes sense.

Secretary NIEMEYER. So we are dedicating a lot of our effort into making sure that, okay, yes, we are definitely taking a risk in our accounts, but the money we do get is knocking out our most critical facilities.

Ms. BORDALLO. Thank you. And thank you, Mr. Chairman, for being so generous.

Mr. WILSON. Thank you, Ranking Member Bordallo.

We now proceed to Congressman Joe Courtney of Connecticut.

Mr. COURTNEY. Thank you, Mr. Chairman.

Ms. Bayer, I just wanted to touch for a moment on the public shipyard infrastructure situation which the Navy reported back after our NDAA request for an estimate in terms of just what is the task ahead. Again, it was \$21 billion between now and 2040.

Anyone who has visited any of these yards knows without much analysis that these shipyards, particularly with larger *Virginia*-class subs with the payload module extension and the buildup of the Navy in general, the dry docks, they all need to be upgraded.

How do you sort of see—again, it is a long-range plan that was described—but how do you see that sort of fitting in with the budget of the Navy in terms of, in terms of infrastructure and trying to make it all sort of come together?

Secretary BAYER. Thank you, Congressman. It is a long-range plan. And I have been in meetings with Vice Admiral Moore and he is, he and I are thinking the same way, that this optimization plan is phase one, and it is a very good start. But we believe that we have got a lot more work to do. Twenty-one billion dollars is a lot of money. And we, again, want to put that money where it is best needed and can be used to the wisest use.

One of the things that I particularly am a fan of is to look more closely and embrace where we can bring in modern technology, not just to optimize our current work processes, which is what the phase one plan looks at, but that we modernize the way we do our operations. And that would give us more efficient operations.

I have seen evidence of how some corporate private sector companies are using less footprint, but increasing their productivity. I would like to see us do more of that.

I would just comment on the pier up in New London. I am glad to report that there is money in the 2019 budget to begin the planning and design for that. And that is a first start.

Mr. COURTNEY. Well, thank you. Again, obviously, a lot of us on this subcommittee and also on the Seapower Subcommittee are very animated about trying to find ways to get to the Force Structure Assessment's [FSA's] 355-ship Navy. But there is a lot of other factors, whether it is workforce, manpower, and, obviously, infrastructure, that has to sort of also be factored in, or you are going to have a lot of platforms and no money to operate them and no place to repair them.

So I am glad you guys are focused on that, because it really is as much a part of the FSA as the sort of topline numbers.

Secretary BAYER. Absolutely. I would like to just comment very briefly that we have seen where at both Norfolk and at Puget Sound where the rare skill sets, unique skill sets, I should say, that the shipyards themselves are creating training programs where they are bringing in young, talented people and training them on the special skills that we need to grow a workforce. So there are some promising things there and we want to learn and develop that workforce, but we are paying attention to that.

Mr. COURTNEY. Thank you. I yield back.

Mr. WILSON. We now proceed to Congressman Salud Carbajal of California.

Mr. CARBAJAL. Thank you, Mr. Chairman.

Mr. Gillis, as you know, I represent Camp Roberts and SATCOM [satellite communications station]. As we discussed in our meeting

last week, I am concerned about the degradation of the east perimeter road that goes up to SATCOM.

Just to let this committee know, SATCOM is designated as a mission-critical facility, so it is important that it is accessible. The road has been completely destroyed, and it is impossible to drive on the road without damaging your vehicle, at times, and possibly even yourself.

It is my understanding Cal Guard [California National Guard] has met with DOD and expressed this repair as a priority, and requested it to be included in the current fiscal year budget or unfunded request list.

I believe one course of action is to pursue a partial repair by repairing the road between Camp Roberts containment area and SATCOM through the O&M restoration project.

Mr. Gillis, can you provide me your thoughts and any updates on this matter since we last met?

Mr. GILLIS. Yes, sir, I would be happy to. So it is a critical mission at Camp Roberts. The need for or the requirement to repair the road has been surfaced.

We are looking now for a way to fund that in 2019, and would be happy to take for the record and come back to you as we make progress. Basically, trying to figure out the best split of money between the stakeholders involved.

Mr. CARBAJAL. Thank you.

Second question. The Army has set a requirement to be able to secure critical missions by providing necessary energy and water for a minimum of 14 days.

Camp Roberts and SATCOM are currently depending on gas generators as their backup, but has expressed to me that it is critical that we start looking at battery storage, as gas generators can become a problem if they are unable to obtain the gas from local sources.

Talking to your offices, I understand that one of the concerns is the high cost of battery storage. But you all are exploring other ideas, such as microgrids.

Especially in the age where cyber attacks can easily disrupt our energy infrastructures, it is important that we have the capability to protect our military assets and have the capability to isolate ourselves from the grid that can be affected.

Mr. Gillis, in terms of access to battery storage for bases like Camp Roberts, is there something Congress can do? Because at the end of the day, it is about security and resiliency.

In terms of readiness, I can't think of anything more important than ensuring our installations have the capability to operate in any type of domain. Where, in the process, are we with microgrids? How can Congress assist to possibly speed up this process?

Mr. GILLIS. Thank you, sir. I appreciate the question. A couple of things. Microgrids, in general, we are deploying across the Army, and are looking as much as we can to leverage third-party financing mechanisms to do it. The Army has an Office of Energy Initiatives that looks for and seeks out those funding sources so that we can contribute to the increased resilience of Army installations.

What we are trying to address with our 14-day requirement is to maintain that supply of electricity and water to maintain critical

missions. So we are focusing on those critical missions first to try to increase readiness that way—correction—to try to increase resilience that way.

At Camp Roberts, for battery storage in particular, I think battery storage is promising because it continues to decrease in price. We just cut the ribbon on a solar project in Huntsville that incorporates solar and battery storage, and increases resilience at that installation.

So I am encouraged by the future for battery storage.

If I am not mistaken, you have got some solar assets at Camp Roberts. We have engaged the Office of Energy Initiatives to see what can be done to revitalize the sunk cost there and see what we can do to bring that back on line as a resource. And you have got my commitment that we will continue to look to see how we can integrate battery storage into that, as well.

Mr. CARBAJAL. Thank you. Mr. Chair, I yield back, but I do have one more question if we do another round.

Mr. WILSON. Thank you, Congressman Carbajal.

We now go to Congressman Anthony Brown.

Mr. BROWN. Thank you, Mr. Chairman.

This question is for Mr. Gillis. It was a pleasure meeting with you in my office. I would have 10 questions. You answered nine of them. I only have one left.

While Congress has provided significant additional funding in 2018, and I am sure you will see the same in 2019, for various programs and activities across the Army enterprise, many installations don't have sufficient civilian staffing or manpower to manage, execute, administer these programs and activities.

In Maryland, where most of our installations are in support of RDT&E [research, development, test, and evaluation] missions, we have been seeing reductions in installation manpower; some installations, over 30 percent.

My question is: Is there a plan to address these civilian shortfalls? Have you sent it to Congress? If not, when would such a plan be available?

Mr. GILLIS. Sir, I know that there are initiatives underway in the Army. I don't have the visibility on those that would allow me to give you an informed answer. So, if I could, I would like to take that for the record and we will get the right answer and bring it back to you regarding civilian hiring.

[The information referred to can be found in the Appendix on page 103.]

Mr. BROWN. Thank you, Mr. Chairman. I yield back.

Mr. WILSON. Thank you. You are so kind, because now we can hear the final question from Congressman Carbajal.

Mr. BROWN. You didn't get your questions answered in your office?

Mr. CARBAJAL. I was waiting for you to be done.

Thank you, Mr. Chair.

The importance of military departments ensuring installations and energy resilience for critical missions and infrastructure has been raised in the most recent NDAA, as well as referenced in the National Defense Strategy and the National Security Strategy.

"The homeland is no longer a sanctuary," is one quote from the National Defense Strategy in reference to the potential for physical attack, cyber attack, and extreme weather events that could gravely impact our energy-dependent missions.

One of the ways your office is trying to ensure increased resiliency on our installations is through the Energy Resilience and Conservation Investment Program, ERCIP. This program has been successful in creating energy resilience on installations nationwide.

The Army has committed to advancing the capability of systems installations, personnel, and units, to respond to the unforeseen disruptions and quickly recover. This would require the service to adopt flexible and adaptable approaches, and programs like ERCIP helps the Army to do this.

This Nation's military must build resiliency, and this will require more investments into programs like ERCIP.

Mr. Gillis, I wanted to hear your thoughts on this and any additional steps the Army is taking to address this concern of resiliency?

Mr. GILLIS. Yes, sir. ERCIP is an excellent program. We use that to address both energy conservation and energy resilience initiatives.

We believe that energy conservation helps us ultimately achieve resilience more easily. ERCIP is a program that is administered by OSD, by the Department of Defense, and all the services submit projects, and the Army, Air Force, and Navy equally benefit from the existence of the ERCIP program. We prioritize the projects that we submit to that program, and have been very lucky to get very generous funding over the life span of the program.

In addition to ERCIP, we also use energy savings performance contracts and utility energy contracts to use third-party financing and utility industry expertise to increase resilience on our installations.

A couple of examples of those, more recently, is an ESPC [energy savings performance contract] that was awarded to include programmable thermostats, demand control of ventilation, interior-exterior lighting retrofits, and a 4-megawatt combined heat and power plant at Fort Huachuca, reduces energy costs by about 23 percent to the installation, and it helps us achieve some reliability and progress toward energy security.

We have done another UESC [utility energy service contract] at Fort Detrick to centralize boilers, which gives us about \$1.8 million in annualized savings, and an ESPC at Fort Bliss should get us about \$1.3 million in annual savings.

So, those get us improved utilities infrastructures on our installation, which enhances resilience. In addition to ERCIP, ESPC, and UESC, those are three ways that we address it, and I think address it pretty ably.

Mr. CARBAJAL. Thank you. I encourage your efforts to continue in this regard. Thank you.

Mr. Chair, I yield back.

Mr. WILSON. Thank you very much, Congressman Carbajal. Indeed, I have seen the success of the energy savings performance contracts. Best wishes on your continuing.

I want to thank all the witnesses for being here today. Secretary Henderson, please express our best wishes to our former colleague, Secretary Heather Wilson, who I am happy to claim any time as a cousin.

We thank all of you for being here, and each one of you for your service to our Nation. I want to thank Mr. Schulman for his service today, too.

We are adjourned.

[Whereupon, at 3:20 p.m., the subcommittee was adjourned.]



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# **A P P E N D I X**

APRIL 18, 2018

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**PREPARED STATEMENTS SUBMITTED FOR THE RECORD**

APRIL 18, 2018

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**Statement of the Honorable Joe Wilson**  
**Chairman, Subcommittee on Readiness**  
**“Fiscal Year 2019 Energy, Installations and Environment Budget Request”**  
**April 18, 2018**

Good afternoon. The Readiness Subcommittee of the House Armed Services Committee will come to order. I welcome each of you to this hearing the Department of Defense’s fiscal year 2019 budget request for military construction, facilities investment, environmental restoration and compliance, installation energy resilience and other infrastructure issue pertinent to the warfighter and our national security.

Today the subcommittee will hear from our witness about how the Department and the military services are posturing to meet the military infrastructure needs of this nation both today and in the future.

Over the past several years, House Armed Services Committee leadership has led the call to provide the military with the resources needed to counter advances by our adversaries. Regrettably, years of underfunding and substantial budgetary instability have, up until now, hampered those efforts.

I am pleased that the Congress and the Administration have worked together to provide the military what they need to begin to reverse the erosion of our military strength. There is agreement on funding levels for defense for fiscal year ‘19. We have a top line from which to work with, but as General Dunford said late last week in testimony before our full committee, “we cannot reverse a decade-plus of erosion in one fiscal year.”

Today the Readiness Subcommittee meets to hear how this year’s President’s Budget intends to address installation and infrastructure readiness writ large.

Across the spectrum of operations, our military installations are essential to the readiness of the warfighter, their families, and the wholeness of the various missions and support provided by our selfless DOD civilian workforce.

While clear progress is being made in many budgetary fronts, funding across the installations portfolio remains somewhat flat, if not headed in the wrong direction in some cases, which is a cause for concern.

Aggravating the underfunding problem, the cost and complexity of infrastructure required to support modern weapon systems such as 5th generation aircraft is consuming a growing and I believe unsustainable portion of the overall construction top line.

I am committed to working with the Department to achieve reforms that further improve the lethality of our installations to enable our military to be more agile and more efficient. The challenges are great, but working together, we can

ensure that the military has the most relevant and effective infrastructure “backbone” to prepare for what will meet them in the field.

Before I introduce the witnesses, I turn to the distinguished Ranking Member of the Readiness Subcommittee, the gentlelady from Guam, Madeleine Bordallo, for her opening comments.

**Congresswoman Madeleine Z. Bordallo**  
**Readiness Subcommittee Hearing**  
**Fiscal Year 2019 Energy, Installations and Environment**  
**Budget Request**  
**18 April 2018**

Thank you Mr. Chairman, and thank you to our witnesses for being here today. I look forward to hearing how the FY 19 Budget will help the Department overcome deficits in MILCON, facility sustainment, restoration and maintenance programs, environmental and energy programs, and ultimately contribute to military readiness and the security of our nation.

Our military installations provide the platform from which our military is able to project power and build readiness. Maintaining these installations is important for our warfighters and just as important to the quality of life of our service members and their families.

Like Chairman Wilson, I too am concerned by the toll that more than a decade of budget risk and instability has had on the military's installations and infrastructure. We are facing more than a \$70 billion backlog of deferred maintenance and repair on our installations. A number that will continue to grow unless the Department changes its approach to installation investments.

The recent budget agreement has provided additional resources to the Department of Defense for FY 2018 and FY2019. And the Department has indicated its top priority is to use these additional funds to help restore military readiness. However, as we review the budget request I remain concerned that the emphasis has been on procuring new equipment rather than focusing on the O&M and MILCON accounts that support the facilities, maintenance, and training that enables readiness.

Unfortunately, the budget request for the infrastructure accounts seem to support my concern, with funding largely requested at levels below the FY18 amount. Construction is being largely consumed by new mission requirements and Sustainment is well below the OSD directed goal of 90%. So with that in mind, it is my hope that our witnesses can share how the FY19 budget request will help restore the readiness of our military installations and how the Department will leverage the new authorities and flexibilities that have been provided by congress in recent NDAAs.

In addition, I encourage the witnesses to share specific examples of how unpredictable funding contributed to installation management challenges and impacted the quality of life for our force and their families.

I look forward to the discussion we will have today.

Thank you again Mr. Chairman.

**HOLD UNTIL RELEASED**  
**BY THE COMMITTEE**

**Statement of**  
**Honorable Lucian Niemeyer**  
**Assistant Secretary Of Defense**  
**(Energy, Installations and Environment)**

**Before the House Committee on Armed Services**  
**Subcommittee on Readiness**  
**Fiscal Year 2019 Department of Defense Budget Request for**  
**Energy, Installations and Environment**

**April 18, 2018**



### **Introduction**

Chairman Wilson, Ranking Member Bordallo, and distinguished members of the Subcommittee: Thank you for the opportunity to present the President's Fiscal Year (FY) 2019 budget request for the Department of Defense programs supporting energy, installations, and the environment. This is my first time appearing before you and I look forward to working with the committee to support the priorities of the Department and the quality of life for our military members and family members who are called to sacrifice so much for public service.

First, thank you for your continued support for our mission. We are grateful to Congress and the American people for the recently-enacted Bipartisan Budget Act of 2018, which lifts the caps so our military can be resourced at a funding level that begins to reverse the effects of sequestration. The Administration sent Congress a proposed Fiscal Year (FY) 2019 budget request of \$716 billion for national security, \$686 billion of which is for the Department of Defense. We have a responsibility now to honor the trust of the American people by spending each defense dollar wisely to address our most urgent priorities to build a more lethal, resilient, and rapidly innovating Joint Force.

In order to do so, we need a timely appropriation in Fiscal Year 2019 to be fully effective. While the process of Continuing Resolutions instead of spending bills provides Congress with additional negotiating time, the price is paid in stress on the Department through a shortened period to execute contracts for combat capabilities and readiness requirements. Budgetary disruption and instability negatively impact the Department's ability to work efficiently and modernize rapidly.

Earlier this year, the President released a National Security Strategy which guided the development of a National Defense Strategy to clearly articulate the threats and challenges our Nation faces around the world. The objectives of the Department are *"to be prepared to defend the homeland, remain the preeminent military power in the world, ensure the balances of power remain in our favor, and advance an international order that is most conducive to our security and prosperity."* Our FY 2019 budget priorities enable the Department to establish a foundation for rebuilding the U.S. military into a more capable, lethal, and ready Joint Force. Each military service has a distinctive readiness recovery plan and the increases are targeted to advance these plans to improve readiness and increase lethality.

The National Defense Strategy acknowledges that great-power competition has reemerged as the central challenge to U.S. security and prosperity, demanding prioritization and hard strategic choices. *"The future Joint Force will have a modern, flexible, and tailored nuclear deterrent; decisive, globally-capable conventional forces; and competency in irregular warfare. The future force will be lethal and resilient in contested environments, disruptive to adversaries, and competent across the conflict spectrum."*

The strategy confronts the stark reality that the homeland is no longer a sanctuary. America is a target, whether from terrorists seeking to attack our citizens; malicious cyber activity against personal, commercial, or government infrastructure; or political and information subversion. New threats to commercial and military uses of space are emerging, while increasing digital

connectivity of all aspects of life, business, government, and military creates significant vulnerabilities. During conflict, attacks against our critical defense, government, and economic infrastructure must be anticipated and deterred.

The strategy stresses forward force maneuver, resilient posture, and agile logistics. Investments over the next few years will prioritize ground, air, sea, and space forces that can deploy, survive, operate, maneuver, and regenerate in all domains while under attack. Our investments must facilitate the transition from large, centralized, unhardened infrastructure to smaller, dispersed, resilient, adaptive basing that includes active and passive defenses.

Finally, the strategy requires each of us in the Department to drive budget discipline and affordability. Better management begins with effective financial stewardship. As noted in the National Defense Strategy, *“The Department will continue its plan to achieve full auditability of all its operations, improving its financial processes, systems, and tools to understand, manage, and improve cost. We will continue to leverage the scale of our operations to drive greater efficiency in procurement of materiel and services while pursuing opportunities to consolidate and streamline contracts in areas such as logistics, information technology, and support services. We will also continue efforts to reduce management overhead and the size of headquarters staff. We will reduce or eliminate duplicative organizations and systems for managing human resources, finance, health services, travel, and supplies. The Department will also work to reduce excess property and infrastructure, providing Congress with options for a Base Realignment and Closure.”*

Each mission within our energy, installations, and environmental portfolio is directly engaged in the successful execution of this strategy. The DOD representatives before you today provide warfighter capabilities through over 585,000 facilities on more than 500 bases, posts, camps, stations, yards, and centers around the world, with a replacement cost exceeding \$1 trillion, not including the cost of the 27 million acres of land that our installations occupy. We execute the construction of facilities to provide our Combatant Commanders in partnership with our Allies with basing adaptability and deployment flexibility.

Our warfighters need reliable energy to carry out their missions, whether they are out in the field or on base. We spend over \$12 billion annually on fuel and energy, not including investments to enhance the energy security of our critical facilities and assets in the Department. We are also working with other agencies in the Administration to support the President’s goal to accelerate development of all energy sources in ways that are compatible with the preservation of military capabilities.

Our warfighters need access to unencumbered land, water, and airspace to hone their readiness and lethality without compromising health and safety—we invest heavily in programs and achievements to secure access to ranges that support mission-essential activities. We are also heavily engaged with other Federal agencies to provide our warfighters with larger, and more realistic ranges with less maneuver restrictions to better simulate battlefields and threats around the world.

The continued support of Congress, and in particular, this subcommittee, allow us to use the resources provided to enhance the agility, resilience, readiness, and lethality of our forces around the world.

With a clear understanding of the Secretary's intent, we have set forth the following objectives to guide our efforts to carry out the strategy and to confront our challenges posed by years of underfunded facility and infrastructure accounts.

1. We are using every program and funding source available to us to eliminate waste in DOD installations and infrastructure and maintain what we need;
2. We continue to advocate for adequate funding for installation and infrastructure accounts to meet mission requirements and to address risks to safety and readiness;
3. We are working with other Federal agencies, States, and communities to protect installations and ranges from incompatible development and to enhance the combat credibility of our Nation's test and training ranges;
4. We are implementing programs to ensure combat capability, missions, and resiliency by enhancing the energy security of our forces and assets;
5. We are exploring new opportunities for third party partnerships and engaging with industry to determine best practices and innovative solutions for our current challenges;
6. We are working with the military engineering and contracting community to develop smarter contracts, and manage contracts smartly;
7. We continue to provide for the safety and welfare of our people and resources through unparalleled environmental stewardship and occupational safety programs;
8. And last, but definitely not least, we are enhancing our collaboration with the hundreds of dedicated defense communities around the Nation supporting our bases and providing for the quality of life for our troops and their families.

We have a number of high priority issues to review today, including the ongoing improvement and recapitalization of DOD facilities, access to training lands, protecting the health of our force, and ensuring energy resiliency for both our expeditionary forces and installations.

#### **Fiscal Year 2019 Budget Request – Military Construction and Family Housing**

The President's FY 2019 budget requests \$10.5 billion for the Military Construction (MILCON) and Family Housing Appropriation – an increase of approximately \$700 million from the FY 2018 base budget request, inclusive of FY 2018 budget amendments to support the Missile Defense Agency and hurricane recovery requests. This increase supports the Secretary of Defense's guidance. In addition to construction required to bed down new or changing missions,

this funding will also be used to restore and modernize enduring facilities, acquire new facilities where needed, and eliminate those that are excess or obsolete.

While the FY 2019 request makes significant progress in recapitalizing facilities in poor and failing condition, the funding will not in one fiscal year fully reverse the impacts of six years of sequestration. Many of our facilities have degraded significantly from reduced investments in Military Construction, Facilities Sustainment and Restoration and Modernization. The Department currently has an unfunded backlog of deferred maintenance and repair (M&R) work exceeding \$116 billion, and many of our facilities will require significant investment in the future. The stark reality is that it may be too costly to buy ourselves out of this backlog. The Department must ensure that its infrastructure is ideally sized to increase the lethality of U.S. forces while minimizing the cost of maintaining unneeded capacity, which otherwise diverts resources from critical readiness and modernization requirements.

We are requesting \$8.9 billion for military construction (excluding Overseas Contingency Operations funding) across the Services and defense agencies, which is the substantially higher than our previous budget submission. This represents a five percent increase from our FY 2018 request, inclusive of budget amendment requests for a Missile Defense missile field expansion at Fort Greely, AK, and repairs related to the 2017 hurricane season. This request addresses requirements for construction at enduring installations stateside and overseas, and for specific programs such as the NATO Security Investment Program and the Energy Resilience and Conservation Investment Program. In addition, we are targeting MILCON funds in key areas to support the national defense strategy.

1. *Delivery of power projection platforms:* In support of the Secretary of Defense's guidance that increased DOD funding will improve readiness and increase warfighter lethality, the DOD Components applied more than 66 percent of the MILCON budget request to construct operational/training facilities (\$3.5 billion) and maintenance/production facilities (\$1.4 billion).
2. *Combatant Command Priorities:* In support of the Secretary's priority to enhance our relationship with our Allies while providing adaptive basing opportunities for our warfighters, more than \$1.1 billion is included in the President's Budget request (\$291.1 million in the base and \$828.4 million in the Overseas Contingency Operations (OCO) request) to support Combatant Command priorities. Within the OCO request, \$700 million is for MILCON projects supporting the European Deterrence Initiative to improve infrastructure and facilities throughout the European theater to provide our allies, partners, and potential adversaries a clear indication of the United States' long-term commitment to Europe. The improvements support military readiness in the region and improve theater Joint Reception, Staging, Onward Movement, and Integration capabilities.
3. *Homeland Defense:* The FY 2019 budget request includes \$182 million to support missile defense of the homeland, including \$174 million for the second phase of the Long Range Discriminating Radar System Complex at Clear AFS, Alaska, and \$8 million for the expansion of Missile Field #1 to support two additional ground based interceptors at Fort

Greely, Alaska. We also have dedicated the bulk of our \$150 million Energy Resiliency and Conservation Improvement program (ERCIP) for FY 2019 to projects that will enhance the reliable delivery of power to mission facilities. We believe this program is a critical tool to quickly respond to emerging energy security requirements and request the continued support by the committees for full funding of this account.

The Department is committed to protecting the quality of life for military personnel and their families by ensuring access to suitable, affordable Family and Unaccompanied Housing. The environment in which our forces and their families live has an impact on their ability to do their job, and on the Department's ability to recruit and retain. Quality of life – to include the physical condition of the facilities in which our service members and their families live and work and a safe, healthy environment around and within those facilities – is also critical to support personnel readiness for new and current missions and strategic initiatives worldwide.

While the Department has privatized 99 percent (more than 200,000 units) of our family housing in the United States, our FY 2019 Family Housing budget request includes \$514 million to fund family housing construction at locations where privatization is not feasible or not authorized overseas. In addition, our FY 2019 budget request includes \$1.1 billion for operation and maintenance of government-owned and leased family housing worldwide, to include providing housing referral services to assist military members with their housing needs. This O&M budget request supports more than 34,000 government-owned family housing units, most of which are on enduring bases in overseas locations, as well as more than 7,500 government-leased family housing units where government-owned or privatized housing is unavailable. The requested funding will ensure that U.S. military personnel and their families continue to have suitable housing choices.

The Department also continues to modernize Unaccompanied Personnel Housing to improve privacy and provide greater amenities. The FY 2019 President's Budget request includes \$245.8 million for 8 construction and renovation projects, providing more than 1,690 new or replacement bed spaces that will improve living conditions for trainees and unaccompanied personnel.

Our request also includes \$1.7 million to support administration of the Military Housing Privatization Initiative (MHPI) program as prescribed by the Federal Credit Reform Act of 1990. This includes monitoring MHPI programmatic goals and performance, and risk associated with Federal credit assistance provided for MHPI projects (e.g., government direct loans and limited loan guarantees). The Department continues to work with our MHPI project owners to help ensure the long-term viability of individual projects and the program as a whole. We are continually assessing the impact that changes to the Basic Allowance for Housing may have on project revenue, which covers project operating and maintenance expenses, funds debt payments, and finances the future housing revitalization and recapitalization necessary to provide continued high quality housing for military families and to ensure these projects remain viable throughout their 40-50 year lifespans.

### **Special Considerations**

#### *Cost of labor in a post-storm bid climate and impact on 2018 and 2019 execution*

The 2017 Atlantic hurricane season was one of the most destructive hurricane seasons on record, with over \$1 billion in damage in to DOD facilities. The private sector rebuilding will take years and many billions of dollars while consuming a large portion of the U.S. construction market. As such, the Department's FY 2019 MILCON budget request takes into account the impact on construction costs of a high demand for specialty craftsmen and material prices over the near-term. While the ongoing recovery from last summer's hurricane damage has tightened construction markets and driven up construction prices in the most impacted areas, the Department judges the impacts will last through October 2018, barring a repeat of last summer. As such, we plan on using prior-year bid savings from other MILCON projects to absorb potential bid spikes in FY 2018 in order to avoid delays in the award of critical warfighting requirements. We would appreciate a discussion with the committees prior to a decision to rescind funds from prior-year MILCON accounts which could threaten our ability to award FY2018 priority projects. We do not anticipate needing to adjust FY 2019 MILCON project cost estimates in the affected areas to reflect spikes in construction prices.

#### *Actions planned to mitigate contract cost increases and time delays*

We have undertaken a proactive assessment of recent challenges in MILCON project delivery and program management to improve our performance delivering MILCON projects on schedule and within budget. The Department is implementing reforms in a number of key areas, to include: improving identification of project requirements; enhancing collaboration between resource sponsors, end users, and construction agents to ensure projects meet mission requirements within budget constraints; selecting the best engineering and acquisition strategy to cost-effectively meet mission requirements; identifying risk mitigation measures before cost or schedule changes adversely impact the mission; and increasing awareness and accountability at all levels of management and performance as problems arise. The Department is also consulting with our industry partners to identify commercial best practices to lower costs, save time, measure performance differently, and improve project quality in support of the warfighter.

#### *Further challenges to incremental funding of military construction projects*

The Administration and Congress have competing interests on an incremental funding policy for large MILCON projects. Congressional decisions to reallocate incremental appropriations for a MILCON project results in the need for DOD to defer priorities late in the budgeting cycle in subsequent years in order to include remaining increments in the budget request. Further Congressional incrementation may result in delays to project delivery of critical warfighter requirements.

### **Facilities Sustainment and Recapitalization**

In addition to MILCON, the Department invests significant funds to maintain and repair our existing facilities. Sustainment funding represents the Department's single most important investment in preserving the condition of its facilities. It includes regularly scheduled maintenance and repair or replacement of facility components—the periodic, predictable investments that should be made across the service life of a facility to slow its deterioration, save

resources over the long term, maintain safety, optimize facility performance across its lifecycle, and help improve the productivity and quality of life of our personnel.

These activities have endured funding constraints under the Budget Control Act, forcing Defense Components to accept significant risk in facilities sustainment and recapitalization. Recognizing this, the Military Departments increased Facility Sustainment commitments in the FY 2019 budget request of \$9.1 billion, a 6.3 percent funding increase compared to the Department's FY 2018 budget request.

In addition, Restoration and Modernization funding is used to perform total facility renovations and critical repairs to ensure the facility can support assigned missions. Our FY 2019 budget request includes \$2.8 billion of O&M funding for recapitalization. The combined facility sustainment and recapitalization funding of \$11.9 billion, a slight decrease the FY 2018 request, still reflects an acceptance of significant risk in DOD facilities.

As a result of limited investments in previous budgets for facilities sustainment and recapitalization, 23 percent of the Department's facility inventory is in "poor" condition [Facility Condition Index (FCI) between 60 and 79 percent] and another 9 percent is in "failing" condition (FCI below 60 percent) based on recent facility condition assessment data. This will ultimately result in DOD facing larger bills in the out-years to restore or replace facilities that deteriorate prematurely.

Previous budgets also have limited investment for targeted demolition to eliminate obsolete, inefficient, and underutilized support infrastructure. Without a new Base Realignment and Closure round, DOD has largely been forced to rely on routine demolition or renovation of buildings as part of MILCON projects in order to right size its facility inventory. The Department dedicated some of its additional FY 2019 resources to demolish more unneeded facilities. The FY 2019 budget request includes \$442 million of O&M funding specifically for demolition or conversion of existing facilities and \$65.4 million for MILCON funding to support demolition of assets in conjunction with new construction. In total, almost 30 million square feet of building space will be removed or replaced.

#### **Environmental and Safety Programs**

Restoring military readiness requires that we maintain access to training lands and protect the health of our force. The Department's environmental budget accomplishes these objectives through activities ranging from managing critical habitat and avoiding training restrictions to addressing drinking water health advisories and making the best use of limited cleanup dollars. At the same time, we manage a \$27 billion (and growing) environmental liability, the second largest DOD liability, while sustaining our reputation as the Nation's premier steward of natural resources and cultural assets. The President's FY 2019 Budget requests \$3.4 billion for environmental programs, which is comparable to the FY 2018 request, to continue our efforts in these areas.

We are requesting \$1.3 billion to continue cleanup efforts at the remaining Installation Restoration Program (IRP – focused on cleanup of hazardous substances, pollutants, and

contaminants) and Military Munitions Response Program (MMRP – focused on the removal of unexploded ordnance and discarded munitions) sites. This includes \$1.1 billion for “Environmental Restoration,” which encompasses active installations and Formerly Used Defense Sites (FUDS – sites that DoD transferred to other Federal agencies, States, local governments, or private landowners before October 17, 1986). The remaining \$245 million is for “BRAC Environmental.”

Our focus remains on continuous improvement in the restoration program: minimizing overhead, adopting new technologies to reduce cost and accelerate cleanup, and refining and standardizing our cost estimating. We have improved our relationships with State regulators through increased dialogue, which reduces the number of formal disputes over cleanup levels and allows us to implement cleanup activities in a timelier manner. All of these initiatives help ensure that we make the best use of our available resources to complete cleanup.

**Table 5: Progress Towards Cleanup Goals**

Goal: Achieve Response Complete at 90% and 95% of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, by FY 2018 and FY 2021, respectively			
	Status as of the end of FY 2016	Projected status at the end of FY 2018	Projected status at the end of FY 2021
Army	91%	92%	96%
Navy	82%	83%	89%
Air Force	83%	85%	91%
DLA	86%	88%	96%
FUDS	84%	86%	93%
<b>Total</b>	<b>86%</b>	<b>88%</b>	<b>93%</b>

By the end of 2017, the Department, in cooperation with State agencies and the Environmental Protection Agency, completed cleanup activities at 86 percent of Active and BRAC IRP and MMRP sites, and FUDS IRP sites, and is now monitoring the results. During FY 2017 alone, the Department completed cleanup at over 500 sites. Of the roughly 39,800 restoration sites, almost 33,200 are now in monitoring status or have completed cleanup.

In addition, DOD has made significant progress in the cleanup of our FUDS sites, completing 84 percent of the IRP sites. Despite this progress, 1,700 of the over 5,100 FUDS sites still need to be addressed, many of which are MMRP sites. The Department is evaluating opportunities, such as partnering with landowners at our FUDS sites, to expedite cleanup and make these lands available for development sooner.

While DOD is committed to cleaning up all the remaining sites in a timely manner, many of these sites present complex challenges. New and changing standards require DOD to reprioritize or reopen previous remediation decisions which delays progress. Additionally, some sites have no feasible solution to clean up the contamination, and as a result, the Department is making significant investments in environmental technology to identify new potential remediation methods.



#### Environmental Technology

A key part of DOD's approach to meeting its environmental obligations and improving its performance is the pursuit of advances in science and technology. The Department has a long record of success developing innovative environmental technologies and quickly transferring them from the laboratory to actual use on remediation sites, installations, ranges, depots, and other industrial facilities. These same technologies are also now widely used at non-Defense sites helping the nation as a whole.

While the FY 2019 budget request for Environmental Technology overall is \$172 million, our core efforts are conducted and coordinated through two key programs – the Strategic Environmental Research and Development Program (SERDP – focused on basic and applied research) and the Environmental Security Technology Certification Program (ESTCP – focused on validating more mature technologies to transition them to widespread use). The FY 2019 budget request includes \$77 million for SERDP and \$24 million for ESTCP for environmental technology demonstrations, with an additional \$16 million requested specifically for energy technology demonstrations.

These programs have already achieved demonstrable results and have the potential to increase training land availability by developing more effective management strategies for installation managers, to reduce costs by developing new ways of treating groundwater contamination, and to reduce the life-cycle costs of multiple weapons systems. In the area of Environmental Restoration, we are launching an aggressive initiative to develop more cost-effective treatment options for other newly-identified contaminants in addition to addressing Perfluorooctane Sulfonate (PFOS) and Perfluorooctanoic Acid (PFOA). In the critical area of installation energy, we are focused on proving technology and solutions that cost-effectively improve the energy security of our installations and that protect our energy assets and facilities from cyber attacks.

#### Environmental Conservation and Compatible Development

The Department continues to preserve access to the land, water, and airspace needed to support our mission. As training, testing, and operational activities expand and new weapons systems are introduced, access and use of ranges becomes even more important. The FY 2018 budget request for Conservation is \$419 million. The Department will invest these funds to maximize our flexibility to use lands for military purposes, as well as addressing incompatible land uses beyond our fence lines.

The Department's lands and waters are vital to readiness, but also support a diverse array of fish and wildlife species, including over 400 that are federally protected under the Endangered Species Act (ESA). Managing for healthy and resilient natural landscapes provides the conditions necessary for mission-essential activities, such as reducing fire risks, avoiding wildlife conflicts, and improving range and training area conditions.

Species endangerment and habitat degradation can and does have negative impacts on the mission through regulatory protections. In recent years, there has also been a marked increase in the number species being petitioned and evaluated for listing under the ESA. We have initiated a TIGER TEAM with the Department of the Interior to develop proactive, collaborative conservation initiatives to help prevent additional species of concern to the Department from

being listed under the ESA, and implementing conservation actions to facilitate species recovery and de-listing. As a result of our management, research, and coordination efforts, the Department has regained access to important training lands. For example, our continued cooperation with the U.S. Fish and Wildlife Service (USFWS) and other partners for the conservation of the black-capped vireo at Fort Hood has significantly reduced training restrictions on 73,000 acres, and the species is currently being evaluated for de-listing. Similarly, working with partners in the USFWS and Bureau of Land Management (BLM) in California, the US Marine Corps translocated over 1,000 endangered desert tortoises from newly withdrawn lands at Marine Corps Air Ground Combat Center (MCAGCC), Twentynine Palms. This translocation opened over 160,000 acres for training, filling a critical need to support large-scale Marine Expeditionary Battalion (MEB) exercises. Ongoing management and monitoring efforts will help sustain military readiness.

We have also realized great success and mission benefits from the unique regulatory provisions within the ESA that exclude military lands from critical habitat designations. Building on this success, we will continue to work with our partners at the USFWS and National Marine Fisheries Service, as well as other Federal, State, and non-governmental partners, to develop new and innovative regulatory approaches that streamline processes and provide greater mission flexibility. We will also be working to develop more landscape-scale initiatives to better capitalize on both our on-installation conservation programs and our off-installation conservation partnerships through the Readiness and Environmental Protection Integration (REPI) Program.

*Readiness and Environmental Protection Integration Program*

REPI investments protect training, testing, and operational assets of the Department. As training, testing, and operational activities increase and new weapons systems are introduced, the ability to work with Federal, State, local and private partners to promote compatible development, relieve regulatory restrictions, and leverage resources that sustain critical military capabilities, becomes even more important. Investing in and taking advantage of current opportunities for innovative collaboration is paramount to securing the operational viability of local installations and ranges. REPI is able to directly leverage the Department's investments at approximately one-to-one with those of our partners, effectively ensuring compatible land uses around our installations for half the price. Through REPI's partnering efforts, we can continue to support the warfighter, provide value to the taxpayer, and enhance military readiness and capabilities.

To enable DOD to sustain its national defense mission and to ensure military installations do not become refuges of last resort for threatened, endangered, or at-risk species, the Department has developed an approach that supports land protection beyond installation boundaries. Under this approach, DOD engages with other governmental and non-governmental partners who work with private landowners, to develop initiatives and agreements for protecting properties for the purposes of avoiding or mitigating regulatory restrictions on training, testing, and operations on DOD lands. These efforts ease the on-installation species management burden and reduce the possibility of restricted activities, ultimately providing more flexibility for commanders to execute their missions.

A recent, innovative example of this approach is the Department's Gopher Tortoise Conservation Crediting Strategy, which the Department, the United States Fish and Wildlife Service, and three State agencies finalized in March of 2017. This Strategy seeks to address the conservation of the gopher tortoise, a candidate species for protection under the Endangered Species Act (ESA), thereby providing the regulatory predictability that commanders require to effectively operate at installations and ranges throughout the southeast. Through the 2018 REPI Challenge, a competitive funding process that seeks to cultivate innovative approaches to sustaining military capabilities, the Department seeks to fund similar species crediting strategies that will help reduce existing or future regulatory restrictions to testing, training, and operational activities.

Within the \$424 million for Conservation, \$75 million is directed to the REPI Program. The REPI Program is a cost-effective tool to protect the nation's existing training, testing, and operational capabilities at a time of decreasing resources. In the last 15 years, REPI partnerships have protected more than 510,000 acres of land around 93 installations in 31 States. In addition to the tangible benefits of preserving DOD's existing training, testing, and operational assets, these efforts have resulted in significant contributions to the economic health and recreational opportunities for local communities.

In addition, DOD, along with the Departments of the Interior and Agriculture, continues to advance the Sentinel Landscapes Partnership to protect large landscapes where conservation, working lands, and national defense interests converge – places defined as Sentinel Landscapes. Established in 2013, the Sentinel Landscapes Partnership further strengthens interagency coordination and provides taxpayers with the greatest leverage of their funds by aligning Federal programs to advance the mutually-beneficial goals of each agency.

Since the initiation of the Partnership, agencies from the three Departments have designated seven locations as Sentinel Landscapes. Some of the military's most important installations anchor these Landscapes: Joint Base Lewis-McChord in Washington; Fort Huachuca in Arizona; Naval Air Station (NAS) Patuxent River and the Atlantic Test Ranges in Maryland (Middle Chesapeake Sentinel Landscape); Avon Park Air Force Range in Florida; Camp Ripley in Minnesota; and two consortia of installations in Eastern North Carolina and Georgia. Partnerships at each of these locations are collaborating to preserve, enhance, and protect habitat and vital working lands near military installations in order to reduce, prevent, or eliminate military test, training, and operational restrictions due to incompatible development. At Joint Base Lewis-McChord, Fort Huachuca, and Middle Chesapeake Sentinel Landscapes combined, partners have invested more than \$86 million between Fiscal Years 2013 and 2016 to advance each location's specific military mission and resource conservation goals. Over \$17 million of the total investment during this period has come from State and local governments, whose support for the mission of the Partnership has helped to ensure its success.

In addition to investments made in these areas, partners at each of the Sentinel Landscapes are working collaboratively on innovative approaches to better leverage existing efforts to preserve working lands and promote compatible development. In the Middle Chesapeake and Avon Park Air Force Range Sentinel Landscapes, partners are working to improve efforts to match REPI funds with funding from the other Departments by aligning or merging agency requirements for the acquisition and monitoring of easements and land interests. This unprecedented level of

interagency cooperation will enable the most efficient use of taxpayer funding to protect military capabilities and sustain readiness.

#### **Department of Defense Energy Programs**

Unlike the Department's MILCON and Environmental Remediation programs, where the budget request includes specific line items, our energy programs are subsumed across other accounts, yet are critical to our support for military readiness, resiliency, and agility.

#### **Operational Energy - *"Unleash us from the tether of fuel"***

Operational energy is the energy required for training, moving, and sustaining military forces and weapons platforms for military operations. While energy is an essential component of our warfighting capability, longer operating distances, remote and austere geography, and anti-access/area denial threats are challenging the Department's ability to assure the delivery of fuel. As the ability to deliver energy is placed at risk, so too is the Department's ability to deploy and sustain forces around the globe.

Based on his experience in Iraq, then Lt Gen James Mattis, Director of Marine Corps Combat Development Command, directed researchers in 2005 to identify technological and operational improvements that would "unleash us from the tether of fuel." The operational energy investments in the FY 2019 budget request are focused on reducing that "tether" and increasing the capability of our forces on land, air, and sea.

The FY 2019 President's Budget supports a broad set of investments to ensure lethality in contested environments through resilient and agile logistics. The Department is investing over \$2.8 billion to upgrade and procure new equipment, improve propulsion, adapt plans, concepts, and wargames to account for increasing risks to logistics and sustainment, and enhance how the Department considers energy in developing new capabilities. As the Department responds to changing threats in Europe, the Indo-Pacific, and the Middle East, these initiatives are increasing capability and decreasing risks for warfighters deployed around the globe.

Significant initiatives include:

- **Operational Energy Capability Improvement Fund (OECIF)**: The Department is requesting \$40.6 million in RDT&E funding to support operational energy research programs that improve military effectiveness. Ongoing initiatives include efforts to improve the fuel economy of our tactical vehicle fleets, increase the energy performance of unmanned systems, enhance power and thermal management for high pulse power weapons, and wirelessly transmitting energy in the far field. Our new starts this year include assessments of operational energy science and technology gaps in meeting warfighter requirements over the near-, mid-, and far-term.
- **Operational Risk in Wargames**: To better plan for the impact of operational energy in contingencies, we are actively engaged in supporting war gaming and exercises conducted by the Department. Recently, my office participated the Air Force's Global Engagement wargame, the Army's Deep Futures 17 wargame, as well as the U.S. Pacific Command

Logistics Wargame. Operational Energy staff continuously participate in the planning and execution of the games, as well as the assessment of game results. With the integration of realistic constraints to logistics capacity and threats to our fuel storage and distribution, our efforts will improve Department decision-making in operation plans, concept and capability development, and program investments.

- **Direct Support to the Warfighter:** In coordination with the Combatant Commands and the Military Services, my office works closely with the warfighter to enhance lethality and readiness. We invested \$4 million in 2017 to adapt Service training and education programs in each of the Services to increase operational reach and readiness. We have developed a repository to capture operational energy lessons learned and are using the information we have gleaned to influence warfighters on the effects of their energy decisions on risk, reach, and the readiness of the force. Finally, my team works with AFRICOM, EUCOM, and CENTCOM to decrease risk to operations by leading power assessments resulting in improved power reliability and reduced fuel consumption, which has direct effects on the reduction of vulnerable logistics convoys while providing more operational capability to commanders on the ground.

### **Installation Energy**

Installation energy is the energy used to power our 500 plus permanent installations here in the U.S and overseas, including the fuel used in our 160,000 non-tactical fleet vehicles. Our installation energy bill remains our single largest base operating cost. In FY 2017, we spent \$3.5 billion to heat, cool, and provide electricity to our facilities. To reduce this cost, the Department is pursuing energy efficiencies through building improvements, new construction, and third party financed investments.

The Department of Defense has identified a top priority to ensure that our military capabilities and our ability to protect our Nation's interests are assured through the delivery of reliable and resilient power. Given recent federal reports on the vulnerability of our national commercial electrical grid to emerging threats, we have reviewed the scope of our efforts to concentrate resources on projects which will enhance the resilience of our defense critical and task critical assets. These efforts will include the continued development of distributed energy sources which can be used to power critical missions regardless of the condition of the commercial grid.

The Department's FY 2019 budget request includes approximately \$726 million for investments in energy resilience and energy conservation, most of which are directed to existing buildings. This includes \$576 million in the Military Components' Operations and Maintenance accounts for sustainment and recapitalization projects, which generally involve retrofits to install improved lighting, high-efficiency HVAC systems, double-pane windows, energy management control systems, and new roofs. The remainder (\$150 million) is for the Energy Resilience and Conservation Investment Program (ERCIP), a MILCON account which funds projects that improve energy resilience and security, save energy and water, reduce DOD's energy costs, and most importantly, contribute to mission assurance.

*Energy Resilience and Conservation Investment Program*

Secure access to energy resources on our installations is critical to the execution of the DOD mission. The interdependent and vulnerable nature of existing electric power grids supporting our installations places risk on our mission capabilities and installation security as well as our power projection ability and support to global operations.

ERCIP is one of the Department's key tools to enable more robust energy security. DOD is requesting \$150 million for this program for FY 2019, including \$113 million for energy resilience projects and \$37 million for energy conservation projects. These projects include two microgrid projects, one at Schriever AFB, CO and one at Camp Williams, UT. In addition, the portfolio includes a project at Fort Sill, OK, to construct a new underground electric service connection between an existing substation and a newly constructed substation. This project will support critical missions of our Field and Air Defense Artillery Brigades by eliminating the single point of failure at Fort Sill and providing complete redundancy to critical missions in the event of a power disruption caused by a natural disaster, physical attack, or other event.

These resilience projects have a combined Savings to Investment Ratio (SIR) of 2.26. In other words, every dollar we invest in ERCIP, generates more than two dollars in savings, demonstrating that, in most cases, energy resilience does not have to come at a premium price.

*Energy Resilience Planning and Facilities Energy Management*

In addition to investing in energy resilience projects, the Department is committed to real-world scenario-based planning, including using the results of the North American Reliability Corporation (NERC)-sponsored GridEx and our installation reliability exercises to drive more sophisticated internal testing and investment for resilient infrastructure. This improves our installations' security posture, increases our planning effectiveness, and ensures our ability to continue critical missions in the face of grid power disruptions that could occur due to weather events and/or direct physical or cyber attack. We are also working with the Departments of Energy and Homeland Security to pinpoint the energy needs of critical defense assets and national infrastructure in order to maximize the use of reliable electricity delivered through our national power administrations.

Leveraging strong energy sector relationships of the Critical Infrastructure Partnership Advisory Council, DOD is engaging with industry and Federal interagency stakeholders to identify opportunities to enhance the Department's mission assurance through outside-the-fence solutions. Inside the installation fence, DOD is actively improving data sharing between mission operators and installation owners to use all available technologies that produce energy resilience solutions prioritized by mission, informed by metrics, and validated by results. Furthermore, the Department is working with the Department of Energy to support the early-stage research and development of advanced reactor technologies, including small modular reactors and very small modular reactors. DOD envisions potential future use for very small reactors at remote operating bases and independent strategic sites where an assured source of power aside from the commercial power grid is critical for the delivery of national security missions and capabilities.

Energy resilience includes cybersecurity of Facility-Related Control Systems (FRCS). FRCS supporting Defense Critical Infrastructure (DCI) are essential to perform warfighting

capabilities, execute critical missions, and project power; therefore they are actively threatened by adversaries and are highly vulnerable to cyber security attacks and failures. Malware such as Stuxnet, BlackEnergy, and Crashoverride specifically targeted FRCS and the Ukraine electric grid attack demonstrated the capability to cut power to mission-critical facilities. Risk to missions increase as more devices are connected to networks without appropriate security protections, and poor cyber hygiene persists by system operators without cybersecurity skills. To build a FRCS defense posture, the Department recently began developing FRCS cybersecurity plans to account for the capabilities and resources required to implement cyber security controls on its highest prioritized assets and systems. We will continue to work with the Department's Chief Information Officer and Principal Cyber Advisor toward solutions and resources ensuring FRCS are defensible, survivable, and resilient to operate and sustain critical functions in a cyber-contested environment.

The Military Departments are continuing to implement updated energy resilience policies, which requires plans for energy disruptions and the capability to ensure available, reliable, high-quality, and cyber secure power to continuously accomplish our missions from our installations and facilities. This includes prioritizing installation missions, conducting assessments, and planning and programming energy projects that reduce mission risk by improving energy resilience and security. My office also issued an Energy Resilience: Operations, Maintenance and Testing Strategy and Implementation Guide last year to provide installation commanders, mission operators, and energy managers procedures to ensure that energy generation systems, infrastructure, equipment, and fuel are available and reliable to support critical mission operations on military installations. We will be releasing further guidance this year that enables the Department to identify and align critical mission operations with critical energy requirements and effectively plan outage scenarios, which directly translates energy resilience metrics into tangible improvements in power and fuel resiliency for mission assurance.

The Department's energy efficiency efforts not only contribute to energy resilience by reducing critical loads, but also by lowering our base operating costs, which frees up funds for the warfighter. Since FY 2005, the Department has continued to reduce facility energy usage, freeing up approximately \$5.4 billion for higher priorities. To further improve facilities energy management, my office issued a policy to require the Military Departments to develop Installation Energy Plans (IEP) by the end of FY 2019. These plans directly enable installations to plan and carry out investments to enhance mission assurance for critical facilities.

#### Smart Financing to Promote Energy Resilience

The Department has broad alternative financing authorities that can be leveraged to implement installation energy initiatives that assist in improving energy resilience and mission assurance at our installations at lower cost to the taxpayer. These authorities allow us to use performance-based contracts, power purchase agreements, enhanced use leases, and utilities privatization, among others. Using Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs), private energy firms or utility companies make energy upgrades at our installations and are paid back over time using utility bill savings. Since December 2011, the Department has awarded \$2.6 billion in performance-based contracts, which are expected to save DOD over \$4 billion across the contract terms, which are then used to pay for energy improvement.

Another way the Department leverages its financing authorities is non-Federal financing for large-scale distributed energy projects. This minimizes DOD's capital investment by leveraging smarter contracts that incentivize industry to fund resilient infrastructure improvements. When the business case supports it, the Department is pursuing distributed energy projects with micro-grid-ready applications that enable the provision of continuous power in the event of a disruption. For example, the Army leased land to Hawaiian Electric Company to construct, own and operate an on-site 50 megawatt (MW) multi-fuel/biofuel generation plant at Schofield Barracks, Hawaii. The on-site generation system will enhance the resilience of the Oahu electrical grid and can provide Schofield Barracks, Field Station Kunia, and Wheeler Army Air Field with one hundred percent of their electrical power needs in the event of a power grid disruption. Additionally, at the Pacific Missile Range Facility in Kauai, the Navy signed an enhanced-use lease with a developer to construct an on-site solar plus battery energy storage system that includes infrastructure and contractual rights that allow the Navy to greatly improve power quality and reduce costs during normal operations. During a power disruption, this project will operate as a micro-grid to provide a reliable and continuous source of backup power, directly reducing risk to our mission.

To maximize opportunities for these types of smart contracts, the Department is standardizing project information and streamlining processes to spur investment by the financial services industry. DOD is initiating a study to accelerate adoption of energy resilience projects through a shared risk rating, which incentivizes third parties to seek opportunities that support DOD mission, retains the Department's control over its assets and operations, and improves facility contract execution. This will enable low-cost, high-value contracts that make prudent use of resources and ensure our military's capability, lethality, and readiness.

#### **High Interest Programs Supporting the National Defense Strategy**

##### **Base Realignment and Closure (BRAC)**

As stated in the National Defense Strategy, the Department is working to reduce excess property and infrastructure. To achieve greater performance and affordability, we must ensure that our basing infrastructure is ideally sized to increase the lethality of our forces while minimizing the cost of maintaining unneeded capacity, which diverts resources from critical readiness and modernization requirements. These efforts will be enhanced by a comprehensive enterprise review of how and where we base new forces and capabilities in support of the National Defense Strategy. Emerging technologies such as hypersonic systems, autonomous vehicles, and cyber forces may require new basing concepts. Bases may also need to be assessed in order to optimize the training and deployment of directed energy programs, electronic warfare, and artificial intelligence systems. In lieu of another request for legislation in FY 2019 to authorize an additional Base Realignment and Closure (BRAC) round, we will review our facilities, to include facility usage optimization review to ensure we have a better accounting of excess infrastructure. We also have proposed for FY 2019 increased efforts to demolish unneeded or obsolete facilities over the course of this year. Our collective efforts will allow us to provide Congress with fair, objective, and transparent options for future base realignments and closures, which maximize Department resources while also addressing any outstanding Congressional



concerns.

### **Business Operations Reforms**

In the weeks and months ahead we will relentlessly pursue a host of initiatives that directly contribute to the SecDef's priorities of building a more lethal force, strengthening alliances and attracting new partners, as well as reforming the Department for greater performance and affordability. In particular, the Deputy Secretary of Defense established the Reform Management Group to lead the Department's business operations reform effort. This group, which is led by the Chief Management Officer in close coordination with the Director of Cost Assessment and Program Evaluation, consists of nine cross-functional teams, including information technology, human resources, community services, contracts, real property, testing and evaluation, medical services, logistics and supply, and financial management. They are led by subject matter experts within their respective fields and call upon their experience and relationships within their communities to generate ideas for both immediate and longer term business process improvements.

My Principal Deputy leads the real property management reform team, which is identifying "best business practices" throughout the Department and across the entire Federal Government that can be applied toward increasing resource effectiveness and reducing operating costs on an enterprise-wide basis. Additionally, we are working with local municipalities outside the gates of our military installations to gain insights on the "Smart Cities" movement sweeping the nation that will enable us to expand the use of public-private and public-public partnerships. Further, we are engaging the private sector to identify and, where feasible, adopt "corporate best practices" to enhance the mission assurance of our installations made all the more resilient through the application of innovative solutions provided by emerging technologies and bolstered by the Internet of Things (IoT).

Though the individual teams are responsible for creating opportunities to increase effectiveness, efficiency, and performance throughout the Department of Defense, leadership is responsible for overseeing the execution of these reforms. As we move forward, the Department will be grading the reform efforts based on evolving performance and productivity measures, benchmarked from private sector best practices, with an enduring focus on increased lethality and improved readiness.

### **Protecting and Enhancing our Training and Test Range Infrastructure**

In addition to test and training lands owned by the Department of Defense, we have a close, cooperative relationship with the Department of the Interior to manage public lands and off shore areas for use by DOD. This relationship is crucial to our ability to protect and enhance our test and training capabilities across the country. From time to time, we also have a recurring requirement to renew public land withdrawals in order to continue military operations. This withdrawal renewal process can take up to seven years, significant resources, and extensive man-hours to undertake an exhaustive environmental review and other studies for a land use which has been in place for decades and is still determined to be of critical use by DOD. We also have been identifying locations where the Department would like to expand ranges, which will

significantly improve the combat credibility of our test and training ranges by offering opportunities for more realistic maneuver, attack, and opposing force capabilities. Offering our combatant forces a combined-arms environment more closely resembling what may be encountered in a contingency against a peer competitor is a vital element to increasing the lethality and readiness of our forces. As such, we are actively engaged with the Department of the Interior on improvements to streamline the review process, thereby reducing the time and resources required for execution.

#### **Addressing Perfluorooctane Sulfonate (PFOS) and Perfluorooctanoic Acid (PFOA)**

The investigation and cleanup of PFOS and PFOA in drinking water where previous Department of Defense activities are determined to be the source of the contamination continues to be a top priority for my office. PFOS and PFOA are part of a class of man-made chemicals used in many industrial and consumer products to make products resist heat, stains, water, and grease. In the 1970s, DOD began using aqueous film forming foam (AFFF), which quickly extinguishes petroleum-based fires, but contains PFOS, and in some cases PFOA.

On May 19, 2016, the U.S. Environmental Protection Agency (EPA) issued Lifetime Health Advisories (LHAs) recommending the individual or combined levels of PFOS and PFOA in drinking water be below 70 parts per trillion.

In response, the Department began testing DOD drinking water systems to identify drinking water that exceeded EPA's LHA. DOD has tested all 524 DoD-owned drinking water systems worldwide. As of August 31, 2017, twenty-four DOD drinking water systems tested above the LHA and DOD has followed the EPA advisory recommendations, to include providing consumers bottled water or additional treatment of water. Where DOD purchases drinking water, we identified 12 drinking water systems where the results are above the EPA LHA level. These installations are working with the drinking water supplier to taking appropriate actions (such as providing bottled water) to ensure all personnel receive safe drinking water.

Although the EPA LHA level is only guidance under the Safe Drinking Water Act (SDWA) and is not an enforceable drinking water standard, DOD considers the EPA's LHA toxicity information when assessing risk to human health under its cleanup program. DOD followed a comprehensive approach to identify installations where we have stored or used AFFF containing PFOS or PFOA and suspect there was a release that may impact drinking water.

As of August 2017, DOD has identified 401 active and BRAC installations where there are one or more areas with a known or suspected release of PFOS or PFOA groundwater that may impact drinking water off an installation. The Military Departments are following the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) process. The DoD Components then determine whether there is exposure through drinking water and, if there is exposure, the Departments' priority is to cut off the drinking water exposure. As of August 2017, the Military Departments have sampled over 2,600 groundwater wells for PFOS/PFOA (on 90 installations) with 1,621 sampling results exceeding the EPA LHA. The Military Departments will prioritize sites for further action using a risk-based approach. The Department's fundamental premise in site prioritization is "worse first," meaning the DoD

Components will address sites that pose a greater potential risk to human health and the environment first. These known or suspected PFOS and/or PFOA release areas are in various stages of assessment, investigation, and cleanup. Throughout the CERCLA process, the Department will work in concert with regulatory agencies and communities, and will share information in an open and transparent manner. Now that we have an initial inventory, it may take a few years to determine the potential cleanup costs as we collect information on the nature and extent of the releases. As DOD moves through the CERCLA process, it will be necessary to understand the regulatory cleanup standards for PFOS and PFOA.

We are also taking steps to remove and replace AFFF containing PFOS from our supply system. In January 2016, the Department issued a policy requiring Service-specific risk management procedures to prevent uncontrolled land-based AFFF releases during maintenance, testing, and training activities. The policy also requires the removal and proper disposal of AFFF containing PFOS from the local supplies for non-shipboard use where practical. Each of the Military Departments is taking actions to remove AFFF containing PFOS from the supply system.

In addition, SERDP is addressing environmental issues associated with PFOS and PFOA and the use of AFFF. SERDP researchers are developing technologies to quantify and remediate these substances in both soil and groundwater. SERDP is also researching fluorine-free substitutes for AFFF which meet the military's stringent performance requirements. In FY 2019, ESTCP will initiate demonstrations of existing replacement AFFF formulations at DOD facilities to determine if their performance can meet DOD's needs.

Finally, we are working with EPA and States to address the many challenges that have been identified since the EPA issued the LHA. Likewise, we are working with the Agency for Toxic Substances and Disease Registry (ATSDR) to support the effort to conduct the exposure assessment and health study required by the FY 2018 NDAA. Addressing PFOS and PFOA is a priority for the Department, and we are committed to finding an alternative that meets critical mission requirements while protecting human health.

#### **Focus on the Indo-Pacific Region**

##### *Guam and the Commonwealth of the Northern Mariana Islands (CNMI)*

Our posture in the Pacific must be capable of persistent engagement with all countries in the Indo-Pacific. The National Defense Strategy recognizes that China is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. As the most forward U.S. territories in the Pacific region, Guam and the Commonwealth of the Northern Mariana Islands (CNMI) are critical to countering China's influence. To that end, the Department's has three ongoing initiatives in Guam/CNMI: the Marine Corps relocation from Okinawa to Guam; a CNMI Joint Military Training (CJMT) proposal to develop ranges and training areas on Tinian and Pagan Islands; and the establishment of a Divert and Exercise Airfield on the north side of Tinian International Airport.

The relocation of Marines from Okinawa to Guam, which is estimated to cost \$8.7 billion and involves 5,000 Marines organized as a Marine Air-Ground Task Force (MAGTF), supports the

Department's restructured posture in the Indo-Pacific region and our alliance with Japan. It will better align our forward-deployed forces to enable us to respond quickly and effectively to any contingency threatening regional security, to ensure rapid delivery of humanitarian assistance in response to natural disasters, and to provide a foundation of stability for the continued free movement of trade, investment, and commerce. It will also ensure that we fulfill our commitments to the Government of Japan and the Japanese people to reduce the number of Marines on Okinawa.

The relocation is expected to achieve initial support capability (ISC) in 2024, contingent on affordability and environmental analyses. The FY 2019 budget request includes \$266 million in MILCON and Planning & Design funding, including \$143 million for a multi-purpose machine gun range on Guam. Last year, the Department awarded approximately \$750 million in construction projects, including the foundational \$309 million utilities and site improvement project for the future Marine Corps Base Guam. Approximately \$500 million of these contracts come from Japanese-provided funding. Overall, the Government of Japan has committed \$3.1 billion to fund this relocation and has already transferred \$1.5 billion of its commitment to the U.S. Treasury.

In addition to ranges constructed on Guam for the Marine relocation, the Department is proposing a \$910 million initiative to develop ranges and training areas in the CNMI to increase joint military training capabilities in the Indo-Pacific region. The Marine Corps is leading this initiative on behalf of the U.S. Pacific Command. While the Marines relocating to Guam will use the proposed CNMI ranges and training areas, these two initiatives have independent utility and are being studied under separate environmental analyses.

The Air Force is continuing efforts to establish a divert capability for up to 12 tankers on the north side of Tinian International Airport, at an estimated cost of \$375 million. It will also be used for humanitarian assistance staging, exercises and other aircraft support activities, significantly improving the Air Force's ability to conduct strategic airlift operations and provide humanitarian assistance and disaster relief. For FY 2019, the budget request includes \$51 million to construct a cargo pad and maintenance facility. The CNMI's Commonwealth Ports Authority approved the Air Force's Airport Layout Plan in January and forwarded it to the Federal Aviation Administration for final review and approval, allowing us to kick off land lease negotiations. Those efforts are on-going and we anticipate completion sometime later this year.

*Public Infrastructure in the Commonwealth of Northern Mariana Islands (CNMI)*

U.S. military initiatives are competing with Chinese promises of significant investments in new casinos and hotel construction. As such, public infrastructure assistance is a key component of our strategy to foster commitment and cooperation between the Department and the CNMI.

The Mariana Islands play a critical role in providing a platform for maintaining a significant forward presence in the Indo-Pacific region. However, many parts of the CNMI's infrastructure are more than 30 years old, and some portions date back to the end of World War II. The tropical climate and typhoons, combined with system age and limited maintenance, have degraded the infrastructure even further. To address the mutual requirement for adequate transportation infrastructure, DOD has proposed to partner with the local government and the

local community in the immediate term to carry out civilian infrastructure assistance projects as training activities for military engineering units – a win-win for DOD and the community. For FY 2019, the Department is requesting \$10.5 million in investments via the Office of Economic Adjustment to improve public infrastructure on Tinian. Providing tangible improvements to the local community not only supports our military activities on the island, it demonstrates that DOD is committed to the CNMI's long-term economic growth, advancing Secretary Mattis' goal of strengthening partnerships.

*Workforce Issues in Guam and Commonwealth of Northern Mariana Islands (CNMI)*

Stable economies in Guam and CNMI, underpinned by a sustained labor pool, are critical to the Department's ability to implement the National Defense Strategy and achieve national security objectives in the Indo-Pacific region. However, both Guam and the CNMI are having a difficult time sustaining their workforce due to geographic isolation and a small population base. The initial cost just to get to Guam and or the CNMI is generally prohibitive for the type of laborer needed, and people from the U.S. mainland are historically hesitant to move so far from family and stateside conveniences. These issues will only get worse when Guam's/CNMI's exemption from the otherwise applicable nationwide cap for H-2B nonimmigrant workers and the CNMI-only transitional worker (CW-1) program expires on December 31, 2019. Without long-term access to a foreign labor pool, the economies of these isolated U.S. territories will suffer and the cost of ongoing defense projects could skyrocket beyond their current estimates.

Although Section 1049 of the Fiscal Year 2018 National Defense Authorization Act provided some short-term relief, the Department believes a long-term solution recognizing Guam and the CNMI's unique challenges is necessary.

**Office of Economic Adjustment**

The request of \$70 million for the Defense Office of Economic Adjustment directly funds programs to support and preserve our installations and ranges, including collaborative studies with local communities to ensure compatible civilian development. We also use these funds to study and strengthen the resiliency of supply chains to remain responsive to the needs of our industrial base through fluctuations in procurement activity. The Office is an essential interface to promote constructive and mutually beneficial alliances and partnerships with local communities, States, and territories that provide critical support to our warfighters. These partnerships have fostered an unprecedented level of support and preservation of military installations by States and communities who protect our bases as regional economic engines. The Office also provides funds to ensure that adequate planning and implementation occurs in the expansion of public services and investments to support our existing and growing missions. Maintaining support for this Office is crucial to the continued ability of our installations to safely and securely operate while responding to fluctuations in military activities, and keeping faith with our service members and families by addressing quality of life issues in local defense communities.

### **Military Aviation and Installation Assurance Siting Clearinghouse**

The Military Aviation and Installation Assurance Siting Clearinghouse is the primary office within the Department of Defense charged with the mission to support the expansion of commercial energy development and power transmission in the United States in areas and using methods that are compatible with preservation and safe operation of military activities and capabilities. The Department appreciates the statutory changes made by Congress to Title 49 of the United States Code. The revised authority increases the public visibility of DoD impacts from specific projects, increases State engagement in the impact review process, improves DoD's ability to protect its missions from incompatible energy development, and strengthens installation commanders' ability to highlight potential impacts.

As a result of Congressional direction and our own efforts, we are effectively evaluating the mission impact of commercial energy projects to identify and implement affordable and feasible mitigation solutions where DOD missions might be adversely impacted. In 2017 the Department reviewed over 4,200 applications for energy projects that were forwarded by the FAA, which nearly matched the high number from 2016. Due to the extensive collaboration between our office, local communities, States, and energy developers, no commercial energy project reviewed in 2017 rose to the level of an unacceptable risk to the national security of the United States.

### **Conclusion**

Thank you for the opportunity to present the President's FY 2019 budget request for DOD programs supporting installations, energy, and the environment. We appreciate Congress' continued support for our enterprise and look forward to working with you as you consider the budget request.

**Lucian Niemeyer**  
**Assistant Secretary of Defense for Energy, Installations, and Environment**

Mr. Lucian Niemeyer was appointed by the President as the Assistant Secretary of Defense for Energy, Installations, and Environment on August 2, 2017. In this position, he provides budgetary, policy and management oversight of the Department of Defense's real property portfolio which encompasses 28 million acres, over 500 installations with over 500,000 buildings and structures valued at a trillion dollars. Within this portfolio, he is responsible for enhancing the Department's planning, programs, and military capabilities to provide mission assurance through military construction, facilities investment, environmental restoration and compliance, installation and operational energy resilience, occupational safety, and defense community assistance programs. Mr Niemeyer is also responsible for the policy development and execution of initiatives concerning utilization, consolidation, and optimization of domestic and overseas installations.

Prior to his appointment, Mr. Niemeyer worked in the private sector as the founder of The Niemeyer Group, LLC. He also served from 2003 to 2014 on the professional staff of the United States Senate Committee on Armed Services where he was responsible for a wide portfolio of national security programs, including military installations and ranges, world-wide basing, energy programs, facility privatization initiatives, military budgets, unit readiness, industrial base, and environmental issues. He also provided oversight for military logistics and sustainment programs as well as Air Force and Navy acquisition programs.

Mr. Niemeyer is an Air Force veteran, retiring in 2008 at the rank of Lieutenant Colonel with 15 years of active and 5 years of Air National Guard service working within the installation engineering and military plans community.

Mr. Niemeyer holds a Bachelor of Architecture, from the University of Notre Dame, a Master of Business Administration from The George Washington University, and a Master of National Security and Strategic Studies from the Naval War College.

NOT FOR PUBLICATION  
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SUBCOMMITTEE ON READINESS  
HOUSE ARMED SERVICES COMMITTEE

**STATEMENT OF**

THE HONORABLE PHYLLIS L. BAYER

ASSISTANT SECRETARY OF NAVY  
(ENERGY, INSTALLATIONS AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON READINESS

of the

HOUSE ARMED SERVICES COMMITTEE

18 APRIL 2018

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SUBCOMMITTEE ON READINESS  
HOUSE ARMED SERVICES COMMITTEE



Good morning Chairman Wilson, Ranking Member Bordallo, and members of the Subcommittee. It is an honor to sit before you today with my fellow Service members to testify on the readiness of the Department of the Navy's Energy, Installations and Environment (EI&E) portfolio. As you know, Secretary Mattis directed that the Department of Defense increase readiness, specifically, to produce a more lethal and ready force. In support of that direction, Secretary Spencer focused Department of the Navy efforts toward taking care of our people, improving our processes, and creating greater capabilities in every area of the Navy and Marine Corps fighting force. My remarks will cover how we are aligning with this direction, first in the area of our safety program, and then regarding our facilities, energy and environmental programs.

**Investing in Our People**

The strength of the Navy-Marine Corps team is derived from our outstanding Sailors, Marines, their families and the civilians and contractors who support them. This represents a community of over 800,000 people (Active Duty, Reserve and civilians) each moving about and doing their jobs every day. Because we care about the safety and health of each and every person on our team, it is my goal, and that of Secretary Spencer, to keep them safe and avoid preventable mishaps as they perform their jobs.

We are using technology to enhance our ability to prevent mishaps and working to reach an objective of zero mishaps. The Risk Management Information initiative will comprise a streamlined mishap reporting system, with database consolidation, state-of-the-art analytical innovations, and data capabilities to improve our predictive abilities and in turn, do better to keep Sailors and Marines more safe. Moving forward, I am committed to leveraging the best practices of industry, such as those recognized by Occupational Safety and Health Administration's Voluntary Protection Program. The Department of the Navy has 75 Commands currently pursuing or have achieved the Voluntary Protection Program "Star" status; that is, they achieved injury and illness rates at or below the national average of their respective industries. I am working to increase

the number of commands in the VPP program to create a stronger culture of safety because a safer workplace will create a more efficient, effective and ready force.

**Installations – An Integral Component of Readiness**

Our forces are aligning to the 2018 National Security Strategy and the 2018 National Defense Strategy which require us to sustain and expand our competitive advantage. To do this, we must modernize key capabilities, prioritize speed of delivery, continuously adapt, deliver performance and adopt proven business innovation. That means we must modernize our facilities to better deliver the competitive advantage that the National Defense Strategy requires.

To ensure we win the Great Power Competition, our facilities must operate more efficiently and be equipped with the latest cutting-edge technology, like smart and urban technologies, that will deliver capabilities faster, smarter, cheaper and in a more efficient manner than our adversaries.

Congress has given us a start in the FY18 Omnibus Bill, and with your support for the President's FY19 budget request, we can begin to address our critical facilities and infrastructure needs. This year's \$14.7B budget request includes a 4% increase across appropriations to operate, maintain and recapitalize our installation infrastructure and support functions.

**Military Construction (MILCON)**

The Navy's \$1.907B PB19 MILCON request includes 33 projects, planning and design (P&D) and unspecified minor construction (UMC). Nearly half of the MILCON program (\$824M) is in direct support of new platforms.

The \$906M Marine Corps' PB19 MILCON request includes 16 projects, planning and design (P&D) and unspecified minor construction (UMC). This supports new capabilities and platforms, relocation and consolidation of forces, and meeting of safety and environmental mandates.

**Facilities Sustainment, Restoration and Modernization (FSRM)**

To support warfighting readiness and capabilities, the President's FY19 budget request is \$3.0B to sustain infrastructure for Navy and Marine Corps at 80 and 81 percent, respectively, of the Department of Defense (DoD)'s Facilities Sustainment Model.

The Department has over 90,000 buildings, over 50,000 structures and nearly 20,000 utility assets - in total, over 160,000 facility assets on its 95 installations; an inventory that represents over \$300 billion dollars in plant replacement value. It is a large "house" that we are tending.

Over the last decade, the Department of the Navy took risk with reduced infrastructure funding, capital investments and installation operations to afford warfighting readiness. These lower resource levels have reduced many facility conditions to a point of no return. For example, I am aware of a barracks that has withstood this under-investment for so long, that now rather than asking for funds to repair it, we are forced to request funds to replace the barracks because the underinvestment has left us with structures that are not worth "repair." We must get ahead of facilities management with a commitment to perform necessary preventive maintenance and avoid these kinds of situations. It is wasteful of the taxpayer's dollars; it's demoralizing for Sailors and Marines to live in such poor conditions, and with your help, we can do better.

I ask for your help to fund our full Budget request for the needed maintenance and repair, through the Facilities, Sustainment, Restoration, and Modernization accounts so that that we avoid waiting too long and pay more for these repairs. With steady, stable, predictable funding, we can reconstitute and modernize our facilities and keep these costs at their minimum.

**Base Operating Support (BOS)**

The FY19 BOS request of \$7.95B has remained largely flat since the Budget Control Act in 2013. Base operations at Navy and Marine Corps installations are funded to the acceptable standards necessary to continue mission-essential services. We have enforced low service levels for most installation functions (administrative support, base vehicles, grounds maintenance, janitorial and facility planning) in order to maintain our commitment to warfighting operations, security, family support programs and child development. These measures, while not ideal, are necessary given budget tradeoffs.

**Family Housing**

The family housing budget request of \$419M provides for Navy and Marine Corps family housing operation, maintenance, renovation and construction requirements that support recruitment and retention of Sailors and Marines. The budget supports suitable, safe and affordable housing; it includes the operation, maintenance, recapitalization, leasing and privatization oversight of the Department's family housing worldwide. This will replace 96 homes on NAVSUPACT Andersen for Navy, Air Force and Army families and will support renovation of 44 Junior Enlisted family mid-rise housing units at MCAS Iwakuni. The Department continues to rely on the private sector as the primary source of housing for Sailors, Marines and their families.

**Installation Energy**

Regarding installation energy, the Navy appreciates the changes in the FY18 NDAA that gave us more authority to consider resilience in addition to efficiency in our investment decision. The Department's installation energy security program is focused on readiness and resiliency. As such, we are targeting approximately \$410M of private capital using Energy Savings Performance Contracts (ESPC) and Utility Energy Service Contract (UESC) authorities to leverage savings to pay for resiliency improvements to our existing infrastructure. In addition, the Department is making the investments required to support energy program management and targeted restoration and modernization funds set aside for high priority and quick payback energy projects. Additionally, we are grateful for the \$82M in ERCIP (Energy Resilience and Conservation Investment

Program) funding that will improve installation readiness at five locations (Indian Head, MD; San Clemente, CA; Great Lakes, IL; Isa Air Base, Bahrain; and Albany, GA) and move us toward secure, reliable, and cost effective utility and facility operations.

**Environmental Planning and Protection**

Sustaining realistic training and testing capabilities and the ability to operate unimpeded off our coasts are critical to warfighting readiness and lethality. Our ranges, both offshore and on land, are highly susceptible to encroachment from a variety of sources. While we strive for compatibility, we must ensure our critical military training and testing ranges endure and are not further diminished from encroachment, and therefore we ask for your support of the Department's FY 2019 Readiness and Environmental Protection Integration (REPI) program request.

Regarding environmental planning and compliance, the Navy will continue to build upon our strong relationships with regulatory and community partners to advance the Department's mission along with our commitment to environmental and human health protection. Our FY19 request also maintains our robust Environmental Restoration program at former and current Navy properties.

Environmental readiness is an important enabler of the 2018 National Defense Strategy. We are focused on environmental planning (NEPA) in support of home-basing of key platforms such as EA-18G Growler training at Whidbey Island, Washington, planning for our at-sea ranges worldwide and for establishment of infrastructure and training facilities that support the Pacific rebalance on Guam and in the Commonwealth of the Northern Mariana Islands.

As an example of executing our mission and stewardship responsibilities, we will continue to monitor the over 1,000 desert tortoises that were relocated in 2017 to support Marine Corps air and ground training at Twentynine Palms, California. To maintain our environmentally responsible activities at sea, we will continue to be leaders in ocean research by studying marine mammal response to sound in water. We will also continue

to work closely with the U.S. Fish and Wildlife Service to ensure all compliance requirements for the new Marine Corps Base on Guam are implemented and with the National Marine Fisheries Service to obtain necessary authorizations that ensure uninterrupted training in the open ocean.

The Navy and Marine Corps remain committed to natural and cultural resource stewardship which supports mission readiness and will prioritize implementation of our Integrated Natural Resources Management Plans and Integrated Cultural Resources Management Plans across the Department as a means of facilitating environmental readiness. These plans are a “win-win” that further conservation goals while simultaneously relieving potential encroachment threats that would hamper warfighting readiness.

#### **Environmental - Emerging Contaminants**

We continue to make progress on our efforts to clean up the emerging contaminants perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA). We have implemented a proactive and comprehensive strategy of: 1) sampling on- and off-base drinking water, 2) providing alternate drinking water where necessary, and 3) conducting site investigations and cleanup of soil and groundwater. As of the end of 2017, we prioritized and sampled the most at risk wells, eliminated exposures where found, and ensured our neighbors and Department of Defense personnel are receiving safe drinking water. We are grateful for the \$55M in additional Congressional funding provided in FY18 to accelerate our cleanup response at our active and closed installations and surrounding communities.

#### **Conclusion**

The Department of the Navy continues to carefully and deliberately manage its portfolio to advance Navy and Marine Corps readiness and to improve the safety and quality of life for Sailors and Marines. The Department's FY19 request makes needed investments to support our people and our infrastructure. This budget also preserves

access to critically important training and test ranges and promotes environmentally prudent and safe actions while challenging us to more energy resilient infrastructure.

I look forward to working with Congress to deliver an innovative and resilient program that supports mission success for the United States Navy and Marine Corps, the most formidable expeditionary fighting force the world has ever known. With your help, we will work to ensure our Navy and Marine Corps support the National Defense Strategy and have the ability to project superior naval power across the globe. I appreciate the opportunity to testify before you today and look forward to your questions.

**Phyllis L. Bayer**  
**Assistant Secretary of the Navy (Energy, Installations and Environment)**  
**2/20/2018 - Present**

On Feb. 20, 2018, Mrs. Phyllis L. Bayer was appointed Assistant Secretary of the Navy (Energy, Installations and Environment) (ASN (EI&E)), following her confirmation by the Senate. Her responsibilities include oversight and policy for Navy and Marine Corps facilities sustainment and restoration and modernization; military construction; utilization and disposal of real property; environmental protection, planning and restoration ashore and afloat; conservation of natural resources; the timely completion of base realignment and closures; and safety and occupational health.

Mrs. Bayer most recently served in the Office of the Under Secretary of Defense for Personnel and Readiness as Chief of Staff. As Chief of Staff, she managed policy development that shaped and affected the readiness of over 2.4 million members of the U.S. Armed Forces. Mrs. Bayer previously served as Program Manager in the Office of the Deputy Chief Management Officer, Executive Director of the Defense Business Board and Senior Policy Analyst for OSD Test and Evaluation. Mrs. Bayer is a recipient of the OSD Meritorious Civilian Service Medal, the White House Office of Science and Technology Policy Recognition Medallion, OSD Exceptional Civilian Service Award, OSD Award for Excellence, Department of the Army Superior Civilian Service Award and the Army Achievement Medal.

Mrs. Bayer is a 1986 graduate of the University of Southern Mississippi where she received a Bachelor of Science in Geology. She holds a Master of Science in Geology from the University of Southern Mississippi, a Master of Science in Administration from Central Michigan University and a Master in Science in National Security Strategy from the National War College, Fort Leslie J. McNair, Washington, D.C.



DEPARTMENT OF THE AIR FORCE  
PRESENTATION TO THE SUBCOMMITTEE ON READINESS  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: FISCAL YEAR 2019 ENERGY, INSTALLATIONS AND ENVIRONMENT  
BUDGET REQUEST

STATEMENT OF: THE HONORABLE JOHN W. HENDERSON  
ASSISTANT SECRETARY OF THE AIR FORCE FOR  
INSTALLATIONS, ENERGY AND ENVIRONMENT

APRIL 18, 2018

NOT FOR PUBLICATION UNTIL RELEASED  
BY THE COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES

### Executive Summary

Air Force installations are critical, integral components to support the priorities of the Air Force to build a more lethal and ready force, strengthen alliances and partnerships, and deliver greater, more affordable performance with the right size and mix of agile capabilities to compete, deter, and win. Ready and resilient Air Force installations send a strategic message to our adversaries and allies, signaling commitment to our friends and a credible deterrent to our foes that we can defend the homeland, own the high ground, and project power anywhere, and any time in partnership with our allies.

The Air Force Fiscal Year 2019 President's Budget (FY19 PB) request for infrastructure, totaling \$8.88 billion, is displayed below in Table 1. Numbers include Air Force, Air Force Reserve, and Air National Guard and exclude OCO.

**Table 1**

	<b>FY18 PB<sup>1</sup></b> <b>(million \$)</b>	<b>FY18</b> <b>Enacted</b> <b>(million \$)</b>	<b>FY19 PB<sup>1</sup></b> <b>(million \$)</b>	<b>% Change from</b> <b>FY18 PB</b>	<b>% Change from</b> <b>FY18 Enacted</b>
<b>MILCON<sup>2</sup></b>	\$1,964	\$2,043	\$1,906	-3%	-7%
<i>New Weapon Systems</i>	805	668	887	10%	33%
<i>Existing Mission</i>	767	903	494	-36%	-45%
<i>CCMD</i>	219	204	230	5%	13%
<i>Program Support</i>	173	268	295	71%	10%
<b>FSRM</b>	3796	3934	3364	-11%	-14%
<i>FS</i>	2737	2737	2946	8%	8%
<i>RM</i>	1058	1197	418	-61%	-65%
<b>Facility Operations</b>	2400	2400	2451	2%	2%
<b>Demolition</b>	21	21	30	41%	42%
<b>Housing</b>	403	403	396	-2%	-2%
<i>O&amp;M</i>	318	318	317	0%	0%
<i>Construction</i>	85	85	78	-8%	-8%
<b>BRAC</b>	54	54	53	-2%	-2%
<b>Environmental</b>	703	762	680	-3%	-11%
<i>Environmental Quality</i>	409	409	383	-6%	-6%
<i>Environmental Restoration</i>	294	353	297	1%	-16%
<b>Total</b>	<b>\$9,341</b>	<b>\$9,617</b>	<b>\$8,879</b>	<b>-5%</b>	<b>-8%</b>

**Note 1:** Automated Budget Interactive Data Environment System (ABIDES) Data

**Note 2:** Base only

As in FY18, the FY19 PB continues to reflect a delicate balance across capability and capacity demands. In the FY19 PB, the requirements associated with National Defense Strategy priorities to restore readiness and modernize, in order to build a more lethal force, continue to necessitate difficult choices across the portfolio. Consequently, the Air Force has chosen to accept risk in the infrastructure accounts in order to accelerate modernization and restore full readiness by allocating resources to high priority warfighting requirements by deferring infrastructure sustainment, restoration, modernization, and recapitalization needs.

In an effort to minimize these impacts, we are developing an Installation Health Assessment tool to assist us in establishing predictive metrics for facility conditions and better-targeting limited facility sustainment, restoration, and modernization (FSRM) funds to the most critical projects in a timely manner. Additionally, we are looking at ways to reform how we currently do business by finding economies of scale in this portfolio to significantly reduce the cost and time required to procure these types of projects and expand our overall capacity to deliver them when funds are available.

**Introduction**

Ready and resilient Air Force installations are critical, integral components to support the priorities of the Air Force to build a more lethal and ready force, strengthen alliances and partnerships, and deliver greater, more affordable performance with the right size and mix of agile capabilities to compete, deter, and win. Installations, comprised of both built and natural infrastructure, serve as the power projection and readiness-building platforms for the Air Force's enduring core missions. Ready and resilient Air Force installations send a strategic message to our adversaries and allies, signaling commitment to our friends and a credible deterrent to our foes that we can defend the homeland, own the high ground, and project power anywhere, and any time in partnership with our allies.

The total Air Force Fiscal Year 2019 President's Budget (FY19 PB) request for infrastructure totals \$8.88 billion. This funds military construction (MILCON), facility sustainment, restoration and modernization, housing, legacy Base Realignment and Closure cleanup and our environmental programs. As in FY18, the FY19 PB attempts to balance demands for the capability and capacity needed to restore readiness and increase lethality. This balance is essential to ensuring we are best postured to field a ready force today while concurrently modernizing for tomorrow, an imperative in a dangerous world with violent extremism and increasingly capable near-peer aggressors. Consequently, the Air Force has chosen to accept risk in the infrastructure accounts in order to allocate resources to high priority warfighting readiness and modernization requirements. Unfortunately, deferring these investments will likely increase sustainment and restoration costs over the long-term.

### **Military Construction**

The dynamic global posture and advanced weapon systems required in today's complex security environment demand that our limited military construction budget prioritize efforts to provide infrastructure for new weapon system bed down, acquire research, development, test and evaluation infrastructure, and support Combatant Commander priorities. Thus the FY19 PB funds only our most critical, degraded existing-mission infrastructure.

#### *New Mission Infrastructure*

The FY19 PB request continues the work to modernize our fleet and increase our lethality. This includes infrastructure investment in Air Force weapons system acquisition and modernization programs, including the F-35A, KC-46A, MQ-9 and Presidential Aircraft Recapitalization programs. Achieving initial and full operational capacity depends not only on the acquisition of the aircraft themselves, but also on delivery of the necessary hangars, maintenance and training facilities, airfields, and fuel infrastructure. Included in our MILCON budget is funds for KC-46 flying training unit infrastructure and depot maintenance capability at two locations, the Formal Training Unit (FTU) at Altus Air Force Base, Oklahoma, and the depot maintenance activity at Tinker Air Force Base, Oklahoma. Also included is infrastructure to bed down the F-35A at four locations, Eglin Air Force Base, Florida, Luke Air Force Base, Arizona, Eielson Air Force Base, Alaska, and Royal Air Force (RAF) Lakenheath, United Kingdom; and in preparation for the Presidential Aircraft Recapitalization, funding for the second increment of the hangar and maintenance complex and relocation of the hazardous cargo pad and explosive ordnance disposal range at Joint Base Andrews, Maryland. Finally, our new mission MILCON budget also includes projects at three locations, Creech Air Force Base, Nevada, Shaw Air Force

Base, South Carolina, and Holloman Air Force Base, New Mexico. These facilities will increase the capacity and resilience of the MQ-9 platform and the Airmen who operate them.

*Research, Development, Test & Evaluation Infrastructure*

Our ability to innovate and modernize depends on our Research, Development, Test and Evaluation infrastructure. Thus, in the FY19 PB, we fund the construction of new, state-of-the-art laboratory space at the Massachusetts Institute of Technology's Lincoln Laboratory – a Federally Funded research and development center focused on solving problems with direct national security implications. Additionally, our budget includes requests for a Cyber Test facility at Eglin Air Force Base, Florida, postured for FY19 execution, and two other projects to establish Joint Simulation Environment capabilities at Edwards Air Force Base and Nellis Air Force Base. Lastly, given the National Defense Strategy's call to "accelerate our modernization programs and devote additional resources...to solidify our competitive advantage," the Air Force is excited to leverage new authorities to meet our current and future research, development, and test range infrastructure needs.

*Combatant Command Infrastructure*

This budget request includes funding to address Combatant Command requirements in U.S. Central Command (USCENTCOM), U.S. Pacific Command (USPACOM), U.S. Strategic Command (USSTRATCOM), and U.S. Northern Command (USNORTHCOM). These investments set the stage for future investment across our Future Years Defense Plan (FYDP).

We remain committed to efforts initiated by the U.S. European Command (USEUCOM) in FY15 to reassure North Atlantic Treaty Organization Allies and partners in Europe of the United States' commitment to our security and territorial integrity. The FY19 European Deterrence Initiative (EDI) MILCON program builds on FY18 efforts to set deterrence

conditions in the European theater, and it continues our support for the joint, allied team to quickly respond to any and all aggressive actors in the region. The FY19 EDI MILCON Overseas Contingency Operations investment continues the USEUCOM Commander's FY17 and FY18 efforts to improve infrastructure and enhance prepositioning options for airfields, training, and storage areas in Bulgaria, Estonia, Germany, Hungary, Iceland, Latvia, Lithuania, Luxembourg, Norway, Poland and Slovakia, while expanding the program in Germany, Norway, Slovakia and the United Kingdom. It also includes construction and planning and design funding to support future efforts in the European theater.

Recognizing tensions in the Asia-Pacific region are high and our presence is crucial to long-term regional stability, our FY19 budget request includes infrastructure investments in four countries and territories in the Pacific, including our Pacific Divert initiative in the Commonwealth of the Northern Marianas to enhance our partnerships and regional resilience in support of Asia-Pacific Stability Initiatives. Our budget request also includes construction, planning, and design funding in support of power projection facilities at our hubs in Central Command, investments that will ensure the necessary infrastructure is in place to continue prosecuting operations against the Islamic State and other state and non-state violent extremist organizations in the region, and infrastructure investments that will continue to strengthen our Nation's Nuclear Command, Control and Communications network. Lastly, the Air Force is responsible for providing globally positioned infrastructure to support geographically dispersed operations, infrastructure that does not always fit neatly into one or more of the geographic combatant commander's area of responsibility. For this reason, our FY19 budget includes funds for study, planning, and design of infrastructure in these global seams, with specific

concentration on infrastructure needed to enable effective response across multiple Combatant Commands in adjacent areas of responsibility.

*Existing Mission Infrastructure*

Our budget request includes funds to address our most urgent military construction existing-mission recapitalization needs, including over \$100 million for Air National Guard and Air Force Reserve projects.

**Facility Sustainment, Restoration and Modernization**

In FY19, the Air Force requests funding for Facilities Sustainment, Restoration and Modernization (FSRM), that is approximately 11 percent less than our FY18 PB request (including the Consolidated Appropriations Request). Facilities Sustainment, funded at 80 percent of the OSD modeled requirement, is approximately eight percent higher than the FY18 budget, while Restoration and Modernization is 61 percent lower. Through the application of asset management principles, the Air Force's remarkably constrained FY19 FSRM request continues to focus limited resources on "mission critical, worst first" facilities, prioritizing requirements with the highest consequence and probability of failure. The Air Force continues to accept risk across the FSRM portfolio. In an effort to mitigate this risk, we are developing an Installation Health Assessment tool to assist us in establishing predictive metrics for facility conditions and better-targeting limited FSRM funds to the most critical projects in a timely manner. Additionally, we are looking at ways to find economies of scale in this portfolio in order to significantly reduce the overhead cost and time required to procure these types of projects and expand our overall capacity to deliver them when funds are available.



### **Housing**

To ensure that we are postured to continue taking care of our Airmen and their families, the FY19 President's Budget requests needed funds for military family housing operations and maintenance, and military family housing construction. There is no better way for us to demonstrate our commitment to service members and their families than by providing quality housing on our installations. With 32 housing projects at 63 bases, and an end- state of 53,239 homes, the Air Force family housing is privatized at nearly all stateside locations, including Alaska and Hawaii. We are now focused on long- term oversight and accountability of this portfolio. In FY19, we will be responsible for managing approximately 15,200 government- owned family housing units at our overseas installations,. Our Family Housing Operations and Maintenance request funds our efforts to sustain and improve adequate government- owned units, and our Family Housing Construction request improves 130 government- owned single family and duplex units on Kadena Air Base in Okinawa, Japan and corrects neighborhood parking deficiencies at Royal Air Force Lakenheath, United Kingdom. Combined, these Operations and Maintenance and Military Construction funds will ensure we continue to support the housing needs of our Airmen, their families, and the Army, Navy and Marine Corps teammates we house overseas.

Similarly, our renewed focus on the investment strategy for dormitories will sustain the Department of Defense goal of 90 percent adequate dormitory rooms for permanent party unaccompanied Airmen, while continuing to support Airmen in formal training facilities. The FY19 PB Family Housing Construction request includes two dormitories supporting the F-35 bed down. The first is a student training dormitory at Eglin Air Force Base, Florida, and the second a dormitory at Royal Air Force Lakenheath, United Kingdom.

**Base Realignment and Closure (BRAC)**

The FY19 PB request funds environmental restoration efforts at former installation locations previously closed through the Base Realignment and Closure (BRAC) process. Our BRAC cleanup program focuses on protecting human health and the environment through projects that address legally enforceable requirements and transfer acreage and achieve beneficial reuse of property. The Air Force has transferred more than 98% of BRAC acreage; we plan to complete transfer of the final seven acres of BRAC 2005 properties in the next year, and expect to complete transfer from all previous BRAC rounds by 2024. Even with the cost of environmental clean-up, closing 40 Air Force installations through five BRAC rounds has resulted in billions in net savings. Furthermore, BRAC provides the opportunity to look across the enterprise and strategically reposition forces to improve lethality, readiness, and efficiency. After reviewing the new National Defense Strategy, the Air Force will assess its required force structure and posture to define future infrastructure requirements.

**Air Force Community Partnership Program**

In an effort to “make every dollar count,” we continue to leverage our highly successful Air Force Community Partnership (AFCP) program. This program cultivates “win-win” partnerships between our installations and local communities. It taps into the intellectual capital and innovative spirit of installation and community leaders, to find creative ways to simultaneously accomplish the Air Force mission while enhancing the communities surrounding our bases. The program continues to serve as an invaluable forum for fostering relationships and promoting ways to obtain shared value with our community partners. With 62 installations and

communities now participating in the program, we have implemented more than 300 partnership agreements, generating more than \$51 million in Air Force benefits and \$24 million in community benefits. Installations and communities participating in the AFCP Program now have a well-structured framework and process to develop mutually beneficial partnerships with minimal guidance and oversight. This year, we plan to further expand the program by bringing in more installations and communities, and focusing on initiatives with Air Force-wide applicability. Community partnerships function as an important tool to help minimize the cost of our installations, enhance mission effectiveness, and promote quality of life for Airmen and their families. However, they are not a substitute for the large-scale return on investment opportunities historically achieved through the BRAC process.

#### **Installation Energy**

##### *Mission Assurance through Energy Assurance*

Installation energy is a constraining resource that often requires long, complex, interdependent, and vulnerable logistics tails. Energy resilience can have a significant impact on how the Air Force engages across the full spectrum of operations. To accomplish nearly all of its operational and training missions, the Air Force must ensure reliable and resilient power; without it, our Airmen cannot fly, fight and win. The overarching vision for the Air Force's energy program is "Mission Assurance through Energy Assurance," focused on securing the ability to perform its warfighting mission, even in the face of disruptions to traditional energy sources, while simultaneously optimizing energy productivity through technology and process improvements.

The Air Force focus on achieving mission assurance through energy assurance entails promoting distributed generation and storage capabilities to reduce single point vulnerabilities, evolving to a scenario where the national electric grid serves as the backup, instead of the primary source of electricity at Air Force installations. Consistent with the National Security Strategy, the Air Force is “committed to supporting energy initiatives that will attract investments, safeguard the environment, strengthen our energy security, and unlock the enormous potential of our shared region.” For the Air Force, this means prioritizing projects which improve our energy resilience, followed by those projects which only result in cost savings or renewable project development where the power is going to the electric grid, as opposed to the installation.

The Air Force energy program relies on both direct investment and third-party financing. Direct investment typically comes through FSRM funding, and third-party financing vehicles include Energy Savings Performance Contracts (ESPC) and Utility Energy Service Contracts (UESC). In total, the Air Force awarded 16 ESPC and UESC projects totaling \$470.2 million between Calendar Years 2002 and 2017. To take advantage of existing expertise, the Air Force has also partnered with the Defense Logistics Agency (DLA) and the U.S. Army Corps of Engineers (USACE) to expand its ability to identify and execute third- party performance contracts.

The Air Force continues to explore innovative funding solutions. Our recently introduced Energy-as-a-Service initiative is a groundbreaking concept, especially for the Federal Government. Through this initiative, the Air Force will identify effective, synergistic, and economical means to satisfy energy supply, efficiency, reliability, and resilience requirements. It aims to leverage the capabilities of local utilities and energy solution providers, through

consolidated agreements that assign overall responsibility to invest in, operate, manage, and modernize Air Force energy systems. The Air Force is currently evaluating Request for Information (RFI) responses from industry to explore the potential of this new concept that will break from existing paradigms to help the Air Force achieve its energy vision.

### **Operational Energy**

Air Force Operational Energy breaks barriers by connecting Airmen with technology, data, and innovative thinking to develop and champion energy-informed solutions for the Air Force. Through technology and process improvements, we aim to create an energy optimized Air Force that maximizes combat capability for the war fighter. With operational energy comprising approximately 81 percent of the overall Air Force energy bill, improving how aircraft and aircrews use aviation fuel can generate a significant capability increase.

To improve operational energy performance, the Air Force is requesting operational energy related funding in the FY19 PB, while planning to continue leveraging prior-year Congressional adds. For example, the \$6 million add in the FY18 budget supports collaborative projects which enable work with both major defense companies and small businesses to develop innovative technologies with the highest potential to establish or enhance warfighter capabilities.

To achieve our vision of maximizing combat capability by optimizing operational energy, the Air Force Operational Energy office is organized along four lines of effort: Current Operations, Logistics and Sustainment, Future Operations, and Strategic Engagement.

Current operations analysis focuses on maximizing combat capability by improving enterprise-wide data collection and conducting analysis to leverage an improved understanding of the relationship between mission and fuel use. Key initiatives include stakeholders across the

Air Force enterprise working to develop a fuel data collection strategy and implementation plan, and developing information systems and software applications to address outdated aerial refueling planning tools. For example, the tanker planning tool “Jigsaw” transitioned tanker scheduling for the Al Udeid Combined Air Operations Center from whiteboards to a digital format. Jigsaw has already demonstrated a two percent efficiency increase and scheduling algorithms planned for FY18, optimizing tanker support for combat operations and building an interface to communicate with the Master Air Attack Plan, are projected to further increase efficiency five to ten percent. “Galactic,” a suite of applications for 618th Air Operations Center planners, will address shortfalls in current planning tools enabling planners to develop air refueling mission plans that optimize tanker tasking and routing, bringing not only operational energy efficiencies, but also maximizing the combat and training effectiveness of the each tanker aircraft. Numerous other analyses supporting current operations are underway, including cost of weight analysis to identify inefficiencies introduced by carrying excess fuel, validation of the hypothesis that aerial refueling at speeds closer to receiver max range airspeed can reduce fuel consumption and flight time, saving fuel, increasing fighter aircraft service life, increasing maintenance intervals, and conserving fighter hours for more productive operations like training and combat, and Line-Oriented Efficiency Analyses (LOEA) where subject-matter experts research the operation and maintenance of aircraft to recommend changes or best practices to optimize fuel use while maximizing capability and readiness. LOEAs producing significant efficiencies were performed on E-3, RC-135, and C-5 platforms, and a C-17 LOEA is planned for FY18.

Logistics and Sustainment analysis focuses on improving Integrated Life Cycle Management processes across the Air Force logistics enterprise and fuel supply chain. Examples

include (1) improving engine sustainment processes (e.g. engine washes) and better leveraging new methods for inspection and rework of engine compressor sections to ensure overhauled legacy engines deliver optimized engine performance through the utilization of 21<sup>st</sup> century technologies, (2) conventional and alternative fuel and fuel additive testing, evaluation, and certification to improve resiliency of the jet fuel supply chain, and (3) unprecedented levels of “energy-play” in war game scenarios, i.e., comprehensive analysis of constraints to ensure adequate consideration of 2<sup>nd</sup> and 3<sup>rd</sup> order operational effects of adversaries efforts to target fuel supply chains.

Future Operations analysis guides acquisition policy to ensure Air Force acquisition stakeholders address Operational Energy requirements associated with new and major modification programs, via Energy Key Performance Parameter and the Energy Sustainability Analysis. Future Operations analysis is closely integrated with Air Force Research Laboratories activities to ensure the most promising transition technologies are prioritized. Key initiatives include, but are not limited to, microvanes, finlets, active winglet systems, adaptive flaps, and flight computerized optimization of control surfaces (PEAK Seeking Trim). Of these, microvanes and finlets (aft drag reduction initiatives) hold the greatest promise for immediate impact to the fleet with their low procurement cost, easy installation, and significant reduction in overall energy demand. For example, microvanes on the C-17 reduce aft drag and return a 1% gain in efficiency; fleet wide this equates to savings of more than \$10M per year. Other analyses target innovations for the airframe and power plant, such as lightweight modular armor plating, or synthetic lightweight cargo tiedowns to replace steel chains onboard cargo aircraft. Lightweight tiedowns can save 1,000 pounds per aircraft, increasing mission payload, or reducing fuel cost, as well as the wear on aircraft engines and structures.

Strategic engagement capitalizes on education and training opportunities, and a broad strategic communications strategy, to promote operational energy efficiencies. This includes strategic communications plans, key messaging, and a renewed mission and vision which focus specifically on operational energy initiatives.

### **Environmental Stewardship**

To meet our obligations to protect human health and the environment, the FY19 PB includes funding for Environmental Quality programs, including environmental compliance, environmental conservation, and pollution prevention, Environmental Restoration for cleanup of current installations, including munitions sites and sites closed during previous BRAC rounds, and funds to implement a conservation strategy to ensure all aspects of natural resources management are successfully integrated into the Air Force mission.

#### *Environmental Quality*

With this request, the Air Force ensures a resilient natural infrastructure and maintains sound environmental stewardship by funding compliance with environmental laws. Through our standardized and centralized requirements development process that prioritizes the environmental quality program, we minimize risk to the mission, our Airmen and surrounding communities, and the natural infrastructure. This is a balanced, resource limited approach, adequate to ensure the Air Force has ready installations and continued accessibility to the natural infrastructure needed to support the installations and ranges we rely on every day, and will continue to rely on in the future, to train and operate.

The environmental compliance program focuses on regulatory compliance for our air, water and land assets. Examples of compliance efforts include more detailed air quality



assessments to analyze environmental impacts from Air Force activities, protecting our groundwater by improving management of our underground and above ground storage tanks, hazardous waste management and disposal, and ensuring environmental plans and permits are compliant and up-to-date.

Efforts in pollution prevention include maximizing the diversion of solid waste from landfills to reduce the volume and cost of disposal, while averting contamination of our natural infrastructure, recycling used oil, fluorescent light bulbs and spent solvents, and as supporting our hazardous materials (HazMat) pharmacies to effectively reduce and safely manage the use of hazardous materials. We continue to protect the health of our Airmen and the environment by making investments to minimize hazardous materials usage and hazardous waste disposal through the demonstration and validation of new technologies such as the robotic laser de-painting process on aircraft. Leveraging technologies like the robotic laser minimize negative environmental impacts and risks to Airmen, while enhancing the Air Force mission.

We remain firmly committed to a robust environmental conservation program. Prior appropriations have allowed the Air Force to invest in conservation activities on our training ranges and provide direct support to mission readiness. The conservation program in FY19 builds on past efforts to continue habitat and species management for 125 threatened and endangered species on 53 Air Force installations. This year's budget request also provides for continued cooperation and collaboration with other agencies, like the U.S. Fish and Wildlife Service, to provide effective natural resources management and safeguard military lands from wildfire hazards. Furthermore, the FY19 budget will further the Air Force's implementation of tribal relations policy to ensure the unique trust relationship that the U.S. government currently

shares with tribes continues, and it will provide opportunities to communicate aspects of the Air Force's mission that have the potential to affect tribes.

As trustee for more than 9 million acres of land including forests, prairies, deserts, wetlands, and coastal habitats, the Air Force is very aware of the important role natural resources play in maintaining our mission capability. To maintain military readiness, the Air Force needs realistic test and training environments, which in themselves are ecosystems. Quite simply, if we don't maintain the ecosystems we use to test and train, we will not be able to maintain military readiness. We continue to utilize proactive ecosystem management principles and conservation partnerships with other federal and state agencies to minimize or eliminate impacts on the training mission. We are challenged that as a result of our proactive natural resources management practices, coupled with the restricted access our mission sometimes requires, our installations are quickly becoming the last bastion of habitat for many species currently threatened by the increased development outside installation boundaries.

The Air Force remains firmly committed to responsible environmental stewardship, ensuring compliance with legal requirements, mitigating mission impacts, and reducing risk to our natural infrastructure. We will continue to honor our environmental management practices to ensure the sustainable management of the resources needed to test and train to fly, fight, and win now and into the future.

#### Environmental Restoration

The Air Force remains focused on completing investigations and establishing remedial actions to reduce risk to human health and the environment in a prioritized manner. Ultimately, we seek to make real property available for mission use at our installations, and facilitate community property transfers and reuse at our closed installations.

The Air Force has made significant progress managing this complex program area, with more than 13,500 restoration sites at our active and closed installations (more than 8,300 active and almost 5,300 BRAC). The environmental restoration program (ERP) is on-track to achieve a “response complete status” at 85 percent of ERP sites by the end of FY18 and, 91 percent by the end of FY21.

The new regulatory focus on Emerging Contaminants poses a significant risk management challenge to the Air Force environmental program. Regulatory, Congressional and other requests for information on environmental sampling, mitigation, response actions, and the public health implications of emerging contaminants are on the rise. Characterizing the extent of Air Force environmental releases of emerging contaminants such as PFOS/PFOA, assessing the potential risk and impact to human health and the environment, initiating response actions, and implementing appropriate mitigation measures drive unforeseen, chemical- and site- specific environmental liabilities and program costs, and crosses over Federal agency areas of responsibility. The Air Force response to releases of emerging contaminants from its facilities is a deliberate, science- based and data- driven process that is focused on protection of human health and the environment. It is conducted in accordance with the Defense Environmental Restoration Program, is consistent with the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and the Safe Drinking Water Act, and is carried out in cooperation with appropriate Federal regulators, city and state officials and other stakeholders. On PFOS/PFOA health matters, we are coordinating with the Agency for Toxic Substances and Disease Registry (ATSDR) to address potential PFOS/PFOA public health risks and appropriate Air Force actions. The Air Force supports ATSDR efforts to conduct a nationwide PFOS/PFOA health assessment which includes both non-DoD and DoD communities.

While we will not compromise on the protection of the public, our Airmen and civilian workforce and their families, neither can we endlessly absorb the operational and financial risks of attempting to work with a myriad of unregulated emerging contaminants without some level of certainty that the cost of controlling exposure will have a commensurate public health and operational benefit.

### **Conclusion**

The Air Force again made hard strategic choices while preparing this budget request. We continue to work diligently to strike a delicate balance between capability and capacity, aiming to both improve readiness and modernize to ensure a ready force today and a capable high-end force tomorrow. Our FY19 PB request includes MILCON to support Combatant Command and new weapon system requirements while also investing existing-mission facilities and our research, development, test and evaluation infrastructure. We plan to continue the dialogue on right-sizing our installations footprint to ensure we set the proper course for enabling the Defense Strategy, thereby addressing our most pressing national security issues.

In spite of the fiscal challenges, we remain committed to our Service members and their families. Privatized housing at our stateside installations and continued investment in Government housing at overseas locations will provide our families with modern homes to improve their quality of life now and into the future. We also maintain our responsibility to provide dormitory campuses that support the needs of our unaccompanied Service members. Finally, we continue to carefully scrutinize every dollar we spend. Our commitment to continued efficiencies and right-sized installations will ensure maximum return on the Nation's investment in its Air Force installations.

**John W. Henderson****Assistant Secretary of the Air Force for Installations, Environment and Energy**

The Honorable John W. Henderson is the Assistant Secretary of the Air Force for Installations, Environment and Energy. He is responsible for the formulation, review and execution of plans, policies, programs and budgets to meet Air Force installations, energy, environment, safety and occupational health objectives. Mr. Henderson was commissioned in the U.S. Army Corps of Engineers in May 1994, upon graduation from the South Dakota School of Mines, and retired in the grade of colonel in 2017 after a 23-year career. Mr. Henderson commanded an engineer battalion during operation Enduring Freedom and deployed with the 25th Infantry Division and U.S. Army Corps of Engineers during two tours supporting operation Iraqi Freedom. He held multiple command and staff positions throughout his career, to include five assignments with the U.S. Army Corps of Engineers, culminating as the Omaha District Commander. Mr. Henderson is registered as a licensed professional engineer in the state of South Dakota.

**EDUCATION**

1994 Bachelor of Science, Civil Engineering, South Dakota School of Mines and Technology, Rapid City  
 2002 Master of Science, Civil Engineering, South Dakota School of Mines and Technology, Rapid City  
 2006 U.S. Army Command and General Staff College, Fort Leavenworth, Kansas  
 2015 National Security Fellowship, Massachusetts Institute of Technology, Cambridge

**CAREER CHRONOLOGY**

1995-1996, Platoon Leader, 44th Engineer Battalion, 2d Infantry Division, Camp Howze, Republic of Korea  
 1996-1997, Executive Officer, 82d Engineer Company, 2d Infantry Division, Camp Edwards, Republic of Korea  
 1997-1998, Company Commander, Engineer Brigade, 2d Infantry Division, Camp Howze, Republic of Korea  
 1999-2000, Company Commander, Charlie Company, 864th Engineer Battalion, Fort Wainwright, Alaska  
 2000-2001, Aide-De-Camp to U.S. Army Alaska Commanding General, Fort Richardson, Alaska  
 2001-2002, student, South Dakota School of Mines and Technology, Rapid City  
 2003-2004, Hydraulics/Hydrological Engineer, U.S. Army Corps of Engineers, Vicksburg, Miss.  
 2004-2004, Operations Officer, U.S. Army Corps of Engineers, Multi-National Forces – Iraq, Baghdad, Iraq  
 2004-2005, Resident Engineer, U.S. Army Corps of Engineers, Vicksburg, Miss.  
 2005-2005, Deputy District Commander, U.S. Army Corps of Engineers, Vicksburg, Miss.  
 2006-2007, Operations Officer, 25th Infantry Division, Tikrit, Iraq  
 2007-2008, Battalion Executive Officer, 25th Infantry Division, Multi-National Division-North, Tikrit, Iraq  
 2008-2010, Honolulu District Deputy Commander, U.S. Army Corps of Engineers, Schofield Barracks, Hawaii  
 2010-2011, Pacific Ocean Division Chief of Staff, U.S. Army Corps of Engineers, Fort Shafter, Hawaii  
 2011-2013, Battalion Commander (OEF), 864th Engineer Battalion, Joint Base Lewis-McChord, Wash.  
 2013-2014, Corps Executive Officer, I Corps, Joint Base Lewis-McChord, Wash.  
 2015-2017, Omaha District Commander, U.S. Army Corps of Engineers, Omaha, Neb.

**AWARDS AND HONORS**

Legion of Merit Bronze Star Medal with two oak leaf clusters  
 Meritorious Service Medal with silver and bronze oak leaf cluster  
 Humanitarian Service Medal  
 Combat Action Badge

**PROFESSIONAL MEMBERSHIPS AND ASSOCIATIONS**

Society of American Military Engineers  
 American Society of Civil Engineers  
 National Society of Professional Engineers

(Current as of March 2018)

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RECORD VERSION

STATEMENT BY  
MR. WILLIAM JORDAN GILLIS  
ACTING ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS, ENERGY  
AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON READINESS  
COMMITTEE ON ARMED SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES

SECOND SESSION, 115TH CONGRESS

ON FY19 BUDGET OVERSIGHT HEARING ON ENERGY, INSTALLATIONS, AND  
ENVIRONMENT

APRIL 18, 2018

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HOUSE ARMED SERVICES COMMITTEE

### **Introduction**

Chairman Wilson, Ranking Member Bordallo and distinguished members of the committee, thank you for the opportunity to testify about the Installations, Energy, and Environment component of the Army's Fiscal Year 2019 budget request. I want to begin by thanking the committee for its continued support and commitment to our Soldiers, Families and Civilians. Your sustained leadership and guidance were instrumental in the successes we experienced last year. I look forward to discussing the budget request and to working with the committee to achieve our mutual goal of improving the condition of Army installations and the contributions they make to Army readiness, and continuing to improve the welfare and quality of life for our Soldiers and Families.

### **Readiness**

The Army's number one priority is Readiness. It is completely aligned with the Secretary of Defense and Secretary of the Army's efforts to ensure, build, and sustain warfighting capabilities. As outlined in the National Defense Strategy and Army priorities, attaining desired readiness levels requires both a system-wide assessment of current conditions and a modernization effort that seeks to mitigate risk while setting conditions to meet both current and future threats. We will execute our installation investment strategy to achieve these ends while remaining a good steward of our nation's resources.

Army readiness begins on Army installations, where we build individual and unit readiness. They serve as our initial maneuver platforms when we deploy to support contingency operations around the globe and, increasingly, are where we coordinate and control various mission-related functions for units once deployed. The Army remains engaged globally and is preparing for an increasingly complex future as part of Multi-Domain Battle. Our potential adversaries are prepared and capable of using cyber warfare, false information, and unconventional attacks to disrupt our operations within

the United States. We must be aware of these new challenges as we work to ensure our installations are capable of deploying and sustaining our forces in a contested environment. This effort demands both a new mindset regarding the role Army installations play in Multi-Domain Battle and predictable, adequate, sustained, and timely funding for our infrastructure, facilities, systems, and other associated assets.

Our readiness objectives within the Installations, Energy, and Environment portfolio will be achieved through investments in Facilities and Infrastructure; Energy Resilience; and Environmental Stewardship. Additionally, we have dedicated initiatives that we will conduct to address the other Army focused priorities of Modernization and Reform.

I am confident that with your sustained support, Army installations can continue to enhance Army readiness and lethality.

#### **Readiness: Installation Facilities and Infrastructure**

The Army's MILCON budget request provides resources to build new facilities to meet the Army's installation needs related to mission readiness. For FY 2019, the Army's budget request is just over \$2.02 billion for Military Construction. The request allocates \$1.012 billion for the Military Construction Army; \$180 million for the Army National Guard; \$65 million for Army Reserve; \$331 million for Army Family Housing Construction; \$377 million for Army Family Housing Operations; and \$63 million for the Army portion of the Base Closure Account.

The \$1.012 billion for Military Construction Army will allow the Army to move forward with projects such as the \$99 million Cyber Instructional Facility at Fort Gordon, Georgia; the \$32 million Vehicle Maintenance Shop at Fort Campbell, Kentucky; and the Picatinny Arsenal, New Jersey Munitions Disassembly Complex for \$41 million. We can also begin to make investments to improve our academic facilities at West Point Military Academy.



The ARNG's FY 2019 \$180 million MILCON request includes: \$106 million to build Readiness Centers in Montana, Nevada, New Hampshire, North Dakota, and South Dakota; \$12.4 million to construct two range projects in Ohio and Illinois; \$27 million to construct an administrative and warehouse facility in Alaska; \$18.1 million for Unspecified Minor Military Construction (UMMC); and \$16.6 million for planning and design. Readiness centers are the heart and soul of the National Guard and ranges will allow the Guard to be ready to perform state and federal missions. Many of these projects will consolidate units and functions into a single facility allowing the Guard to close multiple older facilities.

The USAR FY 2019 MILCON request totals \$64.9 million with two critical projects replacing failing facilities. The two projects are: \$34 million to replace an Equipment Concentration Site in Barstow, California; and \$23 million to replace World War II era Transient Training Barracks at Fort McCoy, Wisconsin. An additional \$7.9 million will support planning and design of future year projects and address critical needs through the UMMC account.

The Army is increasing investments in our facilities and infrastructure Sustainment, Restoration, and Modernization (SRM) accounts. These increases in funding will maintain and improve the condition of our facilities. Periodic restoration and modernization of facility components are necessary to ensure the reliable functionality of our facilities in support of mission readiness. We are focused on preventing further degradation of facilities and precluding small maintenance issues from turning into large and expensive problems.

The FY 2019 \$4.7 billion budget request gets us closer to meeting our full SRM requirements. The \$1.6 billion request for restoration and modernization funding, an increase of \$742 million over FY 2017 execution, will enable the Army to address up to eight percent of our critical maintenance backlog requirements.

Responsibly managing real property facilities and infrastructure across 13.8 million acres means the Army must maintain extensive base operations. Through funding for Base Operations Support (BOS) accounts, Army installations provide services similar to those associated with a municipality: public works, security protection, logistics, environment, and Family programs. These programs and services enable Soldiers, Civilians, and Families to live and work on 156 Army installations worldwide. The FY 2019 budget requests a total of \$10 billion for BOS accounts, including \$8.274 billion for the Active Component; \$1.130 billion for Army National Guard; and \$595 million for Army Reserve.

In lieu of another request for legislation in FY 2019 authorizing an additional Base Realignment and Closure (BRAC) round, we will review our facilities, to include facility usage optimization, ensuring we have a better accounting of excess infrastructure. Under this initiative, Commanders are accountable for making all reasonable efforts to consolidate units into our best facilities; maximize space utilization; and dispose of excess assets.

#### **Readiness: Energy Resilience**

Energy resilience is a critical component to building and enabling Army readiness and support to our Soldiers and joint service partners across the installations portfolio. Energy resilience is our ability to anticipate, prepare for, and adapt to changing conditions and withstand, respond to, and recover rapidly from energy disruptions that impact critical operations on military installations, bases, and camps. Assured access to energy and water underpins readiness-related functions that occur on Army installations and are increasingly vulnerable to severe weather or hostile action as highlighted by the recent hacker intrusions on our national electrical grid.

Recognizing these emerging challenges, the Army is moving aggressively to implement a policy directing installations to sustain operations for critical facilities and infrastructure for a minimum of 14-days. We are prioritizing these efforts initially on

Mobilization Force Generation Installations (MFGI's) and installations identified as Army Power Projection Platforms. We will also complete installation energy plans on 19 installations in FY 2019 to provide direction forward. In addition, we will continue to build on past projects and established capabilities to ensure that energy-related investments first and foremost contribute to energy resilience.

The Army's installation energy budget request will largely be used to fund our FY 2019 utility bill at \$1.088 billion. We recognize that this is a significant cost and that reducing demand enhances energy security. To that end, the Army reduced Energy Use Intensity by 9.6 percent in FY 2017 from FY 2015 levels. We will continue to measure this and set goals for continued improvement. Our budget request also includes \$125 million for water and waste water services, and \$524 million to fund our Utilities Privatization Program.

Efficiency remains a critical component of the Army's installation strategy as it avoids costs and, by reducing energy demands, makes installation energy security easier to obtain. The FY 2019 budget request contains provisions for \$260 million in energy projects, focused on resilience and efficiency. To augment this amount to meet Army total needs, we will continue to partner with the private sector through the use of Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs). This approach allows companies and utilities to provide the initial capital investment to design, implement, and maintain energy and water conservation measures, the cost of which is paid over the course of the contract. Last year was the second best in the history of the program with a total third-party investments in ESPCs/UESCs of \$289 million. While we do not have specific annual targets that must be met, we expect to sustain this very successful ESPC/UESC program.

Energy resilience requires on-site energy production. To this end we are refocusing our "Office of Energy Initiatives" that was previously engaged almost exclusively on development of renewable energy projects, to an office focused on building energy resilience, or the "Office of Energy Resilience." This office has built or is

developing over 530 megawatts of on-site energy production. The Army has facilitated energy projects to strengthen the resilience and security of our installations by enabling more fully “islandable” capabilities that combine energy generation with energy storage and controls. In Hawaii the Army worked with Hawaiian Electric Company to develop a 50-megawatt biofuel project capable of providing Schofield Barracks, Field Station Kunia, and Wheeler Army Airfield with secure energy during emergencies. The project is located above the tsunami strike zone and will provide “black start” capability to enhance grid resilience – benefiting both the Army and the community. All of you will be invited to join me for the opening of this project later this year. Additionally, at Fort Sill, Oklahoma, the Army is working with the utility provider to build on site natural gas and solar power plants able to meet 100 percent of the installation's energy needs.

The “connective tissue” of energy resilience depends on the deployment of cyber and physically secure, “micro-grids.” Most of the Army's past energy generation projects were designed to support this logical next step. The Energy Resilience & Conservation Investment Program account (ERCIP) will help us achieve this end state. The Army fully appreciates the recent change in this account to focus on resilience.

#### **Readiness: Safeguarding our Environment**

The Army manages over 13.8 million acres of land that contain over 1.3 million acres of wetlands, 226 threatened and endangered species, over 86,000 archeological sites, 2,500 environmental permits, and over 1,300 cleanup sites. Environmental considerations are applicable across the full range of military operations at enduring installations, contingency base locations, and at all levels of command in the Army. The mission of the Army's Environmental Program mission is to support and generate operational and expeditionary forces by delivering environmental compliance and natural resource asset stewardship worldwide, ensuring continued access to training and testing lands, and reducing environmental impacts from weapons systems and equipment development, testing, and fielding.

The Army's lands are an invaluable military training and testing asset. Environmental Quality ensures Army installations comply with environmental laws and conserve natural and cultural resources to maintain accessibility to Army lands and the quality and value of the training landscape. Environmental Restoration investigates and cleans up hazardous substances and pollutants while Munitions Response addresses unexploded ordnance, discarded military munitions, and munition constituents. Restoration and Munitions Response often result in the safe return of Army land assets to mission enabling use. Environmental Technology identifies, investigates, and facilitates the use of environmental technology solutions while reducing costs of materiel production, maintenance and operation, and serves to avoid creating future environmental risks.

Our FY 2019 environmental budget request of \$914 million will allow the Army to remain ready and capable of accomplishing our national defense mission. The Army remains a strong partner and a Federal agency leader in environmental stewardship while ensuring our military force is ready, resilient, and capable of defending our Nation.

#### **Modernization and Reform**

As indicated above, Army installations are now clearly included in the Army's Multi-Domain Battle and are facing new threats from a range of potential adversaries. Concurrently, "smart" cities all across America are taking advantage of new and emerging technologies to deliver enhanced public services to their constituents at significant cost savings. Accordingly, one of my top priorities is to embark on a deliberative process to prepare our installations for the future. This "Installations of the Future" effort will use innovation, technology, and partnerships to ensure a modern Army has modern installations capable of serving as our initial maneuver platforms. The Army will collaborate with private industry and academia to explore "smart city" technology applications that can create "smart installations". During FY 2019 we intend to undertake a limited number of demonstration projects that will allow the Army to collect data, perform deep analytics, and apply an artificial intelligence to enhance

readiness. Successful pilots will inform future budget requests. I would welcome the chance to provide you or your staff a more detailed briefing on this initiative.

As you are all aware, the entire Department of Defense is undertaking dedicated management reform efforts to reduce costs and improve the delivery of goods and services. The Army's installation management community is an active participant in a wide variety of Department of the Army and Department of Defense led efforts ranging from contract reform, space utilization, and facilities/lease consolidation. Additionally, it is my intent to work with the Assistant Chief of Staff for Installation Management and other Army senior leaders to conduct a system-wide review of the Army's structural approach to installation management to include structure, major processes, and operations.

### **Conclusion**

Army Readiness begins on Army installations. We need ready and resilient installations to ensure our Soldiers are properly trained and can be deployed anywhere in the world in order to fight and win our nation's wars.

The Army is methodically increasing its facility sustainment levels and focusing its infrastructure investments on readiness priorities to support power projection, mobilization, and the warfighter. Predictable, adequate, sustained, and timely funding allows the Army to maintain its critical infrastructure and training lands to support Soldiers, Civilians, and Families.

Trust is the bedrock of our institution. We greatly appreciate the funding provided in FY 2018 and commit to being responsible stewards with the resources entrusted to us this year. The Army will ensure these resources are allocated against our number one priority—Readiness.

Thank you for the opportunity to present this testimony and for your continued support of our Soldiers, Civilians and Families.

**Jordan Gillis**  
**Acting Assistant Secretary of the Army**  
**Installations, Energy and Environment**  
**Washington, D.C.**

Mr. Jordan Gillis was appointed as the Principal Deputy Assistant Secretary of the Army for Installations, Energy and Environment (ASA IE&E) and became the Acting Assistant Secretary of the Army for Installations, Energy and Environment (ASA IE&E) on 16 October 2017. He is the primary advisor to the Secretary of the Army and Chief of Staff of the Army on all Army matters related to Installation policy, oversight and coordination of energy security and management. He is also responsible for policy and oversight of sustainability and environmental initiatives; resource management including design, military construction, operations and maintenance; Base Realignment And Closure (BRAC); privatization of Army family housing, lodging, real estate, utilities; and the Army's installations Safety and Occupational Health (SOH) programs.

Prior to his appointment, Mr. Gillis was a Director in the Energy Practice at ScottMadden, a general management consulting firm. His consulting experience focused on work for electric utility clients across North America in areas such as mergers and acquisition integration, business plan development, operational assessments, organization design and staffing, and implementation of departmental and corporate strategy.

Mr. Gillis served as a field artillery officer in the U.S. Army at posts including Fort Stewart, GA and Ar Ramadi, IZ. His awards include the Bronze Star Medal, Purple Heart, Army Commendation Medal, and Army Achievement Medal (7th award). Mr. Gillis earned a B.A. from Duke University and an M.B.A. from Emory University's Goizueta Business School.

A native of Atlanta, Mr. Gillis served on the board of Georgia Public Broadcasting and, as an Eagle Scout, was an active scouting volunteer.



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**WITNESS RESPONSES TO QUESTIONS ASKED DURING  
THE HEARING**

APRIL 18, 2018

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#### **RESPONSES TO QUESTIONS SUBMITTED BY MR. WILSON**

Secretary NIEMEYER. The Department of Defense is self-insured for government-owned property. We exercise this self-insurance through the congressional authorization and appropriation process. Thus far, the total impact of the 2017 hurricane season on the Department of Defense was \$2.1 billion. In November 2017, Congress provided \$1.2 billion in the FY 2018 Budget Amendment Request to help DOD recover from Hurricanes Harvey, Irma, and Maria. Since November 2017, estimates have been refined and additional condition assessments were conducted at sites in Puerto Rico that were not previously accessible by qualified facility engineering assessment teams. The adjustments and added facility requirements total \$985.9 million, which the DOD Components funded from existing FY 18 appropriations. [See page 10.]

Secretary NIEMEYER. The Department is extremely appreciative of Congressional support for this program and its impact on the Secretary of Defense's strategic goal to strengthen alliances. We continue to assess the infrastructure need to implement an evolving EDI strategy as the posture situation in Europe changes, such as NATO bolstering its forward presence in Eastern Europe. The European Command (EUCOM) is looking across the Future Years Defense Program (FYDP) to build the full posture that the EUCOM Commander requires to deter Russian aggression. EUCOM's requirement process includes assessments of the EDI infrastructure required over the FYDP. [See page 21.]

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#### **RESPONSE TO QUESTIONS SUBMITTED BY MR. CARBAJAL**

Secretary HENDERSON. Mr. Carbajal, we understand your concerns in regards to Air Force Fire Protection not providing Emergency Medical Technician-level of care at our installations. The Air Force Director of Civil Engineers and the Air Force Surgeon General recently met and reached an agreement to allow firefighters to obtain and operate as Emergency Medical Technicians. We will base the number of firefighters certified as Emergency Medical Technicians on each installation's operational needs. This higher level of care will not only better protect those living and working on base, but will also increase firefighters' knowledge to better make decisions on the care and safety of patients. Additionally, we are developing a training curriculum and the logistical needs to support this requirement across the Air Force enterprise. We anticipate fully implementing this capability by the beginning of Fiscal Year 2019. [See page 16.]

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#### **RESPONSE TO QUESTIONS SUBMITTED BY MR. BROWN**

Mr. GILLIS. As the Assistant Secretary for Installations, Energy and Environment, my portfolio is focused on the manning of the garrisons on Army installations. Installation Management Command (IMCOM) integrates and delivers base support to enable readiness and lethality for a globally-responsive Army. With seventy-five garrisons around the world, IMCOM supports practically all commands while executing policy and priorities promulgated by Headquarters, Department of the Army. In fiscal year (FY) 2019 IMCOM civilian authorizations total 25,040, which is 11.6% less than FY 2015, and 29% less than FY 2010. The Army made the difficult decision to reduce the civilian workforce to preserve and support other current and future Army priorities. IMCOM is taking action to reduce to the FY 2019 authorized manning level. To achieve those numbers, a Reduction in Force (RIF) is required at some garrisons and the Headquarters. On 6 June 2018, Congress will be notified as required. Specific to Maryland, U.S. Army Garrison Fort Meade and U.S. Army Garrison Aberdeen Proving Ground are included in the RIF. Where vacancies still exist, the Army encourages the use of direct hire authority by the garrisons to help make sure garrison manpower is adequate to provide services needed to maintain Army readiness. Additionally and when applicable, we encourage our garrisons to enter into public-public partnerships with local communities through inter-governmental support agreements. [See page 26.]



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**QUESTIONS SUBMITTED BY MEMBERS POST HEARING**

APRIL 18, 2018

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#### QUESTIONS SUBMITTED BY MR. BISHOP

Mr. BISHOP. There are several DOD installations and test/training ranges primarily in the western U.S. which operate on vast tracts of public lands that are withdrawn from the Department of Interior control pursuant to temporary leases, which often are issued for 25 years. In order to renew the lease withdrawal, the affected military department must apply to renew the lease and as a condition of the permit, must also undertake an expensive and time-consuming environmental review along with public input under the Administrative Procedures Act. Since this protocol has been in place, there has never been an instance where the lease was not renewed. Can the Department quantify how much time and money is spent per year conducting these reviews? What would be the financial and operational impact if these lands were permanently withdrawn for military use?

Secretary NIEMEYER. The Department of Defense (DOD) currently utilizes several million acres of public domain lands, primarily in the western United States and Alaska, for military purposes such as training and testing. These lands are withdrawn from the public domain and reserved for DOD use (and, in some instances, other compatible uses). A significant portion of these lands are withdrawn and reserved on an indefinite basis by public land order, Executive Order, or other legal mechanism. The remainder of these lands are withdrawn and reserved by statute; it is this latter category of lands that generally has a time limitation on the length of the withdrawal and reservation, recently 25 years being the congressionally preferred period. While these lands are reserved for DOD use for a period of years, they are, for the most part, still managed by the Department of the Interior (DOI). Approximately 5 years before such a withdrawal and reservation expires, DOD begins the process for renewal. That process includes preparation of an environmental impact statement pursuant to the National Environmental Policy Act (NEPA), an action that generally takes at least two years, costs several millions of dollars, and consumes very substantial staff time. In addition, considerable time and resources are expended in meetings with local members of the public, local officials, and congressional representation. During the entire period, the Military Department that operates the installation also coordinates with DOI, both with regard to the NEPA analysis and with regard to how and under what terms the withdrawal and reservation should be renewed. This consumes considerable time and effort by staff at DOI as well as DOD. These costs are not annual costs but costs that occur during the renewal process over the last several years of a particular location's withdrawal term. As such, it is difficult to plan or budget for them because they consume staff time of both DOD and DOI on an irregular, intermittent basis and must be performed by personnel with specialized knowledge and experience in the withdrawal process. Hence they are particularly disruptive to steady-state management. The financial cost of a single withdrawal, adding both NEPA compliance and staff resources, would total several millions of dollars over the renewal period, although the disruption to staff resources is more damaging than the cost in money. An indefinite withdrawal and reservation (technically, there are no 'permanent' reservations) would provide substantial benefit to both DOD and DOI, if addressed in a manner that promotes sound land management. Operationally, an indefinite withdrawal and reservation allows better long-term planning for the installation, thereby reducing overall costs. It avoids any question as to long-term land uses, particularly by tenant activities that may be located on the installation, such as long-lived energy production facilities. The current process of once-a-generation review by Congress does not provide responsible or meaningful land management. Responsible land management must take place continuously. Consequently, mechanisms such as those contained in section 2831 of H.R. 5515, the National Defense Authorization Act for Fiscal Year 2019, relating to better communication between DOI, DOD, state and local officials, the public, and Congress along with increased transparency would be more beneficial to sound land management than keeping an ineffective once-a-generation review process that does not provide meaningful oversight. While proposals to provide for indefinite withdrawals and reservations do not change land management responsibility, which generally remains in DOI, they would more closely mirror the non-statutory withdrawals and reservations. Those withdrawals and reservations

have, in some instances, been in existence since the Second World War, if not before; DOD has no evidence that those lands have been managed with less care than statutory withdrawals, even though they are and always have been indefinite.

#### QUESTIONS SUBMITTED BY MR. COURTNEY

Mr. COURTNEY. The Office of Economic Adjustment, which funds programs to ensure that military installations and military connected industries maintain productive and beneficial relationships with local communities. In Connecticut, we have seen the enormous benefit of this office, which has organized and funded several Joint Land Use Studies. These studies have helped avoid encroachment at two National Guard bases in Connecticut and develop a plan with several municipalities to prepare for the arrival of Block V *Virginia*-class submarines on the Thames River. Mr. Niemeyer, your testimony states that the office "is an essential interface to promote constructive and mutually beneficial alliances and partnerships with local communities" and "Maintaining support for this Office is crucial to the continued ability of our installations to safely and securely operate."

Recently, a proposal was introduced to eliminate the Office of Economic Adjustment. Can you describe the importance of the office, its role, and your view on its performance and benefit to the Department and our local communities?

Secretary NIEMEYER. The support of defense communities and States are absolutely essential to protect our military installations and ranges in the Department of Defense. In addition, these same communities will have a critical role in the enhancement of training and readiness activities and the resilience of military infrastructure to support the priorities of the National Defense Strategy. OEA is the Secretary of Defense's primary office for interaction and collaboration with the states, territories, and hundreds of defense communities around the country on initiatives to preserve and enhance military capabilities. OEA's current mission lines: 1) directly support lethality and readiness, quality of life, and collaboration and alliance; 2) are neither duplicated, nor replicated, elsewhere in the Department; 3) leverage other Federal, state, and local resources to support the Department; and, 4) routinely lessen the political cost to any Department effort that impacts states and cities. Specifically, the OEA program of assistance includes the following efforts:

- Provides essential planning assistance to defense states and communities to support safe and secure military operations at our installations and ranges by promoting compatible development near these facilities and working to alleviate instances of incompatible development. Often these efforts lead to civilian activities in addition to the assistance provided that directly benefits the Department.
- Works with states and communities to help strengthen the resilience of their supply chains to withstand the fluctuations of Defense spending. These efforts maintain the effective delivery of goods and services for our installations and warfighters. Often these efforts also include strengthening and sustaining civilian activities to make these supply chains more resilient so they can effectively function under the current cybersecurity environment.
- Helps defense communities effectively work with the Services to facilitate the prompt transfer of surplus and excess property, which frees up critical resources to be used to support the warfighter. This program allows defense communities to leverage Federal, state, local, public, and private resources to effectively redevelop the base property, which minimizes the economic impact of the closure.

#### QUESTIONS SUBMITTED BY MRS. HARTZLER

Mrs. HARTZLER. The Office of Economic Adjustment has been tremendously valuable to defense-supporting communities around the state of Missouri and to the state government itself. The efforts by OEA in Missouri have been designed to work through the communities and the state to support the missions of our military installations, such as Whiteman Air Force Base and Fort Leonard Wood. Can you please discuss how the elimination of OEA may impact these communities and the programs supported by the agency?

Secretary NIEMEYER. OEA's mission is neither duplicated nor replicated elsewhere in the Department—it is the Secretary of Defense's primary office for interaction and collaboration with the states, territories, and hundreds of defense communities around the country on initiatives to preserve military capabilities. Great care has been taken through OEA's existence to ensure OEA's mission has not be duplicated in the Services and that its capabilities support and benefit the Services. The costs of eliminating OEA would result in additional costs to establish the capability else-



where, and could result in redundant efforts across each of the Military Departments. OEA's program of assistance is the only means for the Department—and the Federal government as a whole—to directly impact civilian activities that, in turn, provide direct value and savings to the warfighter by allowing the Department to reduce costs through shedding excess infrastructure, engaging a more resilient supply chain and competitive defense manufacturing sector, and enhancing lethality of our assets.

#### QUESTIONS SUBMITTED BY MR. BROWN

Mr. BROWN. Mr. Niemeyer, the last NDAA directed the Department to provide a briefing to this committee on establishing a standardized method for calculating in-kind contributions for financial institutions on military installations. The briefing was due by March 1, 2018. What is the status of this report? Will HASC receive this briefing before the NDAA gets marked up? Please follow up with my office with a firm date of the report's release.

Secretary NIEMEYER. The required briefing will be provided to HASC staff on April 24, 2018. The brief will be jointly prepared and presented by Department representatives from the offices of the Under Secretaries of Defense for Acquisition & Sustainment, Comptroller and Personnel & Readiness.

Mr. BROWN. This committee has long recognized that our defense communities are the foundation of our readiness and the Department's only direct connection to communities is the Office of Economic Adjustment. For almost 60 years, OEA has been there to make sure DOD is a good neighbor and we are supporting the communities we rely on every day for support. In light of the Chairman's recommendation that would eliminate OEA, can you share the Department's view on this agency and its importance?

Secretary NIEMEYER. The support of defense communities and States are absolutely essential to protect our military installations and ranges in the Department of Defense. In addition, these same communities will have a critical role in the enhancement of training and readiness activities and the resilience of military infrastructure to support the priorities of the National Defense Strategy. OEA is the Secretary of Defense's primary office for interaction and collaboration with the states, territories, and hundreds of defense communities around the country on initiatives to preserve and enhance military capabilities. OEA's current mission lines: 1) directly support lethality and readiness, quality of life, and collaboration and alliance; 2) are neither duplicated, nor replicated, elsewhere in the Department; 3) leverage other Federal, state, and local resources to support the Department; and, 4) routinely lessen the political cost to any Department effort that impacts states and cities. Specifically, the OEA program of assistance includes the following efforts:

- Provides essential planning assistance to defense states and communities to support safe and secure military operations at our installations and ranges by promoting compatible development near these facilities and working to alleviate instances of incompatible development. Often these efforts lead to civilian activities in addition to the assistance provided that directly benefits the Department.
- Works with states and communities to help strengthen the resilience of their supply chains to withstand the fluctuations of Defense spending. These efforts maintain the effective delivery of goods and services for our installations and warfighters. Often these efforts also include strengthening and sustaining civilian activities to make these supply chains more resilient so they can effectively function under the current cybersecurity environment.
- Helps defense communities effectively work with the Services to facilitate the prompt transfer of surplus and excess property, which frees up critical resources to be used to support the warfighter. This program allows defense communities to leverage Federal, state, local, public, and private resources to effectively redevelop the base property, which minimizes the economic impact of the closure.

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Secretary BAYER. OEA's mission is significant and important to the Department of the Navy (DON). It assists in preserving and enhancing military capabilities as it is the Department of Defense's (DOD) lead office for interacting and collaborating

with states, territories, and defense communities around the country on initiatives. OEA leverages other Federal, state, and local resources to support the Department initiatives on compatible development, disposal and reuse of property, and maintain effective supply chains for goods and services. This reduces costs for the DON. OEA's relationships and initiatives with states, territories, and defense communities routinely lessen the political cost to any DON effort that impacts those states and cities. Specifically, OEA has assisted DON in promoting compatible development near our installations by providing essential planning assistance to defense states and communities. Joint Land Use Studies have benefited our installations by identifying compatible use opportunities and developing plans to alleviate instances of incompatible development. OEA continues to assist the DON with the transfer of surplus and excess property, which frees up resources to support the warfighter. The OEA program allows defense communities to leverage Federal, state, local, public, and private resources to redevelop installation property, minimizing the economic impact of the closure.

Mr. BROWN. This committee has long recognized that our defense communities are the foundation of our readiness and the Department's only direct connection to communities is the Office of Economic Adjustment. For almost 60 years, OEA has been there to make sure DOD is a good neighbor and we are supporting the communities we rely on every day for support. In light of the Chairman's recommendation that would eliminate OEA, can you share the Department's view on this agency and its importance?

Secretary HENDERSON. The support of defense communities and States are essential to protect the Air Force's installations and ranges. In addition, these same communities will have a critical role in the enhancement of training and readiness activities and the resilience of military infrastructure to support the priorities of the National Defense Strategy. OEA is the Department of Defense's primary office for interaction and collaboration with the states, territories, and hundreds of defense communities around the country on initiatives to preserve and enhance military capabilities. The Air Force leverages these capabilities to directly support lethality and readiness, quality of life, and collaboration and alliance. Specifically, OEA programs of assistance includes the following efforts:

- Provides essential planning assistance to defense states and communities to support safe and secure military operations at our installations and ranges by promoting compatible development near these facilities and working to alleviate instances of incompatible development.
- Works with states and communities to help strengthen the resilience of their supply chains to withstand the fluctuations of Defense spending. These efforts maintain the effective delivery of goods and services for our installations and warfighters.
- Helps defense communities effectively work with the Air Force to facilitate the prompt transfer of surplus and excess property, which frees up critical resources to be used to support the warfighter. This program allows defense communities to leverage Federal, state, local, public, and private resources to effectively redevelop the base property, which minimizes the economic impact of the closure.

Mr. BROWN. This committee has long recognized that our defense communities are the foundation of our readiness and the Department's only direct connection to communities is the Office of Economic Adjustment. For almost 60 years, OEA has been there to make sure DOD is a good neighbor and we are supporting the communities we rely on every day for support. In light of the Chairman's recommendation that would eliminate OEA, can you share the Department's view on this agency and its importance?

Mr. GILLIS. The Army and other military departments maintain their own close, direct connections with the communities which host them. Army leaders at Fort Meade, Fort Detrick, Aberdeen Proving Ground and elsewhere throughout the country regularly communicate and form partnerships with local communities in a variety of ways and forums to share information and resources, and undertake initiatives of mutual interest and mutual benefit. Army installations work closely with local and regional planning agencies to establish regional compatible land use plans which minimize impacts of installation operations and development, respect future growth patterns and development, and seek mutually compatible land uses and zoning considerations. The Office of Economic Adjustment (OEA) implements certain important authorities which Congress has provided to the Secretary of Defense that are unique within DOD. Those authorities enable OEA to provide direct grants and technical assistance to communities facing potential shifts in economic stability because of changes within the defense industry. OEA also provides technical and financial assistance directly to state or local governments to help develop plans to meet the future growth needs of the community, while protecting the sustainability

of military training and readiness missions. The Army certainly appreciates the importance of the technical and financial assistance OEA provides which complements the Army's established relationships with Army communities.

