“FY 2012 Military Construction Budget Request”

Statement

of

The Honorable Robert F. Hale
Under Secretary of Defense (Comptroller)

before the

U.S. Senate

Committee on Appropriations

Subcommittee on Military Construction,
Veteran Affairs, and Related Agencies

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Mr. Chairman, members of the Committee, thank you for the opportunity to discuss the Military Construction and facilities portions of the Fiscal Year 2012 Budget for the Department of Defense.

Your continued support is essential if America's all-volunteer force is to have the infrastructure and facilities it needs to ensure the national security of the United States and to carry out required missions around the world.

To put the Military Construction and Family Housing requests into context, I would like to provide a brief overview of the President's Budget for the entire Department. Then I will highlight a few key financial issues related to facilities. My colleague, Dr. Dorothy Robyn, Deputy Under Secretary for Installations and Environment, will follow with the details on the Military Construction program.

Base Budget Request

Mr. Chairman, the Department's Budget for FY 2012 requests $553.1 billion in discretionary budget authority. This represents a real increase of 3.6 percent over the levels of the present continuing resolution, and about 1.5 percent real growth over the omnibus defense bill that was marked up by Congress last December.

The Budget reflects the Administration's commitment to the defense budget that is needed to equip and sustain a military at war. Before making this proposal, the President carefully balanced our national security needs with our economic security, taking into account the Federal deficit.

The Budget for FY 2012 also continues the reform agenda that Secretary Gates launched in FY 2010. This year's Budget places greater focus on reforms of DoD's organization and business processes.

More specifically, the FY 2012 Budget continues and reinforces key priorities laid down by Secretary Gates for the Department:

- One, it reaffirms our commitment to take care of the all-volunteer force, which we consider our greatest strategic asset. We propose a 1.6 percent military pay raise, $8.3 billion for family support programs, and $52.5 billion for military health care;

- Two, the FY 2012 base Budget continues the rebalancing of the Department's capabilities in order to improve our ability to prevail in current conflicts, such as the unconventional war in Afghanistan. To that end we plan to invest $4.8 billion to purchase unmanned aerial vehicles and $2.3 billion for cyber activities;

- Finally, our Budget maintains and enhances our capabilities for the conflicts we may face in the future. Included are a restructured but substantial Joint Strike Fighter program, a new tanker program, an aggressive shipbuilding program, and a new ground combat vehicle.

This Budget also seeks to make the most of taxpayer resources by introducing efficiencies across the Department. Specifically, we are proposing savings of $178 billion for the Future Years Defense Program or FYDP, which encompasses the period from FY 2012 through FY 2016. The Armed Services have identified savings of $100 billion, most of which they will retain and reinvest in higher priorities to support the warfighter. The Department as a whole has identified $78 billion in savings to accommodate a topline reduction over the same five-year period. This topline reduction supports the President's program to hold down the Federal deficit.

Military Construction and Family Housing

The Military Construction and Family Housing portion of this Budget supports these objectives. We are asking for $14.8 billion for Military Construction and Family Housing. The FY 2012 Military Construction request is significantly less than it was in the previous four years due to declining investments in Base Realignment and Closure (BRAC), as well as reductions in Global Defense Posture and Grow-the-Force initiatives.

Of the $14.8 billion requested, $12.5 billion is for Military Construction, including $1.9 billion for 41 new barracks, 6 new physical fitness centers, 4 new child development centers, and 4 chapels. The request also includes funding to begin recapitalizing the Landstuhl hospital, which is the first stop for evacuated wounded Service Members, and $550 million to replace or modernize 15 DoD Education Activity (DoDEA) schools to serve military dependents. Our plan is to replace or recapitalize more than half of the 194 DoDEA schools over the next few years.

In addition, the FY 2012 Budget includes $0.6 billion for BRAC-related environmental clean-up and caretaker costs and $1.7 billion to fund construction, operation, and maintenance of government-owned family housing worldwide. This investment will help to provide quality, affordable housing to U.S. military personnel and their families.

Request for Overseas Contingency Operations

Besides the base-budget request for DoD, the President has requested $117.8 billion to fund Overseas Contingency Operations (OCO), mainly in Afghanistan and Iraq. This amount is $41.5 billion less than was requested in FY 2011, primarily because of declines in OCO funding as we transition to a civilian operation in Iraq.

No new funds are requested for Military Construction in the FY 2012 Budget. The MilCon request last year was $1.2 billion and included funding for troop housing in Afghanistan, as well as operational and support facilities.

I would point out that the FY 2012 OCO Budget does include $524 million for the Office of Security Cooperation-Iraq (OSC-I). The OSC-I, which will be funded jointly by the Departments of State and Defense, will execute our Foreign Military Sales program in Iraq. OSC-I will help to ensure the continuation of military-to-military relationships that advise, train, and assist Iraq's security forces. In order to provide timely assistance and enable the transition to a civilian-led mission in Iraq, we need to begin funding OSC-I initiatives in FY 2011 and continue to support the OSC-I requested funds in FY 2012. DoD needs legislative authority (which includes authority to construct and renovate facilities) to provide this assistance. We ask the Congress to include that in the DoD appropriation bill for FY 2011 and to sustain the authority in FY 2012.

Trends and Specific Issues

Lastly, I would like to say a few words from the Comptroller's standpoint about several specific MilCon programs that Dr. Robyn will describe shortly.

Budgets for the Military Construction appropriation have grown rapidly in recent years, rising from $5.1 billion in FY 2000 to $13.1 billion in the FY 2012 Budget. Growth has averaged 8.1 percent a year over this period, making MilCon the fastest growing of all defense appropriations over this stretch of years. Rapid growth does not by itself suggest that we should slow the growth or reduce MilCon funding. But, as overall growth in the defense budget slows, MilCon will need to be examined carefully. Indeed, Congress has already begun reducing Military Construction requests in markups of the FY 2011 budget.

As defense budgets tighten, we need to be sure that we are investing every MilCon dollar wisely and that we have sought efficiencies and streamlining wherever possible. As we formulated the FY 2012 Budget, we considered several issues that bear on these goals.

One is BRAC. As I mentioned already, most of the 222 BRAC projects have been completed or will be finished by the statutory deadline of September 15, 2011. As a result, our MilCon request for FY 2012 includes only $0.6 billion to fund BRAC-related caretaker and environmental restoration expenses. The great majority of projects will be completed on time. We are experiencing delays on a handful of projects, but we will do all that we can to comply with the current law.

A second issue concerns Guam and the planned relocation of personnel and dependents of the Third Marine Expeditionary Force now in Okinawa. The FY 2011 MilCon request included $452 million for related costs. That request has raised various Congressional concerns about the viability of the move and our agreements with the Japanese government. More recently, the earthquake and tsunami in Japan have raised a number of new questions. At present, the relocation plan remains in effect. We are requesting modest funding for the move-related Military Construction budget for FY 2012 – specifically, $181 million to fund two utility infrastructure projects that will support future construction on Guam. We understand that we need to provide Congress with more information about the relocation. At the same time, and especially in view of substantial Japanese contributions to the Guam relocation, we ask for Congressional support of the relatively modest FY 2012 funding request for this initiative.

A third issue that has yet to be resolved involves U.S. troops in Europe. In view of the NATO strategic review and overall U.S. capabilities in Europe, we have been in ongoing consultations with our European allies and partners concerning the number of U.S. Army brigades stationed there. But we have not reached a final decision. Pending a final decision, our FY 2012 budget does not request any Military Construction funds to return brigade combat teams from Europe.

I should add that facilities funding and all costs for business operations were examined closely as we sought efficiencies during formulation of this year's Budget. The Army chose to make some modest reductions in MilCon funding by sustaining existing facilities. The Navy and Air Force generally sustained their MilCon funding but elected to pursue a new approach to prioritization that they believe will permit modest reductions in spending for facilities sustainment.

FY 2011 Continuing Resolution – A Crisis at Our Doorstep

Finally, I cannot fail to mention the most serious financial issue we face today: the lack of an appropriation for the Department of Defense for FY 2011. The continuing resolutions under which we have been operating are causing serious problems and generating substantial inefficiencies. We have had to delay awards of ship and vehicle contracts, causing problems for vendors and postponing delivery of weapons needed by our troops. Readiness has been harmed because of maintenance delays and hiring freezes that prevent DoD from replacing needed personnel. Our people have been hurt as, for example, the Navy has sought to preserve funding flexibility by cutting back on the time between issuing travel orders and the move itself.

Military Construction has not been spared during these continuing resolutions. As of March 23, 2011, 140 needed projects totaling $3.1 billion have been placed on hold. We are delaying everything from maintenance hangars to barracks, and it will be difficult for an already-understaffed contracting workforce to catch up once Congress acts on an appropriation. I fear that the CRs will engender substantial inefficiencies.

Secretary Gates has called the CR a crisis at our doorstep, and as the Department's comptroller I couldn't agree more. To put it simply, DoD and the other government agencies need an appropriation, and we ask your help in achieving that goal.

Conclusion

In conclusion, I believe that the FY 2012 Budget is prudent, given the needs of the Armed Forces and the economic situation in which we find ourselves. The Budget supports a reasonable and responsible Military Construction and Family Housing program. I urge your support for this request.

Again, Mr. Chairman, I want to thank you and the members of the committee for your strong support of the men and women of the Department of Defense. That concludes my statement. After Dr. Robyn completes her statement, we will both be glad to answer your questions.

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