

**GAO**

Report to the Subcommittee on  
Military Construction, Committee on  
Appropriations, U.S. Senate

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February 2004

**DEFENSE  
INFRASTRUCTURE**

**Long-term Challenges  
in Managing the  
Military Construction  
Program**





Highlights of [GAO-04-288](#), a report to the Subcommittee on Military Construction, Senate Committee on Appropriations

## Why GAO Did This Study

The Department of Defense's (DOD) military construction program provides funding for construction projects in the United States and overseas, and funds most base realignment and closure costs. Recent Office of the Secretary of Defense (OSD) estimates indicate that it would cost as much as \$164 billion to improve facilities to a level that would meet the department's goals. GAO was asked to report on the (1) steps OSD has taken to enhance program management, (2) process of prioritizing and resourcing military construction projects, and (3) advantages and disadvantages of increasing the current funding thresholds for constructing and repairing facilities.

## What GAO Recommends

GAO recommends that OSD (1) complete the management tools for standardizing construction practices and costs, (2) reevaluate the time frames for completing the key objectives, and (3) develop a mechanism for periodically reassessing military construction priorities for facility categories that fall outside DOD's specific areas of emphasis. GAO also suggests that Congress may wish to consider the advantages and disadvantages of increasing the funding thresholds for minor construction projects. In commenting on a draft of this report, DOD agreed or partially agreed with the recommendations and indicated that some actions are being taken to address them.

[www.gao.gov/cgi-bin/getrpt?GAO-04-288](http://www.gao.gov/cgi-bin/getrpt?GAO-04-288).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-8412 or [holmanb@gao.gov](mailto:holmanb@gao.gov).

# DEFENSE INFRASTRUCTURE

## Long-term Challenges in Managing the Military Construction Program

### What GAO Found

Recognizing the need to halt the degradation of defense facilities, OSD took a number of steps to enhance the management of the military construction program by providing guidance through a facilities strategic plan and by standardizing practices through selected management tools. However, some of these tools are not completed, and others have weaknesses that further hinder efforts to improve facilities. OSD's strategic plan outlines long-term goals but lacks comprehensive information on the actions, time frames, responsibilities, and resources that are needed to meet DOD's vision for facilities. OSD has also established key financial objectives for the services to improve the condition of their facilities. Given competing funding pressures and that the process of realigning and closing bases to reduce excess infrastructure will take several years to accomplish, improvements in facilities will likely require much longer than suggested by OSD's objectives.

DOD's process of prioritizing and resourcing military construction projects provides an important means of improving whole categories of facilities but can repeatedly postpone addressing important projects outside of those categories. If left unchecked without periodic reassessments, the process can continually defer projects important to installations' ability to accomplish their mission and improve servicemembers' quality of life. As much as 77 percent of military construction funds appropriated in any one year are distributed among specific areas of emphasis, such as housing, leaving a significantly smaller portion that is insufficient to repair the remaining categories of facilities. Some projects are not submitted for funding consideration because they do not fall within the specific areas of emphasis and thus are perceived as being highly unlikely to receive funding. Also, some high-cost priority projects are postponed for future years' funding because their addition would exceed the services' funding level established for that year. Congress may add projects during the appropriations process, addressing what it has considered as inadequate requests for funding. These projects may require adjustments in DOD's plans since they may not always align with DOD's short-term priorities.

Increasing current funding thresholds for unspecified minor military construction projects would give DOD installations more flexibility, but might need to be balanced against reducing congressional oversight. Construction costs have increased as much as 41 percent since the thresholds were last adjusted upward. As a result, fewer projects that are smaller in scope can now be completed using these types of funds. Additionally, installation officials often scale back the scope of a project in order to meet the current thresholds, compromising design characteristics in the process. However, if the thresholds were increased, Congress could lose oversight of the additional projects funded under these thresholds because such construction projects are not specifically identified in the President's budget submissions. Yet, there are alternatives, such as coupling the increased thresholds with periodic reports on the usage of those funds.

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## Abbreviations

DOD Department of Defense  
OSD Office of the Secretary of Defense

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G A O

Accountability \* Integrity \* Reliability

United States General Accounting Office  
Washington, DC 20548

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February 24, 2004

The Honorable Kay Bailey Hutchison  
Chairman  
The Honorable Dianne Feinstein  
Ranking Minority Member  
Subcommittee on Military Construction  
Committee on Appropriations  
United States Senate

The Department of Defense's (DOD) military construction program provides funding for construction projects in the United States and overseas, and funds most base realignment and closure costs. In recent years, military construction funding has averaged \$8-10 billion per year, but recent estimates from the Office of the Secretary of Defense (OSD) indicate that it would cost between \$62 billion and \$164 billion in total to adequately improve facilities to a level that would meet the department's facility condition goals. DOD attributes this high cost estimate to the fact that many DOD installations and facilities have not been sufficiently maintained or renovated for many years. Defense facilities include buildings such as barracks, administrative space, classrooms, hangars, warehouses, maintenance buildings, churches, and child development centers, as well as nonbuildings such as runways, roads, railroads, piers, and utility structures and systems. Including family housing, DOD's facilities and structures number more than 600,000, with a replacement value of about \$600 billion. In the absence of proper maintenance, referred to as "sustainment" by DOD, these facilities deteriorate prematurely.<sup>1</sup> Without periodic recapitalization, facilities can become obsolete and can no longer be cost-effectively renovated and must be replaced with new construction.<sup>2</sup> Consequently, DOD and active military service officials report that some facilities are in such a deteriorated condition that they adversely affect missions supported by such facilities and negatively affect the quality of life of military personnel and their families. DOD and

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<sup>1</sup> Sustainment includes the recurring maintenance and repair activities necessary to keep an inventory of facilities in good working condition.

<sup>2</sup> Recapitalization includes the major renovations or reconstruction activities (including facility replacement) needed to keep facilities modern and efficient in an environment of changing standards and missions.

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Congress have recognized the need to fully fund the maintenance and recapitalization of facilities, as well as to reduce DOD's inventory of facilities through an upcoming round of domestic base realignments and closures authorized for fiscal year 2005.<sup>3</sup> DOD is also reexamining worldwide basing requirements, which could potentially lead to significant changes in facility requirements over a period of years.

Military construction<sup>4</sup> funds may be used for the restoration and modernization<sup>5</sup> of existing facilities or to fund the construction of new buildings and other facilities, referred to by DOD as "new footprint" projects. Operation and maintenance funds can also be used to pay for restoration, modernization, and small construction projects. However, operation and maintenance funds are used primarily to support sustainment activities, which are designed to keep facilities in good working order. Sustainment covers expenses for all recurring maintenance costs and contracts, as well as for major repairs of nonstructural facility components (e.g., replacing a roof or repairing an air-conditioning system) that are expected to occur during a facility's life. In 1982 Congress established maximum amounts of funds that could be applied to unspecified minor military construction projects and upwardly adjusted these amounts, or thresholds, through 1991 and 2001.<sup>6</sup> Currently, an unspecified minor military construction project is a military construction project that has an approved cost estimate equal to or less than \$1.5 million, or equal to or less than \$3 million if the project is intended

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<sup>3</sup> As authorized by Congress in 2001—the *National Defense Authorization Act for Fiscal Year 2002* (Pub. L. No. 107-107, sec. 3001 (Dec. 28, 2001)—DOD intends to reduce its inventory of facilities by closing some installations and by consolidating overlapping activities within and across the services through a round of base realignments and closures in fiscal year 2005. DOD officials have testified that the department has from 20 to 25 percent excess capacity in its facilities. Accordingly, as a result of the round of base realignments and closures anticipated in fiscal year 2005, the military services and defense agencies will have to adjust their facility maintenance and recapitalization plans.

<sup>4</sup> Military construction, as defined in 10 U.S.C. 2801 (2003) "includes any construction, development, conversion, or extension of any kind carried out with respect to a military installation." Construction projects consist of all types of buildings, roads, airfield pavements, and utility systems costing \$750,000 or more.

<sup>5</sup> Restoration includes repair and replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes altering or modernizing facilities to meet new or higher standards, accommodate new functions, or replace structural components.

<sup>6</sup> See section 2805 of Title 10, United States Code (2003), which is reproduced in appendix II.

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solely to correct a deficiency that threatens life, health, or safety. In addition to the use of military construction funds for unspecified minor construction projects, service Secretaries may use operation and maintenance funds for such projects with estimated costs of not more than \$750,000 for any other unspecified minor military construction project or \$1.5 million to correct deficiencies threatening life, health, or safety.

In 2003 we issued two reports on the funding and planning to improve the condition of facilities for the active services and reserve components.<sup>7</sup> In those reports, we focused on issues associated with the sustainment of facilities and reported that the funding spent on facility sustainment had not been sufficient to halt the deterioration of facilities. In response to your request, this report discusses (1) the steps that OSD has taken to enhance the management of the military construction program, (2) whether the process by which military construction projects are prioritized and resourced ensures that all categories of facilities that affect the services' ability to accomplish their mission and improve quality of life are reached, and (3) the advantages and disadvantages of increasing the current funding thresholds for constructing and repairing facilities. This report focuses on nonhousing issues concerning military construction inside the United States and generally does not address issues associated with military family housing and overseas construction programs.<sup>8</sup>

In conducting our review, we interviewed OSD and service officials to obtain information related to OSD's roles, policies, directives, procedures, and practices for managing the military construction program and to assess the military construction prioritization and programming process.

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<sup>7</sup> See U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Strategic Planning Needed to Improve the Condition of Military Facilities*, [GAO-03-274](#) (Washington, D.C.: Feb. 19, 2003) and U.S. General Accounting Office, *Defense Infrastructure: Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce Costs of Guard and Reserve Facilities*, [GAO-03-516](#) (Washington, D.C.: May 15, 2003).

<sup>8</sup> The conference report (H.R. Conf. Rep. No. 108-342 [2003]), accompanying H.R. 2559, directed DOD to prepare detailed comprehensive master plans starting in 2006 for the changing infrastructure requirements for U.S. military facilities within each of its overseas regional commands. The Senate Report (S. Rep. No. 108-82 [2003] at p. 14) directed GAO to monitor the infrastructure master plans being developed and implemented for the overseas regional commands and to provide the congressional defense committees with a report by May 15 of each year giving an assessment of the status of the plans, associated costs, burden-sharing implications, and other relevant information involving property returns to host nations, restoration issues, and residual values.

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We also visited 20 military installations and eight major commands to observe the condition of the facilities, and to discuss their role in the military construction program, the impact of projects added by Congress during the appropriation process, and the impact of legislative threshold levels for funding military construction projects. We conducted our work from February through November 2003 in accordance with generally accepted government auditing standards. A more thorough description of our scope and methodology is presented in appendix I.

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## Results in Brief

Recognizing the need to halt the degradation of defense facilities, OSD has taken a number of steps to enhance the management of the military construction program by providing guidance through a facilities strategic plan and by standardizing practices through selected management tools. However, some of these tools are not completed, and others have weaknesses that hinder DOD's efforts to sustain and recapitalize facilities. In the 1990s the services did not allocate full funding for their facilities—sustainment averaged about 75 percent of identified needs, and facilities recapitalization averaged about 35 percent of the services' requirements—resulting in too many deteriorated and obsolete facilities. Consequently, in recent years, OSD has sought to strengthen its role in guiding and overseeing facilities improvements. For example, OSD developed an installation readiness reporting system in 1999 to provide a top-level assessment of the condition of its facilities and to ascertain the effect that facility conditions have on readiness. However, the system does not provide consistent information between the services on the condition of facilities. Another OSD management tool, a defense facilities strategic plan,<sup>9</sup> outlines long-term strategic goals for installations and facilities. Yet, the plan, which is under revision, lacks comprehensive information on the specific actions, time frames, assigned responsibilities, and resources that are needed to meet DOD's vision for facilities. OSD also developed an initial DOD-wide system to calculate the recapitalization rate associated with given amounts of military construction funding and to generate an annual funding requirement for recapitalization.<sup>10</sup> DOD plans to upgrade

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<sup>9</sup> See U.S. Department of Defense, *Defense Installations 2001: The Framework for Readiness in the 21st Century* (Washington, D.C.: August 2001).

<sup>10</sup> DOD defines the recapitalization rate as the number of years required to replace or renovate facilities at a given level of investment. The rate is computed by dividing recapitalizable plant replacement value by total restoration and modernization investments. The recapitalizable plant replacement value, as defined by DOD, is the cost of replacing an existing facility of the same size at the same location, using today's building standards.



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and recalibrate this metric in the near future. Additionally, OSD established three key objectives for the services to sustain and improve the conditions of their facilities in its *Defense Planning Guidance* for fiscal year 2004.<sup>11</sup> Currently, these objectives are to fully fund sustainment starting in fiscal year 2004, reach a 67-year average recapitalization rate by fiscal year 2008, and improve the condition of facilities so that deficiencies have only a limited effect on mission performance by fiscal year 2010.<sup>12</sup> However, because of competing funding priorities and programs within the defense budget, the services do not plan to meet OSD's facility objectives within the expected time frames and, in those instances where the services do indicate or intend to meet the objectives, their plans are based on future funding that requires unrealistically high rates of increase when compared with previous funding trends and when considered against other defense priorities. Given DOD's competing funding pressures and given that (1) the process of realigning and closing bases to reduce DOD's excess infrastructure from the 2005 round of closures and (2) a reexamination of worldwide basing requirements will take several years to accomplish, improvements in facilities will likely require much longer to accomplish than suggested by DOD's three key objectives.

DOD's process of prioritizing and resourcing military construction projects provides an important means of improving whole categories of facilities but can repeatedly postpone addressing important projects outside of those categories. If left unchecked without periodic reassessments, the process can continually defer projects important to installations' ability to accomplish their mission and improve servicemembers' quality of life. As much as 77 percent of military construction funds appropriated in any one year are distributed among specific areas of emphasis, including housing, annual unspecified cost estimates, and the services' major priorities. For example, OSD has made the quality of housing—including military family housing and barracks—one of the department's highest priorities, amounting to approximately 54 percent of military construction funding appropriated in fiscal year 2004. In addition, funding for annual unspecified costs—which includes base realignment and closure activities,

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<sup>11</sup> The Secretary of Defense and his staff prepare the *Defense Planning Guidance*, issue policy, and articulate strategic objectives that reflect the national military strategy. The *Defense Planning Guidance* includes the Secretary's force and resource guidance to the military departments, other combat support agencies, and the unified combatant commands.

<sup>12</sup> DOD has periodically revised the objectives for improving facilities on the basis of the services' ability to meet them.

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the North Atlantic Treaty Organization facility contribution, and facility planning and design—was approximately 9 percent of the military construction budget in fiscal year 2004.<sup>13</sup> Funding for the services' major priorities, such as physical fitness facilities and aircraft hangars, was approximately 14 percent in fiscal year 2004. The remaining 23 percent of military construction funding for installations was insufficient to repair the remaining categories of facilities, including those affecting the services' ability to accomplish their mission and improve servicemembers' quality of life. For example, even though installation and major command officials have a large list of military construction projects in backlog, only a small fraction of these projects are submitted for consideration each year. In practice, installation officials often do not submit projects that do not fall into the specific areas of emphasis and sometimes are directed by the major commands to limit the number of projects that they can submit for consideration. Furthermore, annually, some high-priority, high-cost projects are postponed to future years because their addition to the current year's military construction program causes an increase in the total funding that exceeds the services' predetermined military construction funding level for that funding year. Often, officials would replace these high-cost projects with several lower-priority, lower-cost projects to come as close as possible to, but not exceed, this established funding level. In recent years, Congress has added various military construction projects during the annual appropriations process to address what it has considered as inadequate requests for military construction funding. Funding of these projects may require adjustments in DOD's plans since they may not always align with DOD's short-term priorities.

Increasing current funding thresholds for using construction funds and operation and maintenance funds for unspecified minor military construction projects would give DOD more funding flexibility at the installation level but might need to be balanced against reducing congressional oversight of funding for the projects affected by these thresholds. Construction costs have increased 41 percent since the existing \$1.5 million threshold for using unspecified minor construction funds and 7 percent since the existing \$750,000 threshold for using operation and maintenance funds were last adjusted respectively upward in 1991 and 2001. As a result, fewer projects that are smaller in scope can now be completed using unspecified minor military construction funds or operation and maintenance funds. Additionally, some installation officials

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<sup>13</sup> Annual unspecified costs are not justified on the basis of specific projects.

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often scale back the scope of a project in order to meet the current thresholds. In doing so, however, they can compromise design characteristics with a facility that lacks capacity for future growth, making it potentially inadequate in future years. When projects are funded under the statutory thresholds, they can be completed during the same year as identified without seeking approval through the traditional, multiyear military construction prioritization and resourcing process. As a result, service and installation officials stated that the thresholds limit their ability to quickly respond to unanticipated, urgent construction requirements. If the thresholds were increased, Congress could lose oversight of the additional projects funded under these thresholds because such construction projects are not specifically identified in the President's budget submissions. Yet, there are alternatives to preserve oversight, such as coupling the increased thresholds with periodic reports on the usage of those funds.

We recognize that fully reversing DOD's deteriorating infrastructure may take many years to be realized. A key step in the process is reducing excess infrastructure—as expected in the upcoming base realignment and closure round—which would permit a greater concentration of available resources on enduring facilities. Beyond that, improvements can be made in various management tools and processes for deciding military construction priorities. Accordingly, we are making recommendations to (1) complete the management tools, including the revision of the defense facilities strategic plan, for standardizing military construction and costs and improving facilities; (2) reevaluate the time frames for completing the three key objectives to reflect that there are competing funding priorities and that the process of realigning and closing domestic bases to reduce DOD's excess infrastructure and realigning overseas facilities will take several years to accomplish and could affect meeting facilities' investment goals; and (3) develop a mechanism for periodically reassessing military construction priorities for facility categories that fall outside the department's specific areas of emphasis to ensure that the risk of delaying proposed military construction projects with potential operational and quality of life impacts is being given appropriate consideration. We are also suggesting that Congress may wish to consider the advantages and disadvantages of increasing the funding thresholds for unspecified minor construction projects.

In comments on a draft of this report, DOD concurred or partly concurred with our recommendations. The department also provided technical clarifications, which we incorporated as appropriate.

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## Background

DOD manages the world's largest dedicated infrastructure, covering more than 46,000 square miles of land and facilities worth more than \$600 billion. To enhance and maintain this infrastructure, two separate defense appropriations are written annually: (1) military construction appropriations dedicated to military construction and (2) national defense appropriations, including operation and maintenance funding for facility sustainment and minor construction.<sup>14</sup> There are also supplemental appropriations. The military construction appropriations fund construction projects and some of the facility sustainment, restoration, and modernization of the active Army, Navy and Marine Corps, Air Force, and their reserve components;<sup>15</sup> additional defensewide construction; U.S. contributions to the North Atlantic Treaty Organization security investment program;<sup>16</sup> and military family housing operation and construction. These military construction appropriations also provide funding for base realignment and closure activities, including the construction of new facilities for transferred personnel and functions, and environmental cleanup at closing sites. According to DOD, such costs are still being incurred from prior base closure rounds and are likely to be significant for the 2005 round if a large number of closures and realignments are approved. However, such costs may be viewed as a necessary upfront investment if significant reductions in excess facilities are to be made. Over the long term, such reductions could be key to rationalizing DOD's facilities infrastructure and permitting a greater concentration of available facilities funding to enduring facilities. In addition, construction and sustainment of morale, welfare, and recreation-related facilities are partially funded through proceeds of commissaries, recreation user fees, and other nonappropriated income. At installations located overseas, host-nation-funded construction programs are often a

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<sup>14</sup> The subcommittees of the House and Senate Appropriations Committees are Military Construction, which drafts legislation for the military construction appropriation, and Defense, which drafts legislation for the national defense appropriation. The Subcommittee on Readiness of the House Armed Services Committee and the Subcommittee on Readiness and Management Support of the Senate Armed Services Committee draft legislation to authorize military construction appropriations.

<sup>15</sup> The six military reserve components consist of the Army National Guard, Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard, and Air Force Reserve.

<sup>16</sup> The security investment program is the U.S. contribution to alliance funds for the construction of facilities and the procurement of equipment essential to the wartime support of operational forces in the common defense of the North Atlantic Treaty Organization region. Facilities funded by this program include airfields, naval bases, communication facilities, pipelines, and radar and missile installations.

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part of the burden-sharing arrangement between the United States and the host country and represent a large source of major construction funds for these U.S. installations.<sup>17</sup>

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## Sustainment, Restoration, and Modernization

Operation and maintenance funds are used mostly to support facility sustainment, which covers the day-to-day expenditures associated with routine maintenance such as repairing or replacing broken windows, doors, or restroom plumbing, as well as larger repair and maintenance projects such as installing a new roof or air-conditioning and heating systems. Both operation and maintenance funds and military construction funds can be used to finance facility restoration and modernization activities. Military construction and operation and maintenance funds designated for facility restoration are used to repair and replace items damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other nonroutine causes. Funds designated for modernization are used to alter or modernize facilities to meet new or higher standards, accommodate new functions, or replace structural components. In addition, the construction of new facilities is mostly funded with the military construction appropriations. Conference reports accompanying military construction funding bills specify the amounts and the projects for which military construction appropriations are to be used.

According to DOD, providing funds for full sustainment is the most cost-effective approach to managing facilities because it provides the most performance over the longest period for the least investment. Without adequate sustainment, the expected life of a facility is reduced and facilities must be recapitalized sooner, although, even with adequate sustainment, facilities eventually wear out or become obsolete over time. An obsolete facility is one that is irrelevant to present-day missions regardless of its condition; for example, a maintenance shop built in the 1950s may be too narrow and small to accommodate large tanks and vehicles. Once a facility reaches the end of its expected service life, it must be recapitalized—that is, replaced, extensively renovated, or modernized. DOD estimates that an average recapitalization rate of 67 years allows fully sustained facilities to meet the department's requirements. Recapitalization investments can also be made periodically throughout a

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<sup>17</sup> See U.S. General Accounting Office, *Defense Infrastructure: Basing Uncertainties Necessitate Reevaluation of U.S. Construction Plans in South Korea*, [GAO-03-643](#) (Washington, D.C.: July 15, 2003).

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facility's service life, which extends service life and delays the need for replacement. Moreover, even after recapitalization investments are made, facility performance can rapidly decline in the absence of adequate sustainment.

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## Military Construction Prioritization and Resourcing Process

The process for identifying construction needs, obtaining military construction funds, and completing a project typically lasts from 5 to 8 years. During this period, OSD and the services review each construction project and request individual project funding approval from Congress.

The DOD prioritization and resourcing process for military construction projects flows from OSD's and the services' guidance. This guidance describes OSD's objectives for improving facilities, identifies the services' categories of facilities that would receive priority in funding military construction projects, and assigns organizational responsibilities for the process. On the basis of this guidance, each installation identifies needed construction projects and develops the description and justification for each project. Installation officials are supposed to prioritize their projects and submit their highest priorities to their respective major commands. Major commands verify the various installation submissions, review and validate the cost estimates, compile the installations' lists into one command list, prioritize the command's list, and submit that list to the service headquarters. In addition, a major command may add its own military construction projects to its list.<sup>18</sup> Similarly, the service headquarters review and validate the cost estimates and compile the major commands' lists into one service list. The service identifies projects on the list that must be funded in the immediate fiscal year and places those projects at the top of its priority list. Next, the service assigns a numerical rating to the remaining projects that reflects the projects' mission and impact. The projects with the highest rating based on this scoring process are combined with the "must-fund" projects to form the service's priority list of proposed military construction projects. A similar process is used for military construction projects planned for installations located overseas.

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<sup>18</sup> The guard and reserve commands, using a similar process, submit their military construction requirements separately from the active components. Nevertheless, the guard and reserve must compete with their active counterparts for the available military construction dollars available each year.

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OSD reviews each of the services' submissions to ensure that the projects comply with financial requirements and the department's objectives and guidance, such as the 67-year average recapitalization rate and the maximum, allowable military construction funding for the budget year. The Office of the Under Secretary of Defense (Comptroller),<sup>19</sup> in conjunction with other OSD offices—such as the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics<sup>20</sup>—reviews proposed construction projects to confirm and adjust requirements as necessary. The Comptroller issues program budget decisions to the services, which communicate his decision on projects. Once OSD has approved the projects, it submits a listing of approved projects to the Office of Management and Budget, which approves and submits the final construction project budgets to Congress as part of DOD's overall annual budget submission. The budget request for military construction funding each fiscal year includes major construction, project planning and design, and unspecified minor construction. Congress annually specifies the amounts and the projects for which military construction appropriations are to be used. A more thorough description of the department's prioritization and resourcing process for military construction projects is presented in appendix III.

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## Prior GAO Reports on DOD's Facilities Management Program

We have conducted a number of reviews that identified areas in which DOD and the services could improve their facilities management program. Since 1997 we have identified DOD infrastructure management as a high-risk area. In September 1999 we reported on the management of DOD's facility maintenance and repair programs and recommended that the Secretary of Defense (1) develop a way to link the department's needs assessment with both resource allocations and tracking systems that show whether high-priority needs are receiving funding, (2) establish standardized condition assessment criteria, and (3) have the services adopt a valid engineering-based assessment system for facilities

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<sup>19</sup> The Under Secretary of Defense (Comptroller) is the principal advisor to the Secretary of Defense for budgetary and fiscal matters, DOD program analysis and evaluation, and general management improvement programs.

<sup>20</sup> The Under Secretary of Defense for Acquisition, Technology and Logistics is the principal advisor to the Secretary of Defense for all matters relating to the DOD acquisition system; research and development; advanced technology; developmental test and evaluation; production; logistics; installation management; military construction; procurement; environment security; and nuclear, chemical, and biological matters.

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maintenance.<sup>21</sup> In 2001 we reported that DOD needed to develop a comprehensive long-range plan for its facilities infrastructure that addresses facility requirements, recapitalization, and maintenance and repair needs.<sup>22</sup> In a June 2002 report, we examined the condition of barracks used to house military recruits in basic training and concluded that, to varying degrees, most barracks were in significant need of repair, although some were in better condition than others.<sup>23</sup> In January 2003 we designated federal real property governmentwide as a new high-risk area.<sup>24</sup>

In February 2003 we reported that DOD's three objectives for sustainment and improvement of facility conditions may not be achievable because services do not propose to fully fund them or have developed funding plans that have unrealistically high rates of increase in the out-years when compared with previous funding levels and against other defense priorities.<sup>25</sup> We found that while deteriorated facilities are common on many installations, there is a lack of consistency in the services' information on facility conditions, making it difficult for Congress, DOD, and the services to direct funds to facilities where they are most needed and to measure progress in improving facilities. In reviewing a draft of this report, officials clarified that mission impact, and not facility condition alone, drives the allocation of funds to where they are most needed. We also found that while the services had originally planned to fund sustainment at no less than 78 percent of requirements in fiscal year 2002, officials determined that these levels of funding could not be achieved if needs such as civilian pay, emergency needs, and "must-pay" bills were to be funded. In May 2003 we reported that the reserve components are unlikely to meet DOD's three objectives as well.<sup>26</sup> Some officials acknowledged that even when their components have expressed intent to

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<sup>21</sup> See U.S. General Accounting Office, *Military Infrastructure: Real Property Management Needs Improvement*, [GAO/NSIAD-99-100](#) (Washington, D.C.: Sept. 7, 1999).

<sup>22</sup> See U.S. General Accounting Office, *High-Risk Series: An Update*, [GAO-01-263](#) (Washington, D.C.: January 2001).

<sup>23</sup> See U.S. General Accounting Office, *Defense Infrastructure: Most Recruit Training Barracks Have Significant Deficiencies*, [GAO-02-786](#) (Washington, D.C.: June 13, 2002).

<sup>24</sup> See U.S. General Accounting Office, *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: January 2003), and *High-Risk Series: Federal Real Property*, [GAO-03-122](#) (Washington, D.C.: January 2003).

<sup>25</sup> See [GAO-03-274](#).

<sup>26</sup> See [GAO-03-516](#).



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meet DOD's objectives, their funding plans included unrealistically high rates of increase during the out-years when compared to previous funding trends and against other defense priorities. We also concluded that the reserve components face challenges in implementing two potential cost-saving initiatives—joint construction projects and real property exchanges—and that OSD has not provided overall direction for the program, thus risking the exchange of property that may be needed by other DOD components.

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## Strategic Plan and Management Tools Weaknesses Limit Efforts to Improve Facilities

Recognizing the need to halt the degradation of defense facilities, OSD has taken a number of steps to enhance the management of the military construction program by providing guidance through a facilities strategic plan and by standardizing practices via a number of selected management tools. In the 1990s the services did not allocate full funding for their facilities, resulting in too many deteriorated and obsolete facilities. However, some of OSD's tools are not completed and others have weaknesses that limit efforts to improve facilities. For example, the installation readiness reporting system does not have consistent information on the condition of facilities, the defense facilities strategic plan lacks comprehensive information and is being revised, and the recapitalization model to generate an annual recapitalization requirement is not yet completed. Furthermore, the services do not plan to meet OSD's key objectives for improving facilities in the near future because of competing funding priorities and programs within the defense budget. In those instances where service officials have indicated their intent to meet the objectives in future years, their plans are based on future funding that requires unrealistically high rates of increase in appropriations when compared with previous funding trends and when considered against other defense priorities.

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## Underfunding of Sustainment and Recapitalization Led to Facility Deterioration and Obsolescence

DOD and service officials have said that past underfunding for sustainment and recapitalization has led to the deterioration and obsolescence of facilities used by the military services. In the 1990s the services did not allocate full funding for their facilities—sustainment averaged about 75 percent, and facilities recapitalization averaged about 35 percent of the services' requirements—resulting in too many deteriorated and obsolete facilities. For example, Army officials have testified that available sustainment funding since the early 1990s was approximately 60 percent of what was needed. Air Force officials also testified that facility sustainment funding shortfalls have hindered the service's efforts to sustain and operate Air Force facilities and limited the

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Air Force to providing day-to-day maintenance for facilities. Navy and Marine Corps officials also testified that their services have consistently underfunded facility sustainment. As a result of this underfunding, the services' repair backlogs increased significantly, from \$8.9 billion to \$14.6 billion during fiscal years 1992 through 1998. Also, 68 percent of DOD's facility classes—which are groupings of like facilities, such as operations and training, mobility, and supply—were rated C-3 (significant facility deficiencies that prevent it from performing some missions) or C-4 (major facility deficiencies that preclude satisfactory mission accomplishment) in fiscal year 2001—a slight improvement from the 69 percent rate in 2000.

After these years of neglect, some important missions remain in pre-World War II-era structures that were built for purposes other than their current use and require more frequent restoration and sustainment. (See fig. 1.) For example, the Army uses horse stables constructed in 1934 as a vehicle maintenance shop at Fort Benning, Georgia, and the Marine Corps uses deteriorated brick and steel hangars constructed in 1935 to house helicopters at Marine Corps Air Station Quantico, Virginia.

**Figure 1: Examples of Pre-World War II-Era Facilities**



Source: GAO and military services.

Clockwise from top left: (1) A current vehicle maintenance facility originally constructed in 1934 as a horse stable at Fort Benning, Georgia; (2) a shipyard maintenance building originally constructed in 1941 with steel frames and asbestos shingles is still in use at the Naval Shipyard Bremerton, Washington, as a machine shop; (3) a brick hangar constructed in 1935 still in use as a hangar for aircraft at Marine Corps Air Facility Quantico, Virginia; and (4) an Air Force hangar originally constructed in 1918 still in use as administrative office space at Langley Air Force Base, Virginia.

During our visits to installations, we found that the services also sometimes work in maintenance facilities, training facilities, supply and storage facilities, airfields, and deployment facilities that are deteriorated and/or do not meet standards. Maintenance bays, runway aprons, and other facilities are often undersized or inadequate for the mission, as illustrated in figure 2.

**Figure 2: Examples of Undersized or Inadequate Facilities**



Source: GAO and military services.

Clockwise from top left: (1) A command and control facility with numerous environmental and safety hazards; inadequate heating, ventilation, and electrical systems; poor lighting; and deficient communication systems at Fort Stewart, Georgia; (2) a warehouse in Naval Station Norfolk, Virginia, with major roofing and structural problems; (3) an old "squad bay" type barracks still housing marines that do not meet standards at Camp Pendleton, California; and (4) a runway with significant structural decay at Andrews Air Force Base, Maryland.

Military services officials attributed this consistent underfunding to constrained defense budgets and competing priorities. They also reflect insufficient efforts to reduce excess facilities and concentrate resources on enduring facilities. The services have also routinely traded off infrastructure and modernization funding to shore up other readiness activities. Past sustainment and military construction funding levels allowed the services to provide only minimal day-to-day critical maintenance of their facilities and infrastructure. While installations continue to operate, local personnel and service members are increasingly

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required to develop workarounds—or adjustments to normal operating procedures to compensate for deteriorated or inadequate facilities—which affected their operational efficiency. This underfunding was recognized in the 1997 *Quadrennial Defense Review* report,<sup>27</sup> which noted that the department should “program more accurately for the costs of operating the defense establishment.” However, as discussed below, this underfunding continues today.

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### OSD Took Steps to Provide a More Consistent Approach to Facilities, but Some Steps Remain Incomplete

Recognizing the need to halt the degradation of defense facilities, OSD took a number of steps—such as developing an installation readiness reporting system, a facilities strategic plan, and other management tools—to help standardize the facility sustainment and recapitalization process and to plan military construction projects; however, some of these management tools are incomplete. Historically, each service had established its own criteria for assessing the condition of its properties and the urgency for repairs, prioritizing maintenance needs, and deciding how much to allocate for maintenance and military construction funding. At the same time, each service had different standards for sustaining and recapitalizing facilities. As a result, the services had created widely varying living and working conditions.

In an attempt to provide Congress with a measure of facilities’ conditions and their ability to support military missions, DOD issued its first installations’ readiness report in 1999.<sup>28</sup> DOD developed the report to fulfill its reporting requirement to Congress under section 117 of title 10 of the United States Code, which specifies that DOD measure the capability of defense installations and facilities to provide appropriate support to forces in the conduct of their wartime missions. Within the report, each military facility falls under one of nine facility classes, which are groupings of like facilities, such as operations and training, mobility, and supply. The services’ major commands assign condition ratings to each facility class using a scale of C-1 through C-4: C-1 facilities have only minor deficiencies with negligible impact on capability to perform missions; C-2 facilities have some deficiencies with limited impact on capability to perform missions; C-3 facilities have significant deficiencies that prevent performing some missions; and C-4 facilities have major deficiencies that

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<sup>27</sup> See Department of Defense, *Report of the Quadrennial Defense Review* (Washington, D.C.: May 1997).

<sup>28</sup> See Department of Defense, *Installations’ Readiness Report* (Washington, D.C.: 1999).

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preclude satisfactory mission accomplishment. According to DOD's guidance, the services were permitted to report readiness without modifying their existing assessment processes. As a result, all four services are using different systems and criteria to assess facility conditions and develop condition ratings. Consequently, in February 2003 we reported that the services used different kinds of facility raters and procedures, assessment scopes and frequencies, appraisal scales, and validation procedures, all of which resulted in inconsistencies and a lack of comparability in their ratings.<sup>29</sup> Without a consistent cross-service system for assessing facility conditions and developing ratings, DOD and the services cannot be assured that their funding decisions effectively target facilities in the greatest need and that the reported ratings accurately measured progress in facility condition improvements. This system is currently under review by the department.

OSD's first defense facilities strategic plan, published in August 2001,<sup>30</sup> was the result of years of work with the services and defense agencies to standardize and develop terminology, concepts, and models, and to shape the information into an achievable long-range plan. The vision set forth in the plan is to have installations and facilities available when and where needed to effectively and efficiently support missions. To achieve this vision, the strategic plan outlines four long-term strategic goals. These strategic goals are to (1) locate, size, and configure defense installations and facilities to meet the requirements of today's and tomorrow's force structures; (2) acquire and sustain defense installations and facilities to provide mission-ready installations with quality living and work environments; (3) leverage resources—money, people, and equipment—to achieve the proper balance between requirements and available funding; and (4) improve facility management and planning by embracing best business practices and taking advantage of modern asset-management techniques and performance-assessment metrics. The plan is intended to provide a unifying framework for the department in achieving these strategic goals and identifies several key initiatives to achieve OSD's vision of modern, cost-efficient installations and facilities supporting operational readiness. However, in February 2003 we reported that the plan lacked the comprehensive information that makes a strategic plan useful and that most strategic plans encompass.<sup>31</sup> For example, it did not contain detailed

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<sup>29</sup> See [GAO-03-274](#).

<sup>30</sup> See *Defense Installations 2001: The Framework for Readiness in the 21st Century*.

<sup>31</sup> See [GAO-03-274](#).

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information on (1) the specific actions that are needed to achieve each of the four goals; (2) the methods or processes that would be used to achieve each goal; (3) the amount of funding or other resources needed to reach the goals; (4) the time frames and milestones; (5) the assignment of responsibilities (in other words, the entity accountable for completing each goal); and (6) the performance measurement tools to use to determine the progress being made toward each goal. At that time, we recommended that OSD revise its defense facilities strategic plan to include detailed information on specific actions, time frames, responsibilities, and funding levels. OSD officials said the plan is being revised and is expected to be completed in early 2004.

In 2001 OSD began using its initial facilities recapitalization metric, which provides a uniform mechanism for tracking recapitalization investments through the military construction accounts, augmented in some cases with operation and maintenance funds or working capital funds. Before that time, no single tool was employed DOD-wide to calculate the recapitalization rate associated with programmed funding levels. Each military service used its own metrics and accounting constructs to perform these computations. Implementing the Secretary's guidance required the development of a standard metric that would be relatively transparent within the programming and budgeting process. The metric considers the combined effect of construction and other investments on the physical plant. The metric is computed by dividing the recapitalizable plant replacement value by the total annual restoration and modernization investment.<sup>32</sup> However, OSD officials plan to upgrade and recalibrate this metric and expect the upgrade to be completed in late 2004. Once completed, effective use of the tool will require a consistent level of funding each year to ensure that the projected recapitalization rate is realized.

In addition to its strategic plan and newly developed management tools, OSD has taken other steps to improve the management of its facilities,

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<sup>32</sup> DOD defines "recapitalizable plant replacement value" as the cost of replacing an existing facility with a facility of the same size at the same location using today's building standards, but it does not include facilities planned for demolition, disposal by transfer to other entities, and one-time use, as well as facilities recapitalized by appropriations other than regular military construction or operation and maintenance funds (such as military family housing), and facilities recapitalized by sources outside DOD (such as facilities in Japan).

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enhance accountability, and better measure and track performances, including the following:

- **Facilities assessment database.** In 1997 OSD created an integrated facilities assessment database from the services' real property database inventories. This database has transitioned into the source database for other DOD-wide databases and management tools, including the facilities sustainment model discussed below. It tracks key facility inventory and cost data, including the quantity, type, location, and status of buildings, structures, and all other military facility assets. Although the database provides an informative picture of the overall installation readiness levels organized by facility categories within the major commands and individual installations, it does not provide enough detail to determine the individual facility deficiencies that generate the readiness ratings.
- **Facilities pricing guide.** In 1999 OSD issued its first defense facilities cost factors handbook, now combined with the *DOD Facilities Pricing Guide*.<sup>33</sup> The purpose of the pricing guide is to standardize the method by which the services determine the sustainment and military construction costs of their facilities. The cost factors are intended for macro-level analysis and planning, not for individual projects. Where possible, the pricing guide uses commercial benchmark costs to determine the annual cost per square foot (or similar unit of measure) to sustain and construct each facility type. However, the pricing guide does not take into account other factors affecting the cost of military construction, such as regional economic conditions that can affect construction cost significantly.
- **Facilities sustainment model.** In 1999 OSD developed the facilities sustainment model, which estimates the annual sustainment cost requirement, adjusted for area costs, for each service and defense agency, on the basis of the number, type, location, and size of its total inventory of facilities. The model generates an annual funding requirement that would sustain DOD's facilities throughout the budget year. As shown in appendix IV, however, the military services do not plan to fully fund their sustainment requirements before fiscal year 2008. In addition, service officials expressed concern that the model does not provide accurate sustainment funding at the installation

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<sup>33</sup> See U.S. Department of Defense, *DOD Facilities Pricing Guide*, Version 5, March 2003.



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level—especially at installations with aging infrastructure that require a large amount of sustainment funds to maintain.

- **Unified facilities criteria.** In 2001 OSD created a series of documents, referred to as the “unified facilities criteria,” to provide facility planning, design, construction, sustainment, restoration, and modernization criteria for DOD components. As of December 2003, only 71 of the required 161 documents had been issued on various construction standards, such as energy conservation, structural design, fire protection, and seismic design. The building and construction codes and guidance established in these documents are designed to standardize and streamline the process for developing, maintaining, and disseminating criteria in support of the military construction program. For example, as part of the unified facilities criteria, *DOD Antiterrorism Standards*, DOD Instruction Number 2000.16, requires DOD components to adopt and adhere to common criteria and minimum construction standards to mitigate antiterrorism vulnerabilities and terrorist threats. OSD plans to complete the unified facilities criteria in fiscal year 2009.
- **Improved budgeting methods.** In 2002 OSD replaced the operation and maintenance-funded real property maintenance program with two distinct activities and accounting structures for (1) sustainment and (2) restoration and modernization, having already created a separate structure for demolition and disposal in fiscal year 1999. By tracking each element separately, it is now possible to link programs and budgets directly to program objectives and to better track performance relative to the objectives.

OSD also developed and implemented the facilities demolition and disposal program, by which the military services and defense agencies have demolished more than 80 million square feet of excess and obsolete facilities during fiscal years 1998 through 2003. The defense drawdown had left many military bases with structures that the services no longer need, are in poor condition, or have no remaining value. While demolishing these structures entails up-front spending, it allows the services to avoid sustainment, restoration, and modernization costs for these facilities. Estimates by OSD suggest that demolition projects pay for themselves in as little as 5 years. Notwithstanding these efforts, OSD and service officials maintain that the department’s inventory of real property will still contain excess structures after the demolition program is completed. One previous estimate by the department in 1998 indicated that it might have 20 to 25 percent excess capacity in facilities. By closing some domestic installations and consolidating overlapping activities

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within and across the services, OSD also intends to gain efficiencies and further reduce its inventory of facilities through the upcoming round of base realignments and closures authorized to start in 2005 by Congress.<sup>34</sup> The process of realigning and closing bases, however, will take some years to accomplish and, while it is expected to produce significant long-term savings, it has typically required considerable up-front expenses. In addition, OSD and the services are reexamining worldwide basing requirements, which could potentially lead to significant changes in facility requirements over the next several years. Over the long-term, the elimination of excess facilities should permit a greater concentration of resources on enduring facilities.

Finally, OSD established three key objectives for the services to sustain and improve the conditions of their facilities in its *Defense Planning Guidance* for fiscal year 2004. Currently, these objectives are to fully fund sustainment starting in 2004, reach a 67-year average recapitalization rate by fiscal year 2008, and improve the condition of facilities so that deficiencies have only a limited effect on mission performance by fiscal year 2010. While OSD has periodically revised these investment objectives on the basis of the services' ability to meet them, the military services do not plan to fund most objectives in the near future because of competition for funds from other defense programs and priorities. Also, even when service officials indicate an intent to meet the objectives in future years, their funding plans suggest that they are unlikely to do so, given their unrealistically high rates of increase in the future when compared with previous funding trends and when considered against other defense priorities and programs, including the Global War on Terrorism, Operation Enduring Freedom, and other ongoing efforts such as the Balkans, military readiness, weapons procurement, and research and development. In addition, earlier this year we reported that the reserve components were unlikely to achieve OSD's investment objectives for improving facilities.<sup>35</sup> At that time, reserve component officials were concerned that the components may not receive significant funding increases for facility recapitalization activities in the out-years because the reserve components are considered a low priority, from past experience. They also said that reserve components do not compete well with the active services and facilities generally do not compete well with other DOD programs and priorities during the budgeting process. Given DOD's competing funding

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<sup>34</sup> Pub. L. No. 107-107, Sec. 3001, (Dec. 28, 2001).

<sup>35</sup> See [GAO-03-516](#).

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pressures and given that the process of realigning and closing bases to reduce DOD's infrastructure will take several years to accomplish, improvements in meeting facility investment goals will likely require much longer than suggested by OSD's three key objectives. A more thorough description of the services' plans relative to OSD's three key investment objectives is presented in appendix IV.

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## Prioritizing and Resourcing Process Serves an Important Function but Has Limitations

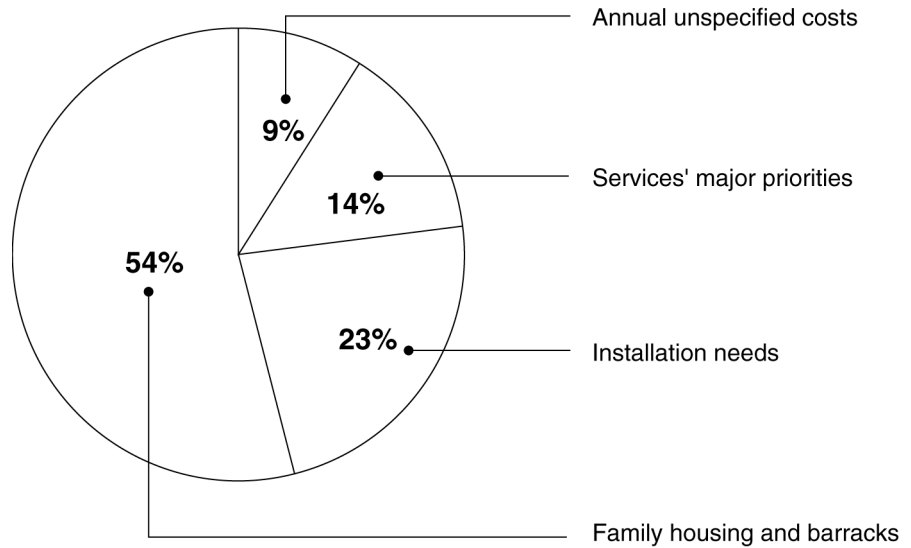
DOD's process of prioritizing and resourcing military construction projects provides an important means of improving whole categories of facilities but can repeatedly postpone addressing important projects outside of those categories. If left unchecked without periodic reassessments, the process can continually defer projects important to installations' ability to accomplish their mission and improve servicemembers' quality of life. As much as 77 percent of military construction funds are distributed among specific areas of emphasis, leaving a significantly small portion for individual installation requirements that affect the services' ability to accomplish their mission and improve servicemembers' quality of life. In addition, installations and major commands do not submit many restoration and modernization projects for funding consideration because the projects do not fall within the specific areas of emphasis and thus are perceived as being highly unlikely to receive funding. Also, some high-cost priority projects are postponed for future years' funding because their addition would exceed the services' military construction funding level established for that budget year. Instead, they are replaced with multiple lower-cost projects whose total costs better fit the established funding level. Although Congress may add several projects during the appropriations process each year, addressing what it has considered as inadequate requests for military construction funding, the adds may not always reach the services' and installations' highest priorities.

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## Specific Areas of Emphasis Leave Little Funding for Other Facility Needs

Most of the military construction funds appropriated in any one year are distributed among specific areas of emphasis, leaving a significantly smaller portion for other facility categories—some that affect mission operations and quality of life. OSD and the services have three specific areas of emphasis: housing, other annual unspecified costs, and the services' major priorities. About \$2.2 billion (23 percent) of the \$9.3 billion appropriated in fiscal year 2004 remains to fund installations' other military construction needs—including some that affect the services' ability to accomplish their mission and improve servicemembers' quality of life—after the three areas of emphasis are addressed. (See fig. 3.)

**Figure 3: Percent Distribution of Military Construction Funding by Specific Area of Emphasis in the Military Construction Appropriation Act for Fiscal Year 2004**



Source: DOD.

Overall funding for housing and barracks in the Military Construction Appropriations Act, 2004<sup>36</sup> was approximately \$5 billion (54 percent of the total amount appropriated). In its 2001 defense facilities strategic plan, OSD made the quality of housing—military family housing and barracks—one of the department's highest priorities. At that time, DOD estimated that of the nearly 300,000 family housing units, two-thirds were in need of significant restoration, modernization, or outright replacement. DOD estimated that using traditional military construction to complete renovations and replacements would cost \$20 billion and take approximately 30 years. Funding for family housing is \$3.9 billion in fiscal year 2004—\$1.1 billion for family housing construction and privatization and \$2.8 billion for family housing operation and maintenance. Funding for barracks is \$1.2 billion in fiscal year 2004. Barracks are a high DOD priority because the department plans to eliminate common bath and

<sup>36</sup> Pub. L. No. 108-132 (Nov. 22, 2003).

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shower facilities, or gang latrines, in barracks by 2008.<sup>37</sup> In order to accomplish this objective, the services are not only renovating existing barracks but building new ones as well. These efforts are intended to improve the quality of life for junior service members, which in turn may improve morale, retention, and operational readiness.

Estimated funding for other annual unspecified costs—such as facility planning and design, base realignment and closure activities, and the North Atlantic Treaty Organization’s security investment program—in the Military Construction Appropriations Act, 2004,<sup>38</sup> was approximately \$833 million (9 percent of the total amount appropriated). These annual unspecified costs are not justified on the basis of specific projects. For example, planning and design funds can be used for future projects that have not yet been appropriated or for completing the planning and design phase of appropriated projects. Base realignment and closure funds in fiscal year 2004 are mainly to finance environmental cleanup, caretaker, and property disposal activity costs. Historically, these funds have supported a wide range of requirements, ranging from a high of \$3.9 billion in fiscal year 1996 to a low of \$370 million in fiscal year 2004. Minor military construction funds are used for projects that fall under specific thresholds and are approved internally by OSD and the services. Finally, funds for the North Atlantic Treaty Organization’s security investment program are for the collective defense of the North Atlantic Treaty area.

Funding for the services’ major priorities in the Military Construction Appropriations Act, 2004,<sup>39</sup> was approximately \$1.3 billion (14 percent of the total amount appropriated). Projects that fit within the services’ priorities are given a higher ranking and are more likely to receive funding. The services’ major priorities are unique to the objectives of the services. Recently, the Army identified five categories of priorities, which include training ranges, mobilization, transformation, antiterrorism and force protection, and the Army’s focus facility strategy to address Army National

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<sup>37</sup> In November 1995 DOD adopted a new barracks construction standard, referred to as the 1+1 design standard, for servicemembers permanently assigned to an installation. The standard, which does not apply to barracks for members in basic recruit or initial skill training, provides each junior enlisted member with a private sleeping room and with a kitchenette and bath shared by one other member. The Marine Corps has a permanent waiver from the Secretary of the Navy to use a different barracks design standard—one sleeping room and bath are shared by two junior Marines.

<sup>38</sup> Pub. L. No. 108-132 (Nov. 22, 2003).

<sup>39</sup> Pub. L. No. 108-132 (Nov. 22, 2003).

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Guard readiness centers, Army Reserve centers, physical fitness facilities, trainee barracks or complexes, general instruction classrooms, vehicle maintenance and hardstand facilities, and chapels. Funding for these projects was \$741 million of the military construction funding appropriated for fiscal year 2004. Funding for the Navy's major priorities, such as piers and hangars, was \$266 million of the military construction funding appropriated for fiscal year 2004. Funding for the Air Force's priorities—consisting of new mission requirements, environmental compliance, and fitness centers—was \$304 million of the military construction funding appropriated for fiscal year 2004. The Marine Corps does not have stated priorities for facilities—it is small enough to review and prioritize all proposed military construction projects submitted by its installations and commands.

While DOD's process of prioritizing and resourcing military construction projects provides an important means of improving whole categories of facilities, it can repeatedly postpone addressing important projects outside of those categories. If left unchecked periodically, the process can continually defer projects important to installations' ability to accomplish their mission and improve servicemembers' quality of life. The following are examples:

- Army officials told us that nearly all garrison projects at Aberdeen Proving Ground, Maryland, have not received funding because these projects are not considered a high enough priority. As a result, the installation rated three of its five facility categories as having significant deficiencies that limit it from performing some missions. For example, a centralized information science and supercomputing facility has been placed in the future years' defense plan and has been delayed for 10 years. Currently, computers and personnel are dispersed in several buildings, which significantly impairs operations and lengthens completion timelines. Officials predict that with the growing need for classified computer systems owing to such missions as transformation and future combat system development, the current facilities will be inadequate.
- A runway at Offutt Air Force Base, Nebraska, originally constructed in 1944, has not received funding since fiscal year 2001, even with Air Combat Command sponsorship, because it was not considered a high enough priority to be included in the budget request. In 1999 a recommendation was made to limit the runway to emergency use only. Annual maintenance costs amount to over a reported \$400,000, and are rising. In addition, the Air Force's structural analysis indicates that the

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Offut runway must be replaced in fiscal year 2005 or face a significant chance of experiencing catastrophic failure resulting in significant damage to aircraft and loss of personnel.

- A bridge on Cheatam Annex, Yorktown Naval Weapons Station, Virginia, was found to be structurally unsound by the Navy and could not safely support munitions vehicles. The installation has submitted bridge replacement projects annually since 1996 but the project has not been prioritized high enough to secure funding. In the meantime, munitions trucks were required to detour 21 miles. By considering the bridge as part of the entire road system, the station received approval to finance the project with operation and maintenance funds in fiscal year 2003.
- Aircraft parking aprons at Langley Air Force Base, Virginia, failed several inspections for safety in 1995, 1999, and 2002. Currently, its poor condition requires constant foreign object damage inspections and maintenance totaling 23,000 hours and at a reported \$85,000 annually to maintain its limited usability. While the installation has submitted projects annually to repair the aprons, these projects have not been funded because other projects were considered by the Air Force to be higher in priority.

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### Installations and Major Commands Submit a Small Percentage of the Identified Military Construction Projects Each Year

Every year, the number of military construction projects forwarded by installations and major commands to the next higher level for funding consideration is a small percentage of their identified requirements—including those that affect the services' ability to accomplish their mission and improve servicemembers' quality of life. Also, even though installation officials have dozens of unfunded military construction projects in backlog, one as many as 10 years old, they submit only a small portion of these projects for funding consideration, knowing that only a limited number would get funded. For example, Marine Corps Camp Pendleton, California, submitted 5 projects for funding consideration in fiscal year 2004 even though it had identified 30 projects for the installation. In some instances, the major commands directed installations to limit the number of projects submitted for funding consideration. For example, Army instructions for submitting unspecified minor military construction projects dictate that the installation management agency can submit only up to 14 projects. It also notes that because of limited funding, only the top-priority projects are likely to receive funding. Other requests to limit the number of projects submitted for funding consideration appear to be based on unwritten guidance, which assumes that there would be only a

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very limited amount of military construction funding available to fulfill requirements.

Furthermore, after compiling and prioritizing the installations' lists of projects, major commands submit a small percentage of the installations' projects to the services. For example, the Air Force's Air Combat Command submitted 10 projects for funding consideration in fiscal year 2004 even though its subordinate installations had submitted 100 projects for funding consideration. Often, it uses a rule-of-thumb that about half of its submissions to the Air Force would be forwarded to OSD. In practice, DOD and the active services have come to rely on additional funding provided by Congress beyond the department's budget request to meet reserve component requirements while requesting funding for other priorities within DOD's budgetary constraints. Reserve component officials said they submit fewer military construction projects than their requirements, choosing to depend on the congressional adds. However, reserve component officials said many of their identified construction projects still go unfunded.

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### High Cost Projects Are Postponed to Future Years

Some high-cost, high-priority military construction projects are postponed to future years' funding plans because the projects' cost would push the cumulative amount of funding over the services' military construction funding level established for that budget year. Often, officials would replace these high-cost projects with several lower-priority, lower-cost projects to come as close as possible to, but not exceed, the established funding level. For example, at Fort Leavenworth, Kansas, a high-priority project to renovate an instruction facility was delayed twice in the 2002 and 2003 fiscal year budgets and moved to fiscal year 2005 because its estimated cost exceeded the Army's military construction funding level established for the earlier fiscal years. By delaying the project, the estimated cost for the project increased from \$75 million to \$79 million during this period. At the Naval Submarine Base New London, Connecticut, the Navy delayed replacing a pier from fiscal year 2004 to fiscal year 2005 because of the project's high cost.

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### Congressional Adds Address Long-term Service Needs but May Require Adjustments in DOD Planning

Congress may add various projects during the appropriations process, addressing what it has considered as inadequate requests for military construction funding. Funding of these projects generally address long-term service and installation needs but may require adjustments in DOD's plans since they may not always align with DOD's short-term priorities.



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For example, Congress added 123 and 120 projects in fiscal years 2003 and 2004, respectively, that were in addition to the 366 and 280 projects that DOD requested during the same periods. According to DOD officials, while projects that are added by Congress during the appropriation process may match long-term military construction requirements they may not always address the services' highest priorities for the affected appropriation year and require adjustments. The following examples illustrate this point:

- In fiscal year 2003, Congress moved up and appropriated military construction funds for an Army National Guard readiness center originally programmed for fiscal year 2007.
- In fiscal year 2003, Congress moved up and appropriated military construction funds for a Navy fire station originally planned for fiscal year 2007.
- In fiscal year 2004, Congress moved up and appropriated military construction funds for a Marine Corps ground combat training range that was originally programmed for fiscal year 2009. This project was added ahead of some other Marine Corps projects already programmed for construction in earlier fiscal years.
- In fiscal year 2002, Congress moved up and appropriated military construction funds for an Army maneuver area training equipment site that was not in the Army's future years defense plan.
- In fiscal year 2002, Congress added 21 Air Force projects that were not in the Air Force's near-term integrated priority list. In addition, during fiscal year 2003, Congress added 25 projects that did not appear in the Air Force integrated priority list. However, Air Force officials indicated that many of the projects were in the Air Force's long-term plan.

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## Increasing the Current Funding Thresholds Gives DOD Additional Flexibility but Could Lessen Congressional Oversight

Increasing current funding thresholds for using construction funds and operation and maintenance funds for unspecified minor military construction projects would give DOD installation officials more funding flexibility but might need to be balanced against reducing congressional oversight of projects affected by these thresholds. Construction costs have increased 41 percent since the \$1.5 million threshold for using unspecified minor construction funds was last adjusted upward in 1991 and 7 percent since the \$750,000 threshold for using operation and maintenance funds was last adjusted upward in 2001. As a result, fewer projects that are smaller in scope can now be completed using these funds. Additionally, installation officials sometimes scale back the scope of a project in order to meet the current thresholds. In doing so, however, they can compromise the design characteristics of a facility that lacks capacity for future growth, making the facility potentially inadequate in future years. When projects are funded under the statutory thresholds, they can be completed during the same year as identified without seeking approval through the traditional, multiyear military construction prioritization and resourcing process. As a result, service and installation officials stated that the thresholds limit their ability to quickly respond to unanticipated, urgent requirements. However, increasing these thresholds could reduce congressional oversight of the projects affected by these thresholds, unless offset by other means, such as coupling the increased thresholds with periodic reports on the usage of those funds.

Congress established maximum amounts of funds applicable to unspecified minor military construction projects in 1982 and upwardly adjusted these amounts, or thresholds, through 2001. Currently, an unspecified minor military construction project is a military construction project that has an approved cost equal to or less than \$1.5 million. Such a project can have an approved cost equal to or less than \$3 million if the project is intended solely to correct a deficiency that threatens life, health, or safety. Generally, as long as the minor construction project's cost estimates are below \$750,000, no advance service Secretary's approval and congressional notification are required. Otherwise, the project may then be carried out only after the end of a 21-day period after notification is received by Congress. In addition to the authorized use of military construction appropriations for unspecified minor projects, service Secretaries may use appropriated operation and maintenance funds for such projects estimated to cost not more than \$1.5 million to correct deficiencies threatening life, health, or safety and \$750,000 for any other unspecified minor military construction project.

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## Existing \$1.5 Million Unspecified Minor Construction Fund Threshold Limits the Size and Scope of Projects

The existing \$1.5 million and \$3 million cost estimate thresholds for using unspecified minor construction funds limit the size and scope of facilities to be constructed. (See appendix II for section 2805(a)(1) of Title 10, United States Code.) When projects are funded with unspecified minor military construction funds under these thresholds, they can be completed during the same year as identified without seeking approval through the traditional, multiyear military construction prioritization and resourcing process. However, because of the 41 percent increase in construction costs since 1991, when the threshold was last changed, fewer projects can now use minor military construction funds. Moreover, the scope of the projects that can be funded in this way is smaller than in 1991. Increasing the thresholds for minor construction projects would allow DOD components to respond more quickly to urgent, unanticipated requirements without seeking approval through the traditional, multiyear military construction prioritization and resourcing process. Depending on the size of an increase in the thresholds, OSD officials state that about 20 to 30 projects could be affected annually and would reduce the number of projects requiring approval through the traditional, multiyear military process. The number of projects eligible for funding would still be contingent upon the total amount of military construction funds appropriated by Congress for unspecified minor military construction, regardless of the threshold being increased.

Increasing the funding thresholds for using unspecified minor military construction funds would help installations quickly respond to a greater number of smaller military construction projects that could also address priority needs. For example, officials at Fort McPherson, Georgia—intending to stay below the \$3 million threshold for using unspecified minor military construction funds for projects involving life-, health-, or safety-threatening deficiencies—estimated the cost to construct an installation gate entrance at \$2.85 million in fiscal year 2003. This project was identified as urgent because of force protection reasons, making the higher funding threshold of \$3 million for unspecified minor military construction funds applicable. However, because contractor bids for constructing the project were in excess of \$3 million, officials could not use unspecified minor construction funds. Instead, officials used emergency supplemental funds already allocated for another installation gate project. This resulted in deferring the other gate project to fiscal year 2004. In another example, Naval Station Bremerton, Washington, officials modified part of a former coal storage facility to accommodate space suitable for housing computer equipment to respond quickly to unanticipated and urgent requirements. In an effort to remain under the \$1.5 million threshold, they incorporated the minimum requirements for

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the building—such as replacing flooring, securing unneeded exterior access, and including mechanical and electrical utility service—at a cost of \$1.49 million. While officials told us the facility meets the bare minimum requirements, they stated that had the threshold been higher or the budget process faster, the project would have included better flooring, better climate control, and better ventilation. As a result, the existing facility lacks capacity for future growth, making it potentially inadequate in future years. Similarly, at Scott Air Force Base, Illinois, officials reduced the scope for a medical supply warehouse project from \$2 million to \$1.5 million by reducing the overall facility’s square footage from 10,000 to 8,600 feet to meet the current \$1.5 million threshold for unspecified minor military construction.

Unspecified minor military construction projects funded with military construction funds are included only in the department’s annual review process and are not individually submitted to Congress for review and funding. Congress provides a lump sum amount for each of the services to execute such unspecified minor military construction projects. If the thresholds were increased, Congress could lose some oversight of those additional projects funded with unspecified minor military construction funds. Nevertheless, there are alternative oversight measures in addition to the 21-day notification and waiting period that could be employed to minimize the loss of oversight, such as a requirement for DOD to periodically report on the status of such projects.

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**Existing \$750,000  
Operation and  
Maintenance Fund  
Threshold Also Limits  
Project Size and Scope**

The existing \$750,000 and \$1.5 million thresholds for using operation and maintenance funds limit the size and scope of facilities to be constructed with this type of fund. (See appendix II for section 2805(a)(1) of Title 10, United States Code.) When projects are funded with operation and maintenance funds under these thresholds, they can be completed during the same year as identified without seeking approval through the traditional, multiyear military construction prioritization and resourcing process. Military construction costs have increased 7 percent since these thresholds were last changed in 2001. According to installation officials, very few restoration and modernization projects can be completed for less than \$750,000. Also, OSD reported that an increase in the existing thresholds would allow DOD components to respond to unforeseen requirements with more properly sized and scoped facilities, reducing the recapitalization rate faster by allowing more projects to be funded with operation and maintenance funds instead of using the traditional, multiyear military construction process. Still, since operation and maintenance funds are limited in terms of the amount allocated to each

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installation, service officials would have to weigh the alternatives of using the funds—either for minor construction projects, sustainment, or base operations support.

Increasing the funding thresholds for using operation and maintenance funds for unspecified minor military construction projects would allow installations to respond more effectively to urgent and unforeseen minor projects. For example, at Fort Rucker, Alabama, operation and maintenance funds were used to build a storage facility to support the aviation museum in fiscal year 2002 because the project could not compete well with higher-priority operational projects during the annual budget process. To accommodate the \$750,000 operation and maintenance fund threshold, officials downsized the facility from a 20,000-square-foot requirement to an 8,000-square-foot, bare-minimum storage facility with no heating or air conditioning, no finished space for offices or storage, no brick exterior, and limited phone service. Installation officials stated that the reduction in space requirements limits future storage needs but accommodates immediate requirements. In another example, Scott Air Force Base, Illinois, officials reduced the scope of a communications equipment warehouse project from a cost estimate of \$1.1 million to \$750,000 in order to use operation and maintenance funding in fiscal year 2004. To achieve this reduction, officials eliminated a paved road to the facility, reduced the warehouse space by 12 percent from the initial 5,350 square feet, and reduced office space by half. Also at Scott Air Force Base, officials reduced the estimated cost for an addition to the Airman Leadership School from \$1.0 million to \$750,000 in order to use operation and maintenance funds in fiscal year 2003. To achieve this reduction, officials reduced the finished area of the facility and eliminated showers in two bathrooms and landscaping. At Langley Air Force Base, Virginia, officials decided to reduce facility design requirements for an avionics building to stay below the \$750,000 threshold for using operation and maintenance funds for minor construction. In doing so, according to one installation official, interior features were eliminated to the point that the structure will be little more than “a climate-controlled shell.”

Unspecified minor military construction projects funded with operation and maintenance funds can be executed within the year that the project is identified without congressional notice or review. Congress established a \$200,000 threshold for using operation and maintenance funding for unspecified minor military construction projects in 1986. It increased this threshold to \$300,000 in 1991, to \$500,000 in 1996, and to \$750,000 in 2001—the last time the thresholds were changed. If the thresholds were increased, Congress might lose some oversight of those projects funded

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with operation and maintenance funds falling under the increased thresholds because they are not specifically identified in the President's budget submissions. Usually, major command and installation officials determine how to use operation and maintenance funds for unspecified minor military construction projects, which are not individually presented in the President's budget submission. Again, however, Congress could restore some oversight by using other means of monitoring, such as annual reporting.

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## Conclusions

While OSD has sought to adopt various management tools and objectives for standardizing military construction and costs and improving facilities, some are not completed and others have weaknesses, which if improved upon over time could help strengthen the management of DOD facilities. However, because of competing priorities, DOD is not likely to realize its investment objectives for facilities in the near term. More specifically, the services do not propose to fully fund all of OSD's objectives for improving facilities or, in some instances, the services have developed funding plans that have unrealistically high rates of increase in the out-years compared with previous funding trends and other defense priorities. The base realignment and closure round authorized for fiscal year 2005, while it carries with it a significant up-front investment cost to implement realignment and closure decisions, offers an important opportunity to reduce excess facilities and achieve greater efficiencies in sustaining and recapitalizing the remaining facilities if sufficient funding levels are maintained into the future. Additionally, DOD is reexamining its worldwide basing requirements, which could potentially lead to significant changes in facility requirements over the next several years. As these decisions are implemented over the next several years, this should permit DOD and the services to increasingly concentrate future resources on enduring facilities. Because of DOD's approach to assigning priority to proposed projects in special areas of emphasis and since certain categories of facilities continue to receive little or no military construction funding, it is not clear to what extent DOD has a mechanism for periodically reassessing military construction priorities to ensure that the risk of delaying proposed military construction projects that fall outside the specific areas of emphasis are being given appropriate consideration. Under the current process of prioritizing and resourcing military construction projects, those facilities—including both mission performance and quality of life facilities—not in the specific areas of emphasis may not always receive military construction funding for long periods of time even if their deterioration is significant. Unless DOD has a mechanism for periodically reassessing military construction priorities for

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facility categories that fall outside the department's specific areas of emphasis to ensure that the risk of delaying proposed military construction projects is being given appropriate consideration, certain categories of deteriorated and inadequate facilities will continue to receive no military construction funding year after year. Consequently, neglected facilities will continue to deteriorate over time, affecting the services' ability to accomplish their mission and improve servicemembers' quality of life.

While there are several advantages to increasing the funding thresholds for selected minor construction projects, these actions would also have to be balanced against the potential for reducing congressional oversight of those projects affected by the thresholds. Yet, changing the thresholds would increase installations' flexibility to address more of their facility problems quicker. The existing thresholds may not provide the funding levels needed on the basis of current construction costs. Lacking higher thresholds, installations will continue to use the multiyear prioritization and resourcing process for relatively inexpensive, minor military construction projects. Alternatives, such as a reporting requirement, could ensure some continued congressional oversight of those projects affected by easing the funding thresholds for unspecified minor construction projects.

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## Recommendations for Executive Action

To help strengthen OSD's management and improve the condition of DOD facilities, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to take the following three actions:

- complete the department's management tools, including the revision of defense facilities strategic plan, to provide a more consistent approach to managing facilities and planning construction projects and costs;
- reevaluate the time frames for completing the three key objectives to reflect that there are competing funding priorities and that the process of realigning and closing domestic bases to reduce DOD's excess infrastructure and realigning overseas facilities will take several years to accomplish and could affect meeting facilities' investment goals; and
- develop a mechanism for periodically reassessing military construction priorities for facility categories that fall outside the department's specific areas of emphasis to ensure that the risk of delaying proposed

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military construction projects with potential operational and quality of life impacts are being given appropriate consideration.

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## Matters for Congressional Consideration

Congress may wish to consider the advantages and disadvantages of increasing the military construction funding thresholds and operation and maintenance funding thresholds for unspecified minor military construction projects.

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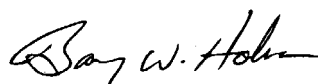
## Agency Comments and Our Evaluation

In commenting on a draft of this report, the Principal Assistant Deputy Under Secretary of Defense (Installations and Environment) concurred or partially concurred with our recommendations and indicated some actions that are being taken to address them. DOD's comments are included in this report in appendix V. DOD also provided technical changes, which we incorporated as appropriate, including adjustments in values associated with selected areas of emphasis in military construction.

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

Please contact me at (202) 512-8412, or my Assistant Director, Mark Little, at (202) 512-4673 if you or your staff have any questions regarding this report. Robert B. Brown, Daniel Chen, J. Andrew Walker, R.K. Wild, and Jay Willer were major contributors to this report.



Barry W. Holman, Director  
Defense Capabilities and Management



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# Appendix I: Scope and Methodology

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To assess the steps that the Office of the Secretary of Defense (OSD) has taken to enhance the management of the military construction program, we met with officials of OSD, military services, National Guard and Reserves, the Defense Logistics Agency, Tricare Management Activity, Department of Defense Education Activity, Central Command, Special Operations Command, Naval Sea Systems Command, Naval Facilities Engineering Command, U.S. Army Corps of Engineers, and the U.S. Army Installation Management Agency. At each organization, we discussed OSD's role in managing elements of the military construction program, OSD's management tools to standardize military construction and costs, and OSD's objectives for improving facilities. We also examined key documents related to OSD's efforts to standardize military construction and costs: the defense facilities strategic plan, installation readiness reporting system, facilities assessment database, facilities pricing guide, facilities sustainment model, recapitalization rate process, unified facilities criteria, and improved budgeting methods. To view the condition of facilities and new military construction projects first hand, we visited and met with officials from 20 installations across the country: Aberdeen Proving Ground, Maryland; Fort Belvoir, Virginia; Fort Benning, Georgia; Fort Lewis, Washington; Fort Stewart, Georgia; Naval Air Station Whidbey Island, Washington; Naval Shipyard Puget Sound, Washington; Naval Station Coronado, California; Naval Station Everett, Washington; Naval Station Bremerton, Washington; Naval Station San Diego, California; Naval Station Norfolk, Virginia; Naval Submarine Base Bangor, Washington; Naval Weapons Station Yorktown, Virginia; Marine Corps Base Quantico, Virginia; Marine Corps Base Camp Pendleton, California; Andrews Air Force Base, Maryland; MacDill Air Force Base, Florida; Langley Air Force Base, Virginia; and McChord Air Force Base, Washington. We selected these installations because they represent a range of facility conditions, missions, major commands, and geographic locations. During our visits, we met with the facilities' occupants and obtained pictures that document facility conditions. To assess the likelihood that the military services will meet OSD's three objectives for improving facilities, we examined the services' current and projected funding plans for sustaining, restoring, and modernizing facilities to determine whether these plans would allow them to meet OSD's objectives by specified deadlines. We also compared the services' prior obligations for sustainment, restoration, and modernization with their future funding projections designed to reach OSD's objectives to determine whether the services' plans to address these issues are credible and realistic. We did not validate the services' reported sustainment or recapitalization requirements.

To determine whether the process by which military construction projects are prioritized and resourced ensures that all categories of facilities that affect the services' ability to accomplish their mission and improve quality of life are reached, we spoke with officials of the military services' headquarters, National Guard and Reserves headquarters, the Defense Logistics Agency, Tricare Management Activity, Department of Defense Education Activity, Central Command, Special Operations Command, Naval Sea Systems Command, Naval Facilities Engineering Command, Army Corps of Engineers, the U.S. Army Installation Management Agency, and Air Mobility Command, and visited Aberdeen Proving Ground, Maryland; Fort Belvoir, Virginia; Fort Benning, Georgia; Fort Lewis, Washington; Fort Stewart, Georgia; Naval Air Station Whidbey Island, Washington; Naval Shipyard Puget Sound, Washington; Naval Station Coronado, California; Naval Station Everett, Washington; Naval Station Bremerton, Washington; Naval Station San Diego, California; Naval Station Norfolk, Virginia; Naval Submarine Base Bangor, Washington; Marine Corps Base Quantico, Virginia; Marine Corps Base Camp Pendleton, California; Andrews Air Force Base, Maryland; MacDill Air Force Base, Florida; Langley Air Force Base, Virginia; and McChord Air Force Base, Washington. At each command or installation, we discussed the process by which military construction projects are prioritized and resourced and how significant facility needs are addressed during the process. Using budget data for fiscal years 1995 through 2004, we determined the impact of funding military family housing and barracks, annual unspecified cost estimates, and the services' major priorities on the amount of military construction funds remaining for individual installation needs. To determine whether the services' and installations' priority projects receive funding, we compared installations' and services' project priority lists for fiscal years 2002 and 2003 with the (1) list of projects approved by each service, (2) list of projects that accompanied the President's budget submission, and (3) list of projects that were approved and funded by Congress. During our visits to installations, we identified unfunded critical military construction projects, the reasons why they were not funded, and the effects of not funding these projects. Finally, we identified the number of military construction projects added during the annual appropriations process and compared these adds with the installations' and services' priorities for military construction.

To assess the advantages and disadvantages of changing existing funding and approval thresholds for constructing and repairing facilities, we met with officials of OSD and the military services. At each organization, we discussed the appropriateness of existing funding thresholds for unspecified minor construction projects, the effectiveness of the

requirement for initiating congressional notification for reprogramming military construction funds, and the department's legislative proposals to increase the funding and approval thresholds and to change the notification requirement. We also reviewed the proposed legislative language and justification. To discuss the advantages and disadvantages of changing current funding and approval thresholds for constructing and repairing facilities at the installation level, we visited and met with officials from Aberdeen Proving Ground, Maryland; Fort Belvoir, Virginia; Fort Benning, Georgia; Fort Lewis, Washington; Fort Stewart, Georgia; Naval Air Station Whidbey Island, Washington; Naval Shipyard Puget Sound, Washington; Naval Station Coronado, California; Naval Station Everett, Washington; Naval Station Bremerton, Washington; Naval Station San Diego, California; Naval Station Norfolk, Virginia; Naval Submarine Base Bangor, Washington; Marine Corps Base Quantico, Virginia; Marine Corps Base Camp Pendleton, California; Andrews Air Force Base, Maryland; MacDill Air Force Base, Florida; Langley Air Force Base, Virginia; and McChord Air Force Base, Washington. In addition, we documented the increase in construction costs since fiscal year 1982 according to the national income and product account tables for military structures, Bureau of Economic Analysis, Department of Commerce, and through discussions with OSD, service headquarters, and installation officials, and determined the effect of this increase on the ability of local and regional facility managers to execute unspecified minor construction projects under existing thresholds. We also interviewed officials at OSD, the services' headquarters, and installations to identify the impact of the waiting period and notification requirement for reprogramming military construction funds while facility managers wait for congressional approval.

In addition, our review focused on nonhousing issues concerning military construction inside the United States and generally did not address issues associated with military family housing and overseas construction programs. These facilities ranged from administrative offices, airfields and terminals, and piers to classrooms and other training buildings, water treatment plants, warehouses, barracks, and child development centers. Our review covered only those facilities funded by operation and maintenance and military construction funds and not by other sources, such as revolving and management funds, military family housing and overseas facilities funds, and the defense health program (hospitals and medical clinics).

In performing this review, we used the same accounting records and financial reports that the Department of Defense (DOD) and reserve

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components use to manage and justify budgets for their facilities. We did not independently determine the reliability of the reported financial information. We conducted our work from February through November 2003 in accordance with generally accepted government auditing standards.

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# Appendix II: Section 2805 of Title 10, United States Code (2003)

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Section 2805 of Title 10, United States Code (unspecified minor construction), states:

“(a)(1) Except as provided in paragraph (2), within an amount equal to 125 percent of the amount authorized by law for such purpose, the Secretary concerned may carry out unspecified minor military construction projects not otherwise authorized by law. An unspecified minor military construction project is a military construction project that has an approved cost equal to or less than \$1,500,000. However, if the military construction project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, an unspecified minor military construction project may have an approved cost equal to or less than \$3,000,000.

(2) A Secretary may not use more than \$5,000,000 for exercise-related unspecified minor military construction projects coordinated or directed by the Joint Chiefs of Staff outside the United States during any fiscal year.

(b)(1) An unspecified minor military construction project costing more than \$750,000 may not be carried out under this section unless approved in advance by the Secretary concerned. This paragraph shall apply even though the project is to be carried out using funds made available to enhance the deployment and mobility of military forces and supplies.

(2) When a decision is made to carry out an unspecified minor military construction project to which paragraph (1) is applicable, the Secretary concerned shall notify in writing the appropriate committees of Congress of that decision, of the justification for the project, and of the estimated cost of the project. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by the committees.

(c)(1) Except as provided in paragraphs (2) and (3), the Secretary concerned may spend from appropriations available for operation and maintenance amounts necessary to carry out an unspecified minor military construction project costing not more than—

(A) \$1,500,000, in the case of an unspecified minor military construction project intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening; or

(B) \$750,000, in the case of any other unspecified minor military construction project.

(2) The authority provided in paragraph (1) may not be used with respect to any exercise-related unspecified minor military construction project coordinated or directed by the Joint Chiefs of Staff outside the United States.

(3) The limitations specified in paragraph (1) shall not apply to an unspecified minor military construction project if the project is to be carried out using funds made available to enhance the deployment and mobility of military forces and supplies.

(d) Military family housing projects for construction of new housing units may not be carried out under the authority of this section.”

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# Appendix III: DOD's Prioritization and Resourcing Process for Military Construction Projects

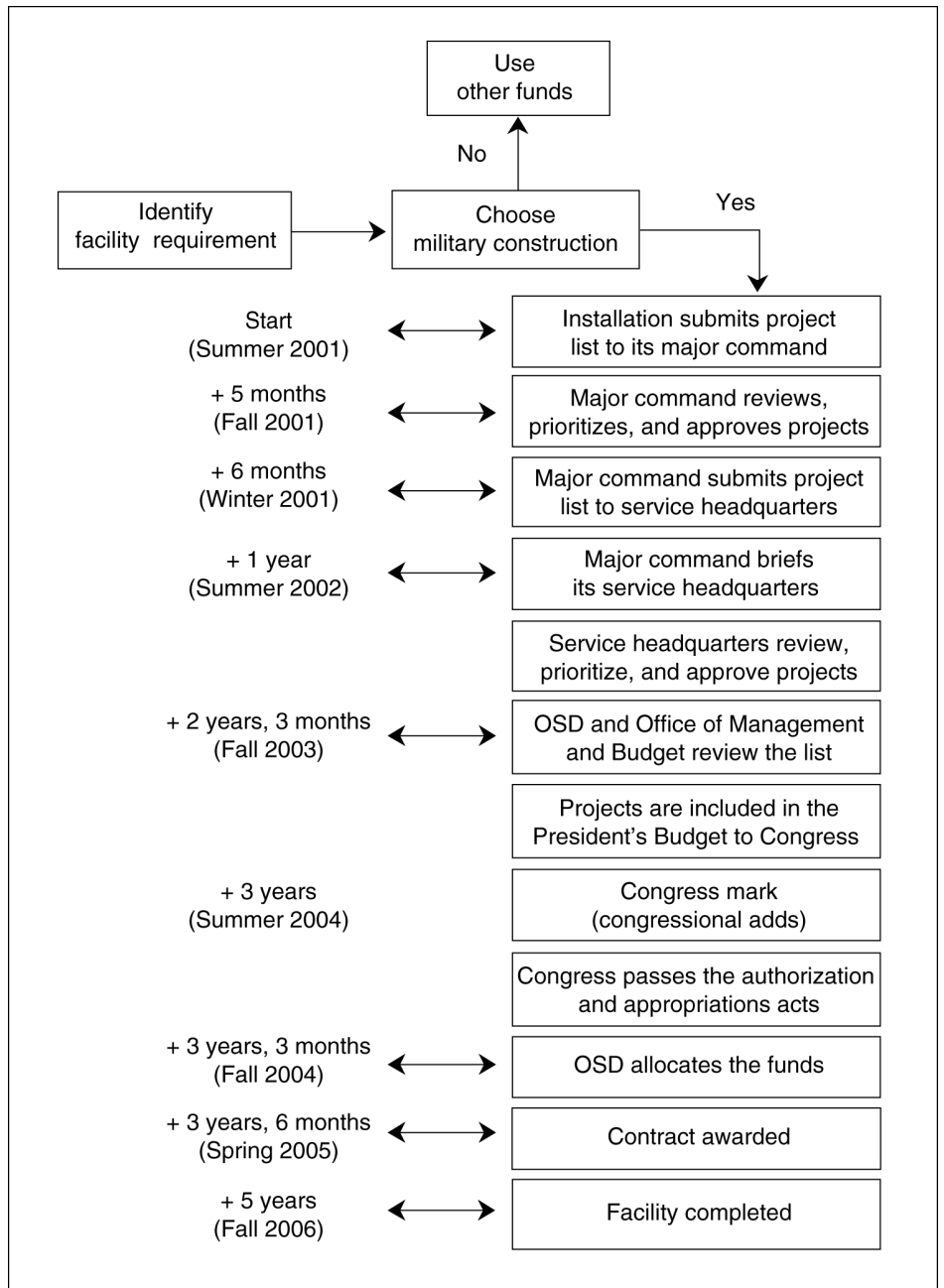
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Military construction appropriations are one of several annual pieces of legislation that provide DOD with funding for national defense. Other major appropriations legislation includes the defense appropriations bill, which provides funds for all nonconstruction military activities of DOD and constitutes more than 90 percent of national-security-related spending, and the energy and water development appropriations bill, which provides funding for atomic energy defense activities of the Department of Energy and for civil projects carried out by the U.S. Army Corps of Engineers. Another source of military construction funding is supplemental appropriations. Military construction appropriations are the major, but not the sole, source of funds for facility investments by the military services and defense agencies. Defense appropriations provide some funds for facility sustainment in operation and maintenance and minor construction accounts. In addition, funds for construction and maintenance of morale, welfare, and recreation-related facilities are partially provided through proceeds of commissaries, recreation user fees, and other nonappropriated income. Because of the long-term nature of construction projects, military construction funds can generally be obligated for up to 5 fiscal years, reflecting the long-term nature of capital building programs.

The DOD prioritization and resourcing process for military construction projects flows from OSD and service guidance. This guidance describes OSD's objectives for improving facilities, identifies the services' categories of facilities that will receive priority in funding military construction projects, and assigns organizational responsibilities for the process. The program also involves a sequence of reviews by installations, major commands, the office of the Secretary of the military services, OSD, the Office of Management and Budget, and Congress. (See fig. 4.) During even years, the services, DOD, and the President submit a 2-year military construction budget to Congress. Typically, Congress will authorize and appropriate funds for only the first year of that budget. To update and adjust the second year's budget, as necessary, an amended budget review is conducted in the odd year. It is important to note that project identification, master planning, and programming activities are not to be paid for with military construction funds—these costs are normally met with operation and maintenance funds.

**Appendix III: DOD's Prioritization and Resourcing Process for Military Construction Projects**

**Figure 4: Summary of the Military Construction Process, Fiscal Year 2005**



Source: U.S. Army.

Note: While the figure indicates that the process takes 5 years, in practice it can typically last up to 8 years or more.



Per the military service and major command instructions, an installation will first identify and document its construction needs. It will also develop the DD Form 1391 in support of all its projects, including tenant-sponsored and centrally managed program projects. DD Form 1391 contains four primary categories of information: (1) description of the project, (2) construction cost, (3) justification, and (4) back-up data. The document must be clear, concise, logical, and complete, and must effectively describe, justify, and price the project. This responsibility also includes those projects that may be developed through support from the U.S. Army Corps of Engineers, Naval Facilities Engineering Command, or architect-engineers. The installation will then prioritize its projects, and prepare and submit completed project documentation on designated projects forward through its major command.

The major command (to include the Army's Installation Management Agency and the Navy's Commander Navy Installations) will ensure that all project documentation, including the DD Forms 1391, is complete and properly addresses the requirement. Complete documentation is usually a criterion for prioritizing at the service level, and incomplete documentation could result in a lower ranking of the project. The command will review the documentation of each project to ensure that the requirement is valid and conforms to current service objectives, policies, and procedures. It will also determine whether a survey of the site has been conducted, available records reviewed, and appropriate environmental analyses completed, and whether the site is free from pollutants, contaminants, and ordnance and explosive waste that would affect the start of construction. The command also considers whether force protection considerations have been addressed and documented properly. Furthermore, the command will certify that all planning and related coordination have been accomplished on all budget year projects and that there is sufficient information to begin concept or parametric design before submission to the service headquarters. In addition, a major command may add its own military construction projects to the list of projects. Finally, the command will prioritize its projects, and prepare and submit the completed documentation on designated projects forward through the service headquarters.

The service headquarters will review all submissions for compliance with service priorities, policies, procedures, and environmental laws. As shown in table 1, priorities vary depending on a services' mission. For example, the Army has made transformation a priority in order to support brigades that can mobilize in a minimal amount of time. In comparison, the Navy has made barracks, piers, and hangars its priorities and the Air Force has

**Appendix III: DOD's Prioritization and Resourcing Process for Military Construction Projects**

made facilities that support new missions and weapons systems, such as the C-17, its top priority. The Marine Corps does not have specific categories but states that it will fund its most essential needs.

**Table 1: Comparison of the Military Services' Priorities for Military Construction Projects, Fiscal Year 2004**

<b>Army</b>	<b>Navy</b>	<b>Air Force</b>
Barracks	Piers	New mission <ul style="list-style-type: none"> <li>Facilities to support new mission requirements.</li> </ul>
Transformation <ul style="list-style-type: none"> <li>Facilities to support new missions, such as Stryker brigades.</li> </ul>	Hangars	Fact of life <ul style="list-style-type: none"> <li>Compliance with federal and state environmental laws or regulations.</li> </ul>
Training ranges	Barracks	Corporate adjustments <ul style="list-style-type: none"> <li>Projects approved and planned by the Air Force Chief of Staff or Secretary of the Air Force. Examples include quality of life projects from the dormitory and fitness center master plans.</li> </ul>
Army power projection program		
Facilities to support mobilization		
Antiterrorism and force protection (considered in all facility construction)		
Focus facility strategy <ul style="list-style-type: none"> <li>Army National Guard readiness centers.</li> <li>Army Reserve centers.</li> <li>Physical fitness facilities.</li> <li>Trainee barracks.</li> <li>General instruction classrooms.</li> <li>Vehicle maintenance.</li> <li>Chapels.</li> </ul>		

Source: Military services.

Note: The Marine Corps does not have specific priorities.

The service identifies projects on the list that must be funded in the immediate fiscal year and places those projects at the top of its priority list. Next, each service headquarters rates the proposed projects in a

manner that reflects the projects' mission and impact. The Army, Navy, and Air Force assign numerical ratings to the proposed projects that reflect the projects' priority in terms of its impact on the services' mission. (See table 2.) The Marine Corps also assigns priority ratings to its projects but does not utilize a category-driven prioritization process like the other services. As illustrated, the Army uses a 100-point system to prioritize its projects. A project receives up to 50 points, depending on where the project lies within the major command's priority list (the number 1 priority automatically receives 50 points, and the remaining projects receive fewer points, depending on the facility's replacement value and number of projects); up to 20 points, depending on the facility condition rating from the installation status report (projects that are poor in quality or quantity according to the installation status report's rating receive more points); up to 20 points, depending on the major command's presentation to the annual project review board; and up to 10 points if the project follows certain leadership criteria (4 points, depending on whether or not the demolition amount is equal to, greater than, or less than the facility scope; 2 points if the project is a new or existing facility; 2 points for headquarters assessment for facilities not covered by the Army's criteria; and 2 points for having a correct DD form 1391). Instead of a 100-point system, the Navy uses a more complex weighting system without a predetermined maximum number of points. A project receives up to 700 points, depending on where the project lies within the major command's priority (higher-priority projects receive more points); up to 500 points, depending on what function a project fulfills (projects that fall in OSD and Navy priorities receive more points); and up to 200 points are given to a project, depending on the service headquarters' assessment of the project's priority. In addition, if a project relates to bachelor quarters, it can receive up to an additional 75 points, depending on the number of bachelor quarters at the installation, and receives the sum of points on the basis of factors—such as demolition, joint use, and political interest—that range from 100 to negative 200. For example, projects previously approved automatically receive 40 points, projects to reduce sustainment automatically receive 35 points, and projects to eliminate group latrines in barracks automatically receive 30 points. The Air Force uses a 100-point system for projects that do not fall within the services' top priorities—overseas projects receive automatically an additional 2 points. Projects that support the Air Force's priorities listed in table 1 are not ranked in this system because they are automatically classified as the top priorities for funding considerations. A project receives up to 60 points, depending on where the project lies within the major command's priority list (the number 1 priority automatically receives 60 points, and the remaining projects receive fewer points, depending on the total amount of

submissions from the major command); up to 35 points, depending on the facility's mission (core modernization or force structure change, readiness and sustainability, people, and infrastructure and other) and how the facility deficiency affects the mission (critical, degraded, and enhancement); up to 2 points, depending on the Air Force corporate panel's opinion on whether a project must, should, or could receive funding immediately (a project that must receive funding in the immediate year receives 2 points, a project that should receive funding receives 1 point, and a project that can be delayed receives no points); and up to 3 points for projects that address efficiencies (1.25 point), mission timing (1 point), demolition (0.75 point), and overseas presence (2 points). Marine Corps officials said that owing to its smaller size, the Marine Corps is able to review and prioritize all proposed military construction projects submitted by its installations and commands. A headquarters staff team personally reviews all the proposed projects within the Marine Corps before the first prioritization meeting of the facilities program evaluation group. The group, representing all major commands and warfare areas within the Marine Corps, prioritizes the proposed projects utilizing cost and benefit analysis, determining how the projects fulfill requirements necessary for the Marine Corps to accomplish its mission and assessing the overall impact that each project will have on the Marine Corps as a whole.

**Appendix III: DOD's Prioritization and Resourcing Process for Military Construction Projects**

**Table 2: Comparison of the Military Services' Systems to Prioritize Military Construction Projects, Fiscal Year 2004**

<b>Army</b>	<b>Navy</b>	<b>Air Force</b>
Major command priority (50 points)	Installation management claimant priority (700 points)	Major command priority (60 points)
Installation status report score (20 points)	Programmatic categories (500 points)	Matrix model score (35 points)
Project review board score (20 points)	Headquarters' assessment (200 points)	Panel points score (2 points)
Leadership criteria (10 points)	Barracks (75 points)	Military construction issue process team (3 points)
	Special considerations (The sum of factors that range from 100 to negative 200 points)	Overseas presence (2 points if applicable)

Source: Military services.

Note: The Marine Corps does not use a numerical weighting system in its prioritization process.

After all the projects are identified and prioritized, the service headquarters forms its overall priority list to create the service's military construction program. The service's budget director, who also presents adjustments to the military construction program, then verifies the budget estimates on the basis of the priority list. Once the proposed adjustments and estimates are approved, the military construction program is then submitted to the service Secretary and chief of staff. Upon approval, the service Secretary will then submit the military construction program with completed project documentation forward to OSD. In addition, the service's budget director will send a justification book to OSD, which contains a DD Form 1391 for each requirement in the military construction program.

The Office of the Under Secretary of Defense (Comptroller), in conjunction with other OSD offices—such as the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics—reviews the services' proposed construction projects to confirm and adjust requirements as necessary. Also, members of the defense resources board, the Assistant Secretary of Defense program managers, or commanders develop program review proposals—each proposal contains projects recommended for addition or deletion without changing the overall

amount of the services' proposed military construction budget. In addition, officials of OSD and the Office of Management and Budget conduct a joint budget review of the services' military construction program, focusing on proper pricing, reasonableness, ability to execute, and validity of requirements. Similar to the processes used in the services, every project submitted is reviewed, and a decision is issued on each. Through program budget decisions, the OSD and Office of Management and Budget can choose to approve, disapprove, ask that the project be revised, or defer the project to a future year. Before the Under Secretary of Defense signs a program budget decision, the service can challenge the program budget decision. OSD will then review the challenge and with senior-level negotiations, issue a final program budget decision on the project. Once signed by the Under Secretary of Defense, the program budget decisions are sent to the appropriate service official to be incorporated in the services' military construction programs to be combined in the President's budget submission to Congress. The budget request for military construction funding for each fiscal year includes major construction, project planning and design, and unspecified minor construction.

# Appendix IV: Services' Plans to Meet OSD's Three Key Investment Objectives

While OSD has periodically revised its three key investment objectives on the basis of the services' ability to meet them, the services still do not plan to meet most of them within the expected time frames and, in those instances where the service officials have indicated an intent to meet the objectives, their plans are based on future funding that requires unrealistically high rates of increase when compared with previous funding trends and when considered against other defense priorities.

First, the military services do not plan to fully fund their sustainment requirements in fiscal year 2004—one of OSD's key objectives for improving facilities. (See table 3.) We found that sustainment funding must compete with other traditional operation and maintenance funding priorities, such as base operations, organizational supplies and equipment, environmental concerns, training, and travel. Facility sustainment often rates a lower funding priority than other operation and maintenance functions because the services have been reluctant to fund facilities when they have other unfunded priorities and programs. Officials want to do more but are limited by competing demands within their respective service. In addition, sustainment funds—even when appropriately budgeted—are often reallocated, with the end result that the programmed sustainment funding never fully reaches the intended installations.

**Table 3: Planned Status for Achieving OSD's Objective of Fully Funding Sustainment by Military Service and DOD-wide, Fiscal Years 2004 through 2009**

Defense component	Fiscal year					
	2004	2005	2006	2007	2008	2009
Army	No	No	No	No	Yes	Yes
Navy	No	No	No	No	Yes	Yes
Air Force	No	No	No	No	Yes	Yes
Marine Corps	No	No	No	No	No	No
DOD-wide	No	No	No	No	Yes	Yes

Source: DOD.

Note: The Marine Corps fully funded sustainment in fiscal year 2003.

Second, as shown in table 4, the military services plan to achieve the recapitalization objective beginning in fiscal year 2008, with the exception of the Army. According to Army officials, the Army will not meet this objective during fiscal years 2004 through 2009 because of competing funding priorities, especially force transformation.

**Table 4: Planned Status for Achieving OSD's Objective of Attaining a 67-Year Recapitalization Rate by Military Service and DOD-wide, Fiscal Years 2004 through 2009**

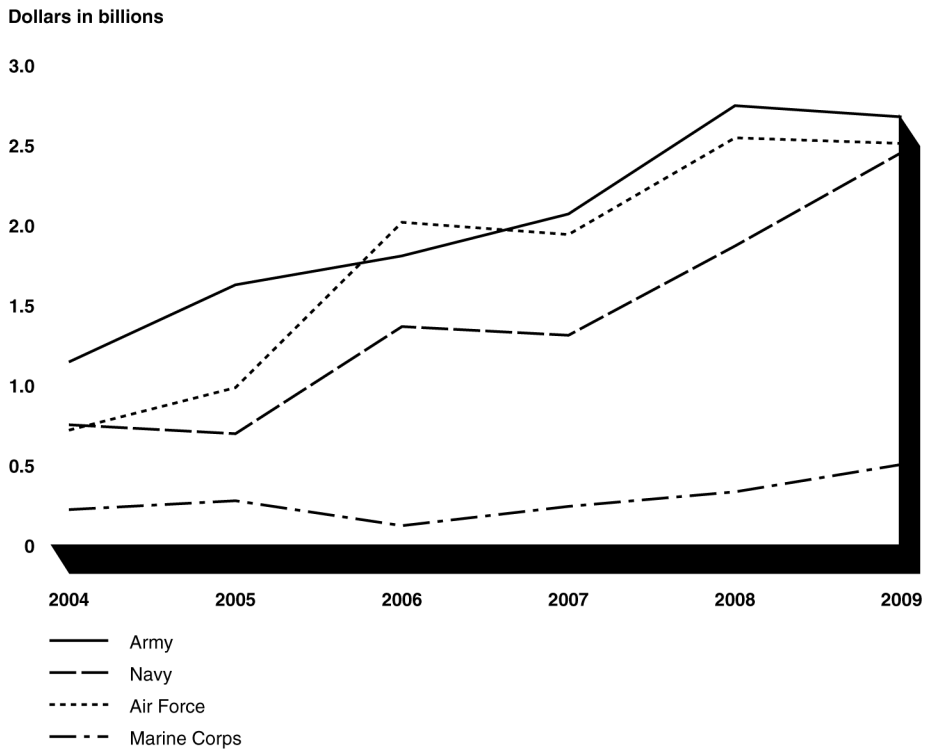
Defense component	Fiscal year					
	2004	2005	2006	2007	2008	2009
Army	No	No	No	No	No	No
Navy	No	No	No	No	Yes	Yes
Air Force	No	No	No	No	Yes	Yes
Marine Corps	No	No	No	No	Yes	Yes
DOD-wide	No	No	No	No	Yes	Yes

Source: DOD.

However, to achieve the 67-year recapitalization rate, all the services call for rapid increases in restoration and modernization funding from fiscal year 2004 through fiscal year 2009, but this growth appears unrealistic when compared with prior funding levels. As shown in figure 5, using constant fiscal year 2004 dollars, the Army proposes to increase its restoration and modernization funding 134 percent from \$1.14 billion in fiscal year 2004 to \$2.67 billion in fiscal year 2009. Under its funding proposal, the Navy plans to increase its funding 227 percent from \$750 million to \$2.45 billion during the same period. More than half of this increase is planned during 3 fiscal years, from fiscal year 2007 through fiscal year 2009, when the Navy proposes to increase its funding by 87 percent to \$2.45 billion from \$1.31 billion. From a low of \$710 million in fiscal year 2004, the Air Force proposes to increase its restoration and modernization funding 254 percent to \$2.51 billion in fiscal year 2009. Most of this increase occurs from fiscal year 2005 through fiscal year 2006, when it plans to increase its funding \$1.04 billion (106 percent). The Marine Corps plans a 317 percent increase in restoration and modernization funding, from a low of \$118 million in fiscal year 2006 to \$500 million in fiscal year 2009.



**Figure 5: Military Services' Planned Annual Restoration and Modernization Funding, Fiscal Years 2004 through 2009**



Source: DOD.

The services' rapid increases in restoration and modernization funding from fiscal year 2004 through fiscal year 2009 appear uncertain when compared with the need for funds for other defense priorities, such as the war on terrorism, weapon systems modernization, and force transformation. In practice, proposed funding for future years' military construction programs are often reduced as the budget year approaches. As a result of the war on terrorism, DOD is seeking higher than previously planned funding during this period for a number of pressing priorities against which facilities restoration and modernization must compete, including the Global War on Terrorism, Operation Enduring Freedom, the Balkans, military readiness, weapons procurement, and research and development. Moreover, some of the services have specific funding priorities. For example, Army officials told us that funding for transformation is the service's highest funding priority. At the Navy, officials said the fleet modernization program is the service's highest funding priority. In the case of the Air Force, officials said new aircraft

procurement and associated facilities are the Air Force's funding priorities. The Marine Corps' highest funding priority is power projection.

Third, the military services are unlikely to achieve OSD's objective to improve the quality of facilities from the current C-4 and C-3 ratings to C-2 by the end of 2010. To improve the overall condition of facilities, DOD set an objective for the military services to concentrate funding in order to eliminate C-3 and C-4 facility ratings, bringing them up to a minimal C-2 level by fiscal year 2010. However, at the time of our review, service officials said the Navy, the Air Force, and the Marine Corps were not planning to meet this objective owing to a lack of expected funding. Army officials stated that the Army could meet the objective if the required funding were provided. To achieve this objective, the Army would have to, at the very minimum, fund the rapid increase in restoration and modernization funding shown in figure 5. Even this minimum funding level appears unlikely when compared with previous funding levels and considering other future Army priorities and programs. DOD estimates that it would cost \$62 billion (or \$7 billion annually during fiscal years 2002 through 2010) to achieve this objective departmentwide. DOD also estimates that it would cost more than \$164 billion over the same time period to reach a C-1 level for all facilities.

# Appendix V: Comments from the Department of Defense



## OFFICE OF THE UNDER SECRETARY OF DEFENSE

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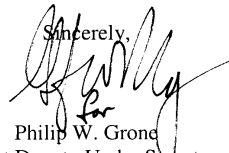
Mr. Barry W. Holman  
Director, Defense Capabilities and Management  
U.S. General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Mr. Holman,

Thank you for the opportunity to review the draft GAO report, 'Defense Infrastructure: Long-term Challenges in Managing the Military Construction Program,' dated December 16, 2003 (GAO Code 350316/GAO-04-288). We have considered comments from the Services and Defense Agencies, and have drafted a consolidated DoD response.

Regarding GAO's first recommendation to "complete the Department's management tools, including the revision of defense facilities strategic plan," I am pleased to report that the defense installations strategic plan, a broader follow-on of the facilities strategic plan, is being prepared and expected to be ready in March 2004. With regard to the second recommendation to relax facilities goals, the Department partially concurred because we regularly review timeframes for achieving objectives as a normal course of business, and recent reviews have resulted in some adjustments to target dates. For example, the Department has accepted modest institutional risk in adjusting the goal for a 67-year recapitalization rate from FY07 to FY08. With respect to the third recommendation to develop a mechanism to assess military construction policies, the Department is developing a universal quality rating system to be used in conjunction with the facilities recapitalization metric to track progress toward the FY 2010 C-2 goal for all facility types.

We request that you include our enclosed comments in your final report.

Sincerely,  


Philip W. Grund  
Principal Assistant Deputy Under Secretary of Defense  
(Installations and Environment)

ENCLOSURE



GAO CODE 350316/GAO-04-288

“DEFENSE INFRASTRUCTURE: LONG-TERM CHALLENGES IN MANAGING THE  
MILITARY CONSTRUCTION PROGRAM”

DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS

**RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to complete the Department’s management tools, including the revision of defense facilities strategic plan, to provide a more consistent approach to managing facilities and planning construction projects. (Page 35/Draft Report)

**DoD RESPONSE:** Concur.

The defense installations strategic plan, a broader follow-on of the facilities strategic plan, is being prepared and expected to be ready in March 2004.

**RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to reevaluate the time frames for completing the three key objectives to reflect that there are competing funding priorities and that the process of realigning and closing domestic bases to reduce DoD’s excess infrastructure and realigning overseas facilities will take several years to accomplish and could affect meeting facilities investment goals. (Page 35/Draft Report)

**DoD RESPONSE:** Partially Concur.

DoD regularly reviews timeframes for achieving objectives as a normal course of business. Recent reviews have resulted in some adjustments to target dates. For example, the Department has accepted modest institutional risk in adjusting the goal for a 67-year recapitalization rate from FY07 to FY08. However, the effect of restructuring the global footprint through BRAC or other means cannot be assessed at this time. While restructuring could slow progress toward objectives, it is also possible for restructuring to accelerate recapitalization process and eliminate a significant portion of the C-3/C-4 backlog. The Department’s models and metrics are flexible enough to address adequately the effects of such restructuring.

**RECOMMENDATION 3:**

The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to develop a mechanism for periodically reassessing military construction priorities for facility categories that fall outside the Department’s specific areas of emphasis to ensure that the risk of delaying proposed military construction projects with

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**Appendix V: Comments from the Department  
of Defense**

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potential operational and quality of life impacts are being given appropriate consideration. (Pages 35-36/Draft Report)

**DoD RESPONSE:** Partially concur.

The Department is developing a universal quality rating system to be used in conjunction with the facilities recapitalization metric to track progress toward the FY 2010 C-2 goal. This mechanism will allow for tracking progress across all facility types.

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