

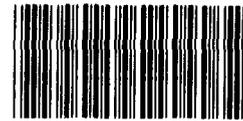
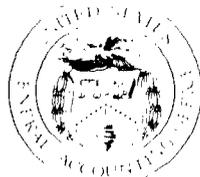
GAO

Report to the Honorable
John McCain, U.S. Senate

August 1990

MILITARY BASES

Response to Questions on the Realignment of Forts Devens and Huachuca



142055

472

RESTRICTED—Not to be released outside the
**General Accounting Office unless specifically
approved by the Office of Congressional
Relations.**

RELEASED

**National Security and
International Affairs Division**

B-240035

August 7, 1990

The Honorable John McCain
United States Senate

Dear Senator McCain:

This letter responds to your request for information on the Commission on Base Realignment and Closure's recommendation to realign Army activities at Fort Devens in Massachusetts and Fort Huachuca in Arizona. Specifically, you asked us to determine whether (1) there are any military benefits from the realignment, (2) there are any cost savings that result from the realignment, and (3) the Commission assessed the economic impact of the realignment on the Huachuca area. You also asked us to determine the impact of the Army's decision to delay completion of the realignment until 1995.

Results in Brief

In summary, we found the following:

- Several military benefits may result from the realignment, including improved communication, reduced overhead costs and travel requirements, and more efficient use of facilities and equipment.
- The estimated annual savings from the realignment will be \$8.1 million, with the years to recover the costs of the realignment ranging from 43 to over 200 years.
- The Commission did not perform a detailed examination of the realignment's economic impact on the Huachuca area. However, using general information, it assessed the impact as minimal.
- Delaying the realignment until 1995 increases the time it will take to recover costs of the realignment by about 9 years.

Background

The Commission on Base Realignment and Closure's December 29, 1988, report recommended that 86 bases be closed, 5 be partly closed, and 54 others be realigned, for an annual savings of about \$694 million. One of the realignments involved Fort Devens and Fort Huachuca. The Commission recommended that the Army Information Systems Command, headquartered at Fort Huachuca, and Command activities at other locations, including Fort Belvoir, Virginia, be moved to Fort Devens.

The Commission also recommended the Army Intelligence School for noncommissioned officers and enlisted personnel at Fort Devens be consolidated with the Intelligence School training operations at Fort Huachuca. The Commission believed that transferring the Information Systems Command elements from Fort Belvoir to Fort Devens would allow activities of the Criminal Investigation Command currently at Fort Meade, Maryland, and Fort Holabird, Maryland, to be transferred to Fort Belvoir. In addition, the Commission recommended that approximately 9,000 acres at Fort Meade be sold to offset most of the estimated one-time realignment costs.

Our November 1989 report¹ provides an overall assessment of the Commission's two-phase process used to evaluate bases for realignment or closure. In phase I, the Commission grouped bases into a number of categories having similar missions, determined the bases' military value, evaluated the bases' capacity to absorb additional missions, and determined the overall excess capacity within the category. The Commission then ranked the bases to identify those warranting further review. Based on this analysis, it selected a smaller number of bases for phase II, which focused on assessing the costs and savings of the base realignment or closure options. Our 1989 report focused on realignment and closure recommendations for 15 bases. Among them were Forts Devens, Meade, Huachuca, and Holabird.

What Are the Military Benefits From the Realignment?

The Commission's decision on the realignments of Forts Devens, Meade, Huachuca, and Holabird, was based on cost and savings data and the Commissioners' judgments regarding military value. The Commission concluded that consolidating the Information Systems Command and the Intelligence School would improve the mission effectiveness and efficiency of these organizations. Although we did not find documentary evidence in the Commission's records supporting this position, we found other data, including a 1987 Army study, that does support the Commissioners' judgments.

During its phase I analysis, the Commission considered closing Fort Devens because the Fort received the lowest overall military value rating of the installations evaluated in the schools and training centers category. As a result, the Commission staff, during a November 14, 1988, meeting, presented the Commission with three options for Fort

¹Military Bases: An Analysis of the Commission's Realignment and Closure Recommendations (GAO/NSIAD-90-42, Nov. 29, 1989).

Devens: (1) close Devens as an active Army post and transfer it to the National Guard, (2) close Devens and put it into a caretaker status, and (3) close Devens and sell the land.

After discussing these options, the Commission concluded that it was necessary to keep Fort Devens open because of its importance as a mobilization and reserve center in the Northeast United States. The Commission pointed out that the loss of Fort Devens would require directing training to other bases in the region that were already saturated. Therefore, the Commission directed its staff to look at other options relating to Fort Devens, such as moving the Information Systems Command from Huachuca to Devens and consolidating the Army Intelligence School at Devens with the Intelligence School training operations at Huachuca.

At its November 29, 1988, meeting, the Commission staff noted that this option would solve a long-term Army problem by consolidating intelligence training. It also noted that consolidating the Information Systems Command in the Boston area, which is one of the computer centers of the world, would create a more orderly operation. At this meeting and another on December 14, 1988, the Commission expanded the proposed realignment to include Forts Holabird and Meade. Using this information, the cost data discussed in the following section, and the Commissioners' judgments, the Commission decided to recommend the Forts Devens, Meade, Huachuca, and Holabird realignment as set forth in its December 29, 1988, report.

The Commission records did not contain any documents supporting the staff presentation on military value of the realignment. However, our review of Army records disclosed a 1987 Information Systems Command study that proposed consolidating Command activities at a single location. The study stated that the Command's organization dispersion resulted in increased management costs and productivity losses.

Based on our review, we agree that military benefits can result from consolidating Information Systems Command activities and intelligence training at a single location. For example, benefits could include improved communication, reduced overhead and administrative costs, more efficient use of facilities and equipment, and reduced travel requirements.

Do Cost Savings Result From the Realignment?

We estimated that cost savings will result from the realignment, but they will be much lower than the Commission's estimate. Our review of the Commission's November 29, 1988, meeting showed that the Commission staff estimated the one-time cost for the realignment of only Forts Devens and Huachuca to be \$186.3 million and an annual savings of \$15.1 million, with it taking 12 years to recover the costs of the realignment.²

In an attempt to have the realignment meet the Commission's 6-year guideline for recovering costs, the Commission discussed other realignment options relating to Fort Devens and ultimately decided to include Forts Meade and Holabird in the realignment and to sell land at Fort Meade. The Commission reasoned that the land sales proceeds from Fort Meade would reduce the years to recover cost to less than 6 years. By including Forts Meade and Holabird in the realignment package, the Commission estimated that the realignment would annually save \$21 million and costs would be recovered within 1 year.

We could not find supporting documentation for the cost calculation in the Commission's or Army's records. However, as discussed in our November 1989 report, we estimate that the annual savings resulting from the realignment will be \$8.1 million, with the years to recover costs ranging from 43 to over 200 years. We use a range because it is uncertain how much it will cost to clean up or manage the ordnance that is present on a portion of the Fort Meade property.

In commenting on our November 1989 report, the Department of Defense (DOD) disagreed with our estimates as to how long it would take to recover costs. It stated that ordnance cleanup should not be included in the calculations because DOD is already responsible for these costs and they are, therefore, not a consequence of the realignment. In addition, DOD said that the Army's latest estimated value for the Fort Meade property is significantly more than the land sales estimate the Commission and we used. Based on these changes, DOD said that the realignment will pay back in 5 years. In response to DOD's comment, we explained that we still believe that the ordnance cleanup or management costs are required as a result of the Commission's recommendation. Further, we explained that we had not reviewed the revised land sales revenue and realignment cost estimates. We have not updated our estimate since then

²The Commission used a 6-year cost recovery time frame as a guideline to identify realignment and closure candidates. The 6-year recovery period begins with the date of the completion of the closure or realignment.

because land sales revenue and ordnance cleanup or management costs are still uncertain.

Based on our review of the records and discussions with Army officials, we were unable to determine whether the Commission considered the Information Systems Command's 1987 study during its deliberations. As mentioned, we did not find a copy of the 1987 study in the Commission's or Army's Base Closure Office records. However, an Information Systems Command official advised us that he had submitted some cost and savings information from the 1987 study to the Army's Base Closure and Realignment Office. However, he did not know to what extent the Commission used the data.

Other Information Systems Command realignment studies were prepared after the Commission's December 1988 report and thus were not part of the Commission's deliberations. During our 1989 evaluation, we reviewed several of these studies and found that they raised a number of questions about the accuracy of the Commission's costs and savings estimates. However, we also had questions about the accuracy of certain data in the Command's studies. Because the assumptions used as the basis for the Command's estimates had not been approved by the Army, we used the Army's October 1989 budget data to develop an estimate of the realignment's annual savings.³ Although we did not verify these data, they were consistent with our analysis of the Information Systems Command data in that they also showed that it would take substantially longer to recover the costs of the realignment than the Commission estimated.

Was the Economic Impact on the Fort Huachuca Area Studied?

The Commission did not perform a detailed examination of the realignment's economic impact on the Huachuca area. The Commission, using some general information, assessed the economic impact of realignments and closures on affected communities as minimal, moderate, or severe. The Commission reported that the Forts Devens, Meade, Huachuca, and Holabird realignment would have a minimal impact on local employment.

The Commission's files showed that for the Huachuca area, the realignment would result in the military population increasing from about

³The Army's fiscal year 1991 estimated base realignment and closure budget justification data submitted to the Congress in January 1990 show that the October 1989 data have changed with the costs and savings increasing.

7,000 to 8,000 individuals and the civilian population decreasing from about 3,800 to 3,100 individuals. The Commission also estimated that the realignment would increase the Army student personnel population at Huachuca from about 1,600 to 2,500. Based on these factors, the Commission determined that the impact on local employment would be minimal and performed no further analysis.

Between January and April 1990, the U.S. Army Corps of Engineers assessed whether defense personnel at Huachuca could qualify for assistance under the DOD Homeowners Assistance Program. The assessment found that the Huachuca area is not eligible for the program because the realignment will not cause a significant housing market impact. In May 1990, an official at the Army Corps of Engineers told us that the Huachuca area, and other areas affected by the Commission's actions, will be monitored until the closures and realignments are completed.

What Is the Impact of Delaying the Realignment?

The Army has delayed the realignment of Forts Devens and Huachuca from fiscal year 1992 to fiscal year 1995. As a result, realignment savings will be achieved and costs incurred at a slower rate. The revised costs and savings estimate we used in our 1989 report was based on the 1995 closure date. As mentioned, we estimated annual savings of \$8.1 million and payback periods ranging from 43 to over 200 years. Assuming that the realignment occurs in 1992 as originally scheduled, the annual savings would be \$8.1 million, and the payback periods would range from 34 to over 200 years. The effect of delaying the realignment until 1995 increases the time it will take to recover the cost of the realignment by 9 years.

Scope and Methodology

To evaluate data and provide information on issues related to the decision to realign Army Forts Devens, Meade, Huachuca, and Holabird, we (1) examined data supporting the military benefits and costs savings resulting from the realignment, (2) reviewed transcripts of Commission meetings, documents, and files at the Commission on Base Realignment and Closure in Washington, D.C., and at Department of Army headquarters, and (3) interviewed Army officials and former Commission staff.

We discussed the results of our work with DOD officials and included their views where appropriate. We conducted our evaluation between January and June 1990 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce the contents of the report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Defense and other interested parties. We will make copies available to others upon request.

Major contributors to this report are listed in appendix I. If you desire additional information, please contact me on 275-8412.

Sincerely yours,

A handwritten signature in cursive script, reading "Donna Heivilin".

Donna M. Heivilin
Director, Logistics Issues

Major Contributors to This Report

**National Security and
International Affairs
Division,
Washington, D.C.**

David R. Warren, Assistant Director
Andrew G. Marek, Senior Evaluator
Janine M. Cantin, Evaluator

Requests for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877**

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

United States
General Accounting Office
Washington, D.C. 20548
OFFICIAL BUSINESS
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100