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Washington, DC 20548

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November 13, 2009

The Honorable Carl Levin  
Chairman  
The Honorable John McCain  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Daniel K. Inouye  
Chairman  
The Honorable Thad Cochran  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Ike Skelton  
Chairman  
The Honorable Howard McKeon  
Ranking Member  
Committee on Armed Services  
House of Representatives

The Honorable John P. Murtha  
Chairman  
The Honorable C. W. Bill Young  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

*Subject: Military Base Realignments and Closures: Estimated Costs Have Increased While Savings Estimates Have Decreased Since Fiscal Year 2009*

The Department of Defense's (DOD) cost estimates to implement recommendations from the most recent Base Realignment and Closure (BRAC) round have steadily increased each budget year since 2005. This BRAC round is the fifth such round undertaken by DOD since 1988 and, by our assessment, it is the biggest, most complex, and costliest BRAC round ever. With this round, DOD plans to execute hundreds of BRAC actions affecting over 800 defense locations and relocate over 123,000 personnel. Before it can realize savings from BRAC, DOD must first invest billions of dollars in facility

construction, renovation, and other up-front expenses. To implement BRAC 2005, DOD plans to spend nearly \$35 billion—an unprecedented amount, given that it has spent only about \$25 billion to implement the four previous BRAC rounds combined.<sup>1</sup>

At the outset of BRAC 2005, the Office of the Secretary of Defense (OSD) indicated its intent to reshape DOD’s installations and realign DOD forces to meet defense needs for the next 20 years. Moreover, both DOD and the BRAC Commission reported that their primary consideration in making recommendations for the BRAC 2005 round was military value.<sup>2</sup> As such, instead of base closures, many of the BRAC 2005 recommendations involve complex realignments, such as designating where military forces returning to the United States from overseas bases would be located; establishing joint military medical centers; creating joint bases; and reconfiguring the defense supply, storage, and distribution network. The BRAC statute requires DOD to implement all BRAC 2005 recommendations by September 15, 2011.<sup>3</sup>

Although DOD used military value selection criteria as the highest priority in developing BRAC recommendations, anticipated savings resulting from implementing the recommendations remained an important consideration in justifying the need for the 2005 BRAC round. In 2001 testimony before Congress, the Secretary of Defense stated that another BRAC round would generate recurring savings the department could use for other defense programs. However, we have reported since 2005 that DOD does not regularly review savings estimates to ensure that the estimates continue to represent the most likely outcomes for anticipated savings.<sup>4</sup>

The House Armed Services Committee report accompanying the National Defense Authorization Act for Fiscal Year 2008 directed the Comptroller General to monitor the implementation of recommendations for the 2005 round of closures and realignments of military installations made pursuant to section 2914 of the Defense Base Closure and Realignment Act of 1990.<sup>5</sup> This report is in response to that congressional report mandate. A list of GAO’s prior work related to military base closures and realignments since the Secretary of Defense submitted his proposed BRAC actions to the BRAC Commission for review in May 2005 can be found at the end of this report. For this

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<sup>1</sup> This dollar amount is based on DOD’s fiscal year 2010 budget submission to Congress to pay for continuing implementation of recommendations from prior BRAC rounds (BRAC 1988, 1991, 1993, and 1995). This amount does not include other costs associated with BRAC, such as costs to complete environmental cleanup at BRAC bases in future years and costs incurred by other DOD and federal agencies to provide assistance to communities and individuals impacted by BRAC. DOD’s budget submission is reported in current dollars (i.e., it includes projected inflation).

<sup>2</sup> The National Defense Authorization Act for Fiscal Year 2002 directed DOD to consider military value as the primary consideration in the BRAC 2005 round. Pub. L. No. 107-107, section 3002 (2001).

<sup>3</sup> National Defense Authorization Act for Fiscal Year 2001, Pub. L. No. 101-510, Title XXIX (1990), as amended by the National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-107, Title XXX (2001).

<sup>4</sup> GAO, *Military Base Closures: Updated Status of Prior Base Realignments and Closures*, [GAO-05-138](#) (Washington, D.C.: Jan. 13, 2005).

<sup>5</sup> H.R. Rep. No. 110-146, at 514 (2007).

report, our objectives were to evaluate (1) changes in BRAC estimated costs from DOD's fiscal year 2009 budget submission to Congress to the fiscal year 2010 budget submission and identify factors that caused these cost estimates to change, and (2) changes in projected BRAC savings estimates from the fiscal year 2009 budget submission to the fiscal year 2010 budget submission.

### **Scope and Methodology**

To evaluate changes in BRAC estimated costs from fiscal year 2009 to fiscal year 2010, we analyzed DOD's BRAC budget submission for fiscal years 2009 and 2010, noting BRAC recommendations that had the largest changes in estimated costs, obtained business plans for those recommendations, and discussed with the military services and defense agencies responsible for implementation the reasons for the changes. We used DOD's BRAC budget submission in making cost comparisons because these budget submissions form the basis on which DOD seeks appropriations from Congress. Further, to evaluate changes in projected annual recurring savings from fiscal year 2009 to fiscal year 2010, we used data OSD provided to us for estimated savings in fiscal year 2012—the year after OSD expects all recommendations to be completed—because these data more fully captured these expected savings. To assess the 20-year savings estimates, we calculated these estimates using data in DOD's fiscal year 2010 BRAC budget submission to Congress by applying the same formulas and assumptions as the BRAC Commission used in 2005 to calculate these savings for comparison. Although the Office of Management and Budget would prescribe the use of slightly different assumptions to calculate these estimates today, we used the factors and assumptions used by the BRAC Commission for consistency. Finally, we used our calculations to determine which BRAC recommendations DOD expects to cost the most and save the most both annually and over a 20-year period. We determined that the data used were sufficiently reliable for the purposes of making costs and savings comparisons for BRAC recommendations.

We conducted this performance audit from May 2009 to November 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Summary**

Our review of DOD's fiscal year 2010 BRAC budget indicates that DOD plans to spend more to implement BRAC 2005 recommendations compared to last year's BRAC budget. DOD's estimated one-time costs to implement this BRAC round increased by almost \$2.5 billion from fiscal year 2009 to fiscal year 2010, bringing the total implementation cost estimate for this BRAC round to \$34.9 billion. To place this increase in perspective, in September 2005, the BRAC Commission estimated that it would cost DOD about \$21 billion over the 6-year implementation period whereas this estimate is now about

\$35 billion—an increase of nearly 67 percent.<sup>6</sup> Our analysis shows that over 80 percent of the estimated \$2.5 billion in cost increases are associated with 10 recommendations. Military construction costs accounted for the majority of the increase, although other factors such as information technology requirements also contributed to some of the expected cost increases.

After DOD implements all of the BRAC 2005 recommendations, which the department is required to do by the statutory deadline of September 2011, our analysis of DOD's fiscal year 2010 budget estimates shows that net annual recurring savings for fiscal year 2012 and beyond will have decreased by almost \$94 million to about \$3.9 billion, compared to DOD's estimates in fiscal year 2009. As we have previously reported, we believe DOD's net annual recurring savings estimates may be overstated because they include dollar savings from eliminating military personnel positions without corresponding decreases in end-strength. DOD disagrees with our position. The \$3.9 billion estimate is calculated using DOD's method, which we nonetheless believe overstates savings. However, we included these estimates for consistency. Our calculations also show that BRAC savings DOD expects to generate over a 20-year period from 2006 through 2025 have declined to \$10.9 billion in constant fiscal year 2005 dollars, compared to \$13.7 billion that we reported based on the previous year's BRAC budget.<sup>7</sup> To place this decrease in perspective, in September 2005 the BRAC Commission estimated that DOD would save about \$36 billion—nearly 70 percent more—over the same 20-year period.

We provided DOD with a draft copy of this report to obtain agency comments. DOD concurred with the findings of our report and these comments are reprinted at the end of this report.

### **Estimated BRAC One-Time Costs Continue to Increase**

Our analysis of DOD's fiscal year 2010 BRAC budget shows that DOD plans to spend more to implement its BRAC recommendations compared to last year's BRAC budget. DOD's estimate of one-time costs to implement 2005 BRAC recommendations increased by about \$2.5 billion, to a total estimated cost of \$34.9 billion compared to \$32.4 billion DOD estimated in its fiscal year 2009 budget as shown in table 1. The current cost estimate of \$34.9 billion represents an increase of nearly 67 percent from the September 2005 BRAC Commission estimate of \$21 billion.

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<sup>6</sup> The 67 percent figure is slightly inflated because the September 2005 cost estimate was in fiscal year 2005 dollars, while the latest cost estimate is in current dollars, which includes inflation.

<sup>7</sup> The 20-year savings estimates, calculated on a 20-year net present value basis, are in constant fiscal year 2005 dollars (i.e., excludes projected inflation), to be consistent with DOD and the BRAC Commission's methodology and reporting of this estimate. Net present value is a financial calculation that accounts for the time value of money by determining the present value of future savings minus up-front investment costs over a specific period of time. Determining net present value is important because it illustrates both the up-front investment costs and long-term savings in a single amount. In the context of BRAC implementation, net present value is calculated for a 20-year period from 2006 through 2025.

**Table 1: Comparison of One-Time BRAC Implementation Costs by Military Services and Defense Agencies, Fiscal Year 2009 to Fiscal Year 2010**

Dollars in millions

Military services and defense agencies	Fiscal year 2009 cost estimate	Fiscal year 2010 cost estimate	Net cost increase
Tricare Management Activity	\$2,269	\$3,357	\$1,088
Army	17,335	18,213	878
Washington Headquarters Services	1,085	1,379	294
National Geospatial-Intelligence Agency	2,329	2,476	147
All other DOD agencies funding BRAC	2,198	2,341	142
Navy	3,291	3,372	81
Air Force	3,926	3,784	(142)
<b>Total costs</b>	<b>\$32,433</b>	<b>\$34,922</b>	<b>\$2,488</b>

Source: GAO analysis of DOD data.

Notes: Amounts are in current dollars (i.e., includes projected inflation). Totals may not equal the sum of the numbers in each column, due to rounding.

Our analysis of DOD military service and defense agencies show that Tricare Management Activity had the largest cost increase from fiscal year 2009 to fiscal year 2010, an increase of nearly 48 percent or almost \$1.09 billion. Tricare Management Activity is contributing to the funding of five BRAC recommendations involving the clinical aspects of the BRAC recommendations put forth by DOD’s medical joint cross service group, such as the realignment of Walter Reed Army Medical Center to include the construction of a new community hospital and a dental clinic at Fort Belvoir, Virginia, and the expansion of the National Naval Medical Center at Bethesda, Maryland. Further, table 1 shows that the Army portion of BRAC spending increased by \$878 million or about 5 percent. The Army plans to spend the most on BRAC implementation compared to other defense services and agencies. The Air Force is the only military service that anticipates spending less to implement BRAC 2005 recommendations compared to its estimates in the fiscal year 2009 budget.

Estimated cost increases to implement the 2005 BRAC round can be attributed primarily to 10 BRAC recommendations in which increases in expected construction costs were the primary cost driver. Our analysis shows that, of the 182 BRAC recommendations made in the 2005 round, 10 of those recommendations account for 83 percent, or about \$2 billion, of the nearly \$2.5 billion increase in estimated one-time costs from fiscal year 2009 to fiscal year 2010. Table 2 shows the estimated cost and the net cost increase to implement each of those 10 recommendations, according to the BRAC budgets for fiscal years 2009 and 2010.

**Table 2: BRAC Recommendations with the Largest Increases in One-Time Estimated Costs from Fiscal Year 2009 to Fiscal Year 2010**

Dollars in millions

Recommendation	Fiscal year 2009 cost estimate	Fiscal year 2010 cost estimate	Net cost increase
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, VA	\$1,640 <sup>a</sup>	\$2,418	\$779
Realign Army Maneuver Training to Fort Benning, GA	1,509	1,763	254
Co-locate miscellaneous OSD, defense agency, and field activity leased locations in the National Capital Region	1,194	1440	245
Close Fort Monmouth, NJ	1,595	1,751	156
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, TX	1,724	1,876	152
Realign to establish Combat Service Support Center at Fort Lee, VA	1,270	1,418	148
Relocate medical command headquarters in the National Capital Region	43	161	118
Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, VA	2,441	2554	113
Close Fort Gillem, GA	101	160	59
Relocate Army headquarters and field operating activities in the National Capital Region	444	490	47
<b>Total one-time estimated costs from the BRAC recommendations listed above</b>	<b>\$11,961</b>	<b>\$14,031</b>	<b>\$2,071</b>
<b>Total one-time estimated costs for all recommendations</b>	<b>\$32,433</b>	<b>\$34,922</b>	<b>\$2,488</b>
<b>Percentage of increase in one-time costs from recommendations listed above of all recommendations</b>			<b>83%</b>

Source: GAO analysis of DOD data.

Notes: Amounts are in current dollars (i.e., includes projected inflation). Totals may not equal the sum of the numbers in each column, due to rounding.

<sup>a</sup>This amount does not include an additional \$416 million already received as part of the fiscal year 2008 supplemental appropriations act and approximately \$263 million that was appropriated as part of the fiscal year 2009 supplemental appropriations act to help expedite medical facility construction at National Naval Medical Center, Bethesda, Maryland, and Fort Belvoir, Virginia.

Military construction costs account for most of the estimated increase in costs to implement 7 of the 10 recommendations shown in table 2. Other factors, such as operation and maintenance costs also contributed to some increases from fiscal year

2009 to fiscal year 2010. We found that estimated costs for those 10 recommendations increased due to the following reasons.

- **Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, Maryland and to Fort Belvoir, Virginia.** One-time implementation costs increased by \$779 million from fiscal year 2009 to fiscal year 2010, a 48 percent increase, mostly due to higher estimated construction costs. These cost increases include about \$263 million in funding provided as part of the supplemental appropriations act for fiscal year 2009 to help expedite medical facility construction at Fort Belvoir and Bethesda. Also, Tricare Management Activity officials told us that other reasons for cost increases include higher anticipated costs for moving and purchasing of equipment, which fall in the operation and maintenance cost category.
- **Realign Army Maneuver Training to Fort Benning, Georgia.** One-time implementation costs increased by \$254 million from fiscal year 2009 to fiscal year 2010, a 17 percent increase. The majority of this increase in one-time implementation costs was in military construction costs for five new projects totaling about \$164 million that were added to build new training infrastructure to establish the Maneuver Center at Fort Benning.
- **Co-locate miscellaneous OSD, defense agency, and field activity leased locations in the National Capital Region.** One-time implementation costs increased \$245 million from fiscal year 2009 to fiscal year 2010, a 21 percent increase. While some cost categories decreased, Army officials told us that the net cost increase was realized mostly in military construction associated with the decision to acquire land and construct a new office building at the Mark Center Office Complex, Alexandria, Virginia, about 10 miles away from Fort Belvoir.
- **Close Fort Monmouth, New Jersey.** One-time implementation costs increased \$156 million from fiscal year 2009 to fiscal year 2010, a 10 percent increase. Our analysis shows that about \$70 million of the cost increase was attributed to military construction costs at Aberdeen Proving Ground, Maryland, for constructing and renovating facilities for the Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance Center of Excellence for Communications and Electronics Laboratories. Army officials told us that they decided to construct more new buildings in lieu of renovating older buildings at Aberdeen, and they anticipate higher costs in various operation and maintenance activities such as facility closures at Fort Monmouth and the movement of personnel to Aberdeen.
- **Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, Texas.** One-time implementation costs increased \$152 million from fiscal year 2009 to fiscal year 2010, an 8 percent increase. According to Tricare Management Activity officials, the majority of this increase is associated with the San Antonio Regional Medical Center (\$113 million) and will pay for various operation and maintenance activities such as moving people and equipping the medical center.

- **Realign to establish Combat Service Support Center at Fort Lee, Virginia.** One-time implementation costs increased \$148 million from fiscal year 2009 to fiscal year 2010, a 12 percent increase. While other cost elements decreased, facility construction costs drove the majority of the expected cost increase at Fort Lee.
- **Relocate medical command headquarters in the National Capital Region.** One-time implementation costs increased \$118 million from fiscal year 2009 to fiscal year 2010, a 272 percent increase. Tricare Management Activity officials told us that it will now cost more to lease workspace for a higher number of personnel expected to move. These officials also told us that additional funds were needed to comply with anti-terrorism force protection requirements and to outfit the workspace of the leased space, as well as to move personnel.
- **Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, Virginia.** One-time implementation costs increased \$113 million from fiscal year 2009 to fiscal year 2010, a 5 percent increase. All of this expected cost increase is to respond to more information technology requirements at the agency including hardware, software, installation, testing, and operations to consolidate these leased locations to one location at Fort Belvoir.
- **Close Fort Gillem, Georgia.** One-time implementation costs increased \$59 million from fiscal year 2009 to fiscal year 2010, a 58 percent increase. This increase is mostly due to military construction, such as the construction of a new Army Reserve Equipment Concentration Site at Fort Benning, Georgia, and various operation and maintenance activities.
- **Relocate Army headquarters and field operating activities in the National Capital Region.** One-time implementation costs increased \$47 million from fiscal year 2009 to fiscal year 2010, an 11 percent increase. While this increase was offset by expected decreasing costs in other categories, the majority of this cost increase is due to the additional constructing and renovating of facilities for the movement of the Army Installation Management Command Headquarters to Fort Sam Houston, Texas, and the movement of the Army Security Assistance Command Headquarters to Redstone Arsenal, Alabama.

DOD's latest BRAC budget also shows that overall estimated construction costs to implement BRAC 2005 recommendations increased by nearly \$1.9 billion compared to last year's BRAC budget. However, Army officials told us that many construction contracts were awarded when the construction market was still strong, and construction bids came in higher than expected. However, as table 3 shows, some decreases occurred in other cost categories, particularly operations and maintenance.

**Table 3: Comparison of BRAC Cost Categories from Fiscal Year 2009 to Fiscal Year 2010**

Dollars in millions

<b>BRAC cost category</b>	<b>Fiscal year 2009 cost estimate</b>	<b>Fiscal year 2010 cost estimate</b>	<b>Net cost increase</b>
Military construction	\$22,765	\$24,629	\$1,864
Other and miscellaneous <sup>a</sup>	2,009	2,887	877
Operations and maintenance	7,134	6,885	(249)
Environmental	525	521	(4)
<b>Total costs</b>	<b>\$32,433</b>	<b>\$34,922</b>	<b>\$2,488</b>

Source: GAO analysis of DOD data.

Note: Totals may not equal the sum of the numbers in each column, due to rounding.

<sup>a</sup>The other cost category includes items such as information technology while miscellaneous costs includes various items such as military personnel permanent change of station, homeowners assistance program, one-time costs funded outside the BRAC account, and other DOD-made funding adjustments.

In addition, our analysis of DOD’s fiscal year 2010 budget estimates indicates that the planned implementation of 29 recommendations (or about 16 percent of the total 182 recommendations) is expected to account for about 72 percent of all the one-time costs needed to implement BRAC 2005. (See enclosure I for a listing of these recommendations from the 2005 BRAC round that DOD expects to cost the most.)

### **Estimated BRAC Savings Have Decreased**

Our comparison of DOD’s fiscal year 2010 budget data to fiscal year 2009 budget data shows that BRAC estimated net annual recurring savings continue to decrease. Further, BRAC savings expected over a 20-year period ending in 2025 have also decreased.

### Estimated Net Annual Recurring Savings Have Decreased

Our analysis of DOD’s fiscal year 2010 budget data shows that DOD’s estimates of the net annual recurring savings that the department expects to realize after all of the 2005 BRAC recommendations have been implemented decreased by almost \$94 million compared to the fiscal year 2009 BRAC budget, to about \$3.9 billion.<sup>8</sup> As we have previously reported, we and the BRAC Commission believe that DOD’s net annual recurring savings estimates are overstated because they include savings from eliminating military personnel positions without corresponding decreases in end-strength. DOD disagrees with our position. Savings for eliminating military personnel positions as defined by DOD’s approach account for nearly half of the total estimated annual recurring savings of \$3.9 billion using data from DOD’s fiscal year 2010 BRAC budget.

<sup>8</sup> Net annual recurring savings comparisons are based on the Office of the Secretary of Defense projections for fiscal year 2012 and beyond.

In contrast, the BRAC Commission estimated in September 2005 that the current BRAC round would result in net annual recurring savings of about \$4.2 billion.

The largest decrease in net annual recurring savings since fiscal year 2009 is a reduction of about \$68 million annually to relocate certain medical command headquarters to a single, contiguous site in the Washington, D.C. area. According to DOD's budget data for fiscal year 2010, this recommendation is now expected to result in a net cost of nearly \$1 million per year rather than a savings. A Tricare Management Activity official, who has responsibility for managing the implementation of this recommendation, told us that the decision to lease a facility in the Washington, D.C. area, instead of building or renovating an existing facility, primarily contributed to the decrease in expected net savings.

The largest increase in estimated net annual recurring savings since fiscal year 2009 is an increase of about \$16 million to realign supply, storage, and distribution functions from the military services to the Defense Logistics Agency. These estimated savings increased from about \$152 million in the fiscal year 2009 budget to \$168 million in the fiscal year 2010 budget. Although annual recurring savings estimates increased using DOD's data from fiscal year 2009 to fiscal year 2010, we reported in July 2009 that certain BRAC actions related to parts of this recommendation contain unrealistic savings estimates.<sup>9</sup> For example, the Defense Logistics Agency actions for consolidating supply, storage, and distribution functions at 13 military service depot maintenance locations involve practices that count some savings that we believe are not attributable to BRAC actions. DOD concurred with our recommendation to update its savings estimates. Further, OSD BRAC officials told us that they do not expect to begin to accrue the full amount of net annual recurring savings until 2012 because, as we reported in January 2009, many of the 2005 BRAC recommendations are not scheduled to be completed until close to the September 15, 2011, deadline.<sup>10</sup>

In addition, our analysis of the 2005 BRAC round, based on DOD's fiscal year 2010 budget estimates, indicates that relatively few recommendations are responsible for a majority of the expected savings. Specifically, we determined that the planned implementation of 24 recommendations (or about 13 percent) is expected to account for about 80 percent of the expected net annual recurring savings. (See enclosure II for a list of the BRAC recommendations expected to save the most annually.)

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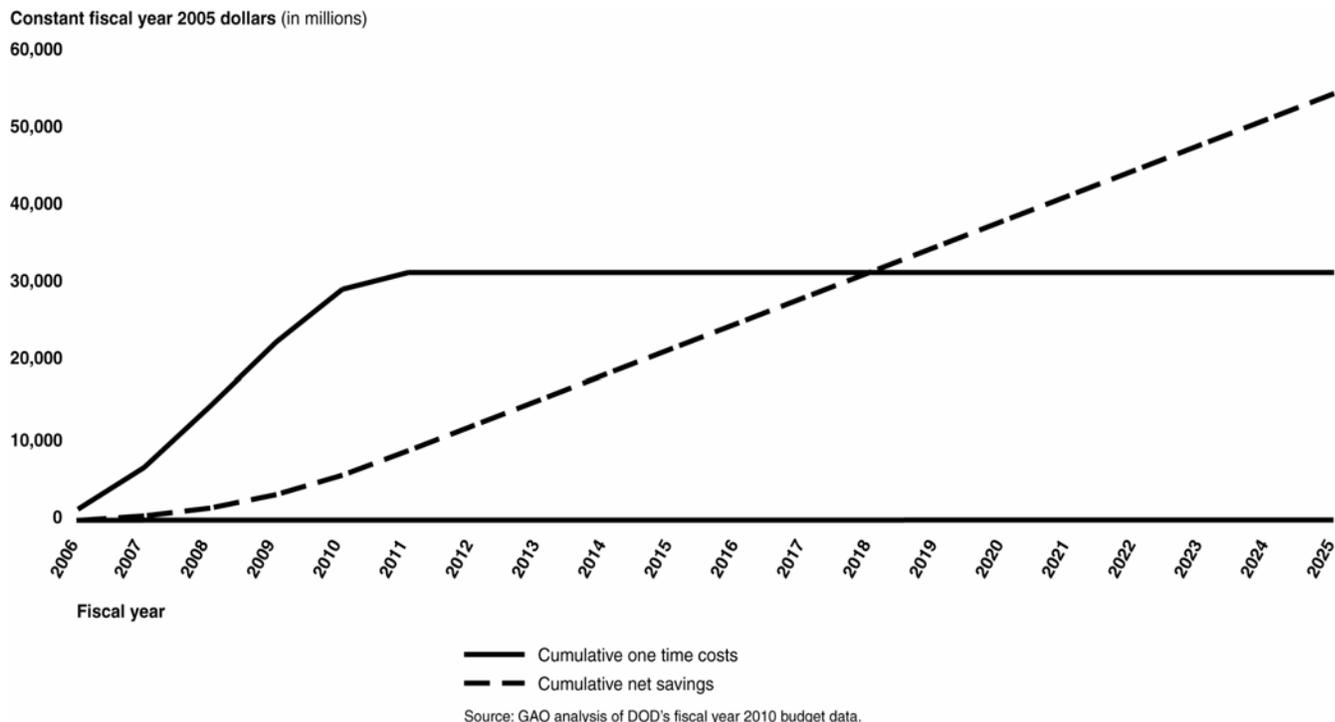
<sup>9</sup> GAO, *Military Base Realignments and Closures: DOD Needs to Update Savings Estimates and Continue to Address Challenges in Consolidating Supply-Related Functions at Depot Maintenance Locations*, [GAO-09-703](#) (Washington, D.C.: July 9, 2009).

<sup>10</sup> GAO, *Military Base Realignments and Closures: DOD Faces Challenges in Implementing Recommendations on Time and Is Not Consistently Updating Savings Estimates*, [GAO-09-217](#) (Washington, D.C.: Jan. 30, 2009).

## 20-Year Savings Have Decreased, and It Will Take Longer for DOD to Recoup Up-Front Costs

Given that the BRAC budget shows that DOD expects to spend more and save less compared to last year's budget, the projected savings over 20 years have also decreased. Our calculations show that the 20-year savings anticipated from the 2005 BRAC round have declined by \$2.8 billion to about \$10.9 billion, compared to the \$13.7 billion that we estimated based on fiscal year 2009 budget data.<sup>11</sup> In addition, our analysis shows that the number of BRAC recommendations that are expected to achieve no net savings at all over the 20-year period has continued to increase. Based on our analysis, 76 out of 182 recommendations are now expected to result in no net savings over 20 years, compared to 74 we identified using DOD's fiscal year 2009 budget data, and 30 estimated by the BRAC Commission in 2005. OSD BRAC officials told us that despite producing fewer savings than anticipated, the department expects that the implementation of this BRAC round will produce capabilities that will enhance military value in addition to enhanced defense operations and management. Also, our analysis of the fiscal year 2010 BRAC budget shows that DOD will not recoup its up-front costs to implement BRAC recommendations until 2018—5 years later than the BRAC Commission's estimates indicated that payback would be achieved as shown in figure 1.

**Figure 1: Time to Recoup BRAC Costs**



<sup>11</sup> The 20-year savings over the period of 2006 through 2025 are expressed in fiscal year 2005 dollars.

Further, we determined that 29 BRAC recommendations (about 16 percent) account for about 85 percent of the expected savings over 20 years. (See enclosure III for a listing of these recommendations.)

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### **Agency Comments and Our Evaluation**

We provided a draft copy of this report to DOD for review and comment. In response, DOD concurred with the findings of our report, and stated that the report accurately characterizes the cost growth that has occurred from the fiscal year 2009 President's Budget to the fiscal year 2010 President's Budget. However, DOD noted that as it has stated previously, even though the BRAC 2005 round is costing more and savings are less than originally estimated in 2005, implementation of these recommendations is an important element of the department's ongoing effort to reshape its infrastructure to respond to global challenges. DOD also provided technical comments, which we incorporated as appropriate. DOD's written comments are reprinted in enclosure IV.

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We are sending copies of this correspondence to interested congressional committees; the Secretary of Defense; the secretaries of the Army, Navy, and Air Force; Commandant of the Marine Corps; and the Director, Office of Management and Budget. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me on (202) 512-4523 or by e-mail at [leporeb@gao.gov](mailto:leporeb@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs are on the last page of this report. GAO staff that made major contributions to this report include Laura Talbott, Assistant Director; Vijay Barnabas; John Beauchamp; Susan Ditto; Brandon Jones; Gregory Marchand; and Charles Perdue.



Brian J. Lepore, Director  
Defense Capabilities and Management

## Enclosure I: BRAC Recommendations DOD Expects to Cost the Most

Table 4 lists individual base realignment and closure (BRAC) recommendations that the Department of Defense (DOD) expects to cost the most to implement based on its fiscal year 2010 budget submission to Congress. DOD expects 29 recommendations (16 percent) to generate about 72 percent of the one-time cost to implement BRAC recommendations during fiscal years 2006 through September 15, 2011.

**Table 4: BRAC Recommendations DOD Expects to Cost the Most to Implement (Fiscal Years 2006 through 2011)**

Current year dollars in millions	
<b>Recommendation</b>	<b>One-time cost estimates</b>
Realign Operational Army (Integrated Global Presence and Basing Strategy)	\$2,988
Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, VA	2,554
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, VA	2,418
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, TX	1,876
Realign Maneuver Training to Fort Benning, GA	1,763
Close Fort Monmouth, NJ	1,751
Co-locate miscellaneous OSD, defense agency, and field activity leased locations	1,440
Realign to establish Combat Service Support Center at Fort Lee, VA	1,418
Close Fort McPherson, GA	806
Realign Fort Hood, TX	623
Consolidate Defense Information Systems Agency at Fort Meade, MD	602
Close Brooks City-Base, TX	596
Realign supply, storage, and distribution management	530
Reserve Component Transformation, TX	528
Relocate Army headquarters and field operating activities	491
Co-locate military department investigation agencies with DOD Counterintelligence and Security Agency at Marine Corps Base Quantico, VA	478
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, CA	407

**Table 4 (continued)**

Current year dollars in millions

<b>Recommendation</b>	<b>One-time cost estimates</b>
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	390
Co-locate missile and space defense agencies at Redstone Arsenal, AL	387
Consolidate depot level reparable procurement management	369
Realign Fort Bragg, NC	357
Close Fort Monroe, VA	319
Consolidate Defense Finance and Accounting Service	316
Close Naval Air Station Brunswick, ME	308
Close Naval Air Station Willow Grove, PA and realign Cambria Regional Airport, Johnstown, PA	299
Realign to relocate Air Defense Artillery Center and School at Fort Sill, OK	275
Realign defense research service-led laboratories at multiple locations	273
Reserve Component Transformation, OK	268
Realign to create joint centers of excellence for chemical, biological, and medical research and development and acquisition	254
<b>Total one-time estimated costs from the recommendations listed above</b>	<b>\$25,084</b>
<b>Total one-time estimated costs from all recommendations</b>	<b>\$34,922</b>
<b>Percentage of one-time costs from recommendations listed above of all recommendations</b>	<b>72%</b>

Source: GAO analysis based on DOD's fiscal year 2010 budget data.

Note: Totals may not equal the sum of the numbers in each column, due to rounding.

## Enclosure II: BRAC Recommendations DOD Expects to Save the Most Annually

Table 5 lists individual base realignment and closure (BRAC) recommendations that the Department of Defense (DOD) expects to save the most annually after it has implemented the recommendations based on its fiscal year 2010 budget submission. DOD expects 24 recommendations (13 percent) to generate 80 percent of the net annual recurring savings.

**Table 5: BRAC Recommendations DOD Expects to Save the Most Annually**

Current year dollars in millions	
<b>Recommendation</b>	<b>Net annual recurring savings<sup>a</sup></b>
Realign to establish fleet readiness centers	\$304
Realign Cannon Air Force Base, NM <sup>p</sup>	260
Consolidate Defense Finance and Accounting Service	250
Realign Pope Air Force Base, NC	212
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, VA	172
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	170
Realign supply, storage, and distribution management	168
Consolidate depot level reparable procurement management	159
Close Fort Monmouth, NJ	154
Realign to establish Combat Service Support Center at Fort Lee, VA	148
Realign Maneuver Training to Fort Benning, GA	133
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, TX	104
Close Naval Air Station Brunswick, ME	100
Consolidate Transportation Command components at Scott Air Force Base, IL	97
Close Fort McPherson, GA	94
Close Brooks City-Base, TX	92
Realign by converting medical inpatient services to clinics at various installations	91
Co-locate miscellaneous OSD, defense agency, and field activity leased locations	72
Close Naval Station Ingleside, TX and realign Naval Air Station Corpus Christi, TX	69
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, CA	68

**Table 5 (continued)**

Current year dollars in millions

<b>Recommendation</b>	<b>Net annual recurring savings<sup>a</sup></b>
Close Fort Monroe, VA	65
Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, VA	57
Realign to relocate Air Defense Artillery Center and School at Fort Sill, OK	50
Close Naval Air Station Willow Grove, PA and realign Cambria Regional Airport, Johnstown, PA	46
<b>Total net annual recurring savings from the recommendations listed above</b>	<b>\$3,135</b>
<b>Total net annual recurring savings from all recommendations</b>	<b>\$3,907</b>
<b>Percentage of net annual recurring savings from recommendations listed above of all recommendations</b>	<b>80%</b>

Source: GAO analysis based on DOD data.

Note: Totals may not equal the sum of the numbers in each column, due to rounding.

<sup>a</sup>Data provided by DOD for fiscal year 2012 expected savings.

<sup>b</sup>In May 2005, DOD proposed closing Cannon AFB, New Mexico. In September 2005, the BRAC Commission stated that Cannon could remain open if DOD identified a new mission for the base. Subsequently, the Air Force announced in June 2006 that Cannon will remain open because it plans to activate a new mission at the base. The Air Force BRAC Office said it claimed these savings because the decision to reallocate Air Force resources and mission to Cannon was made after the BRAC recommendation was approved and was therefore, a non-BRAC programmatic decision.

**Enclosure III: BRAC Recommendations DOD Expects to Save the Most Over a 20-year Period**

Table 6 lists individual base realignment and closure (BRAC) recommendations that the Department of Defense (DOD) expects to save the most over a 20-year period. DOD expects 29 recommendations (16 percent) to generate more than 85 percent of the 20-year savings using fiscal year 2010 BRAC budget data.

**Table 6: BRAC Recommendations DOD Expects to Save the Most Over a 20-Year Period (Fiscal Years 2006 through 2025)**

Constant fiscal year 2005 dollars in millions	
<b>Recommendation</b>	<b>20-year net present value<sup>a</sup></b>
Realign to establish fleet readiness centers	\$3,326
Realign Cannon Air Force Base, NM <sup>b</sup>	2,801
Consolidate Defense Finance and Accounting Service	2,416
Realign Pope Air Force Base, NC	2,355
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force	1,405
Realign supply, storage, and distribution management	1,380
Consolidate depot level reparable procurement management	1,378
Consolidate Transportation Command components at Scott Air Force Base, IL	896
Realign by converting medical inpatient services to clinics at various installations	839
Close Naval Air Station Brunswick, ME	706
Close Naval Station Ingleside, TX and realign Naval Air Station Corpus Christi, TX	473
Close Naval Station Pascagoula, MS	459
Realign commodity management privatization	416
Close Brooks City-Base, TX	408
Close Naval Air Station Atlanta, GA	352
Close Fort Monroe, VA	300
Realign to consolidate maritime command, control, communications, computers, intelligence, surveillance, and reconnaissance, research, development, and acquisition, test and evaluation functions at multiple locations	299
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, CA	296
Realign Army Reserve Command and Control - Northeast	272
Co-locate miscellaneous Army leased locations	263
Realign Mountain Home Air Force Base, ID	262
Establish joint bases at multiple locations	254
Close Fort McPherson, GA	249

**Table 6 (continued)**

Constant fiscal year 2005 dollars in millions

<b>Recommendation</b>	<b>20-year net present value<sup>a</sup></b>
Close Fort Gillem, GA	239
Realign to establish Combat Service Support Center at Fort Lee, VA	235
Realign to relocate Air Defense Artillery Center and School at Fort Sill, OK	221
Close U.S. Army Garrison Michigan at Selfridge	212
Realign defense research service-led laboratories at multiple locations	208
Close Navy Reserve Centers	192
<b>Total savings from the recommendations listed above</b>	<b>\$23,111</b>
<b>Total savings from only recommendations that accrue a net savings after 20 years</b>	<b>\$27,174</b>
<b>Percentage of savings from recommendations listed above of all recommendations that accrue a net savings after 20 years</b>	<b>85%</b>

Source: GAO analysis based on DOD data.

Note: Totals may not equal the sum of the numbers in each column, due to rounding.

<sup>a</sup>In the context of BRAC, net present value is the total one-time costs minus the total net savings that DOD expects to incur from fiscal year 2006 through fiscal year 2025 to project 20-year savings at a 2.8 percent discount rate. We used data provided by DOD for fiscal year 2012 expected savings.

<sup>b</sup>In May 2005, DOD proposed closing Cannon AFB, New Mexico. In September 2005, the BRAC Commission stated that Cannon could remain open if DOD identified a new mission for the base. Subsequently, the Air Force announced in June 2006 that Cannon will remain open because it plans to activate a new mission at the base. The Air Force BRAC Office said it claimed these savings because the decision to reallocate Air Force resources and mission to Cannon was made after the BRAC recommendation was approved and was therefore, a non-BRAC programmatic decision.

## Enclosure IV: Comments from the Department of Defense



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

### OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

NOV 10 2009

Mr. Brian Lepore  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Lepore:

This is the Department of Defense (DoD) response to the GAO Draft Report, "MILITARY BASE REALIGNMENTS AND CLOSURES BRAC 2005 Estimated Costs Have Increased while Savings have Decreased Since Fiscal Year 2009," dated October 6, 2009 (GAO Code 351358/GAO-09-98R).

The Department appreciates the opportunity to comment on this draft report and concurs with its findings. As stated previously, even though the BRAC 2005 round is costing more and savings are less than originally estimated in 2005, implementation of these recommendations is an important element of the Department's ongoing effort to reshape our infrastructure to respond to global challenges. The report accurately characterizes the cost growth that has occurred from the Fiscal Year 2009 President's Budget to the Fiscal Year 2010 President's Budget.

We continue to appreciate the audit work performed by the GAO.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dorothy Robyn".

Dorothy Robyn  
Deputy Under Secretary of Defense  
(Installations and Environment)

## Related GAO Products

*Military Base Realignment and Closures: Transportation Impact of Personnel Increases Will Be Significant, but Long-Term Costs Are Uncertain and Direct Federal Support Is Limited.* [GAO-09-750](#). Washington, D.C.: September 9, 2009.

*Military Base Realignment and Closures: DOD Needs to Update Savings Estimates and Continue to Address Challenges in Consolidating Supply-Related Functions at Depot Maintenance Locations.* [GAO-09-703](#). Washington, D.C.: July 9, 2009.

*Defense Infrastructure: DOD Needs to Periodically Review Support Standards and Costs at Joint Bases and Better Inform Congress of Facility Sustainment Funding Uses.* [GAO-09-336](#). Washington, D.C.: March 30, 2009.

*Military Base Realignment and Closures: DOD Faces Challenges in Implementing Recommendations on Time and Is Not Consistently Updating Savings Estimates.* [GAO-09-217](#). Washington, D.C.: January 30, 2009.

*Military Base Realignment and Closures: Army Is Developing Plans to Transfer Functions from Fort Monmouth, New Jersey, to Aberdeen Proving Ground, Maryland, but Challenges Remain.* [GAO-08-1010R](#). Washington, D.C.: August 13, 2008.

*Defense Infrastructure: High-Level Leadership Needed to Help Communities Address Challenges Caused by DOD-Related Growth.* [GAO-08-665](#). Washington, D.C.: June 17, 2008.

*Defense Infrastructure: DOD Funding for Infrastructure and Road Improvements Surrounding Growth Installations.* [GAO-08-602R](#). Washington, D.C.: April 1, 2008.

*Defense Infrastructure: Army and Marine Corps Grow the Force Construction Projects Generally Support the Initiative.* [GAO-08-375](#). Washington, D.C.: March 6, 2008.

*Military Base Realignment and Closures: Higher Costs and Lower Savings Projected for Implementing Two Key Supply-Related BRAC Recommendations.* [GAO-08-315](#). Washington, D.C.: March 5, 2008.

*Defense Infrastructure: Realignment of Air Force Special Operations Command Units to Cannon Air Force Base, New Mexico.* [GAO-08-244R](#). Washington, D.C.: January 18, 2008.

*Military Base Realignment and Closures: Estimated Costs Have Increased and Estimated Savings Have Decreased.* [GAO-08-341T](#). Washington, D.C.: December 12, 2007.

*Military Base Realignment and Closures: Cost Estimates Have Increased and Are Likely to Continue to Evolve.* [GAO-08-159](#). Washington, D.C.: December 11, 2007.

*Military Base Realignment and Closures: Impact of Terminating, Relocating, or Outsourcing the Services of the Armed Forces Institute of Pathology.* [GAO-08-20](#). Washington, D.C.: November 9, 2007.

*Military Base Realignment and Closures: Transfer of Supply, Storage, and Distribution Functions from Military Services to Defense Logistics Agency.* [GAO-08-121R](#). Washington, D.C.: October 26, 2007.

*Defense Infrastructure: Challenges Increase Risks for Providing Timely Infrastructure Support for Army Installations Expecting Substantial Personnel Growth.* [GAO-07-1007](#). Washington, D.C.: September 13, 2007.

*Military Base Realignment and Closures: Plan Needed to Monitor Challenges for Completing More Than 100 Armed Forces Reserve Centers.* [GAO-07-1040](#). Washington, D.C.: September 13, 2007.

*Military Base Realignment and Closures: Observations Related to the 2005 Round.* [GAO-07-1203R](#). Washington, D.C.: September 6, 2007.

*Military Base Closures: Projected Savings from Fleet Readiness Centers Are Likely Overstated and Actions Needed to Track Actual Savings and Overcome Certain Challenges.* [GAO-07-304](#). Washington, D.C.: June 29, 2007.

*Military Base Closures: Management Strategy Needed to Mitigate Challenges and Improve Communication to Help Ensure Timely Implementation of Air National Guard Recommendations.* [GAO-07-641](#). Washington, D.C.: May 16, 2007.

*Military Base Closures: Opportunities Exist to Improve Environmental Cleanup Cost Reporting and to Expedite Transfer of Unneeded Property.* [GAO-07-166](#). Washington, D.C.: January 30, 2007.

*Military Bases: Observations on DOD's 2005 Base Realignment and Closure Selection Process and Recommendations.* [GAO-05-905](#). Washington, D.C.: July 18, 2005.

*Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments.* [GAO-05-785](#). Washington, D.C.: July 1, 2005.

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