

Why GAO Did This Study

The 2005 BRAC round was the biggest, most complex, costliest BRAC round ever. Unlike the four previous rounds, which focused on reducing infrastructure, the Secretary of Defense saw BRAC 2005 as a unique opportunity to adjust DOD's base structure to meet new challenges, such as international terrorism and weapons of mass destruction, and to meet future challenges, such as designating where forces returning from overseas would be located. While DOD's stated goals for BRAC 2005 included eliminating unneeded infrastructure, they also included furthering the transformation of DOD's force structure and fostering joint capabilities among the military services, resulting in recommendations of unprecedented scope and complexity. As GAO found in June 2012, BRAC implementation costs grew to about \$35 billion, exceeding the initial 2005 estimate of \$21 billion by 67 percent. As part of its fiscal year 2013 budget request, DOD asked for two more rounds of BRAC in 2013 and 2015. Congress has not acted on this request.

As directed by the House Armed Services Committee, this report discusses lessons learned that could be applied if Congress chooses to authorize future BRAC rounds. GAO assessed (1) how DOD estimated BRAC costs and savings and any ways its methodology could be improved, (2) OSD leadership over BRAC 2005, and (3) any legislative changes Congress may wish to make that could enhance oversight of any future round.

MILITARY BASES

Opportunities Exist to Improve Future Base Realignment and Closure Rounds

What GAO Found and Recommends

The Department of Defense (DOD) developed and used a quantitative model known as the Cost of Base Realignment Actions (COBRA), which GAO has found to be a reasonable estimator for comparing potential costs and savings among candidate alternatives, to estimate the costs and savings associated with Base Realignment and Closure (BRAC) 2005 recommendations. However, DOD's process for providing the BRAC Commission with cost and savings estimates was hindered in many cases by underestimating recommendation-specific requirements that were entered into the COBRA model. For example, military construction costs for BRAC 2005 increased from \$13.2 billion estimated by the BRAC Commission in 2005 to \$24.5 billion after implementation ended in 2011. Most of this 86 percent increase was caused by requirements that were added or identified after implementation began. While GAO recognizes that some military construction requirements were added after DOD submitted its initial cost estimates to the BRAC Commission, GAO found that other cost estimates increased because requirements were initially understated or not identified as inputs into COBRA. DOD also did not fully anticipate information technology requirements for many recommendations. For example, the initial information technology cost estimate for one recommendation was nearly \$31 million, but implementation costs increased to over \$190 million once those requirements were better defined. Also, DOD was unable to always document the methodology used to estimate savings from reducing military personnel positions. Therefore, to increase the fidelity of the initial cost estimates that DOD submits with its recommendations to the BRAC Commission for a future BRAC round, GAO is recommending that the Office of the Secretary of Defense (OSD) improve the process for identifying and estimating the cost of requirements for military construction and information technology and update the guidance on documenting how it identifies military personnel position-elimination savings.

The military services and other DOD components provided leadership and oversight over the 2005 BRAC round at the highest levels, and OSD established a governance structure that was led by higher-level leaders compared to previous rounds and included a larger role for specialized working groups. By implementing BRAC 2005, DOD closed 24 major bases, realigned 24 major bases, eliminated about 12,000 civilian positions, and achieved estimated net annual recurring savings of \$3.8 billion; however, the department cannot provide documentation to show to what extent it reduced plant replacement value or vacated leased space as it reported in May 2005 that it intended to do. Also, DOD did not establish a target for reducing excess infrastructure, as it did in the 1995 BRAC round. In addition, DOD bundled multiple closures and realignments into single, highly complex recommendations in its report to the Commission without itemizing the costs and savings associated with each separate major action, thus limiting visibility into the estimated costs and savings for individual closures and realignments. Further, OSD did not establish a process to ensure a timely security review of its supporting data to prevent the disclosure of classified information, thus delaying the Commission's work. To improve planning for measuring results of a future BRAC round, GAO is recommending that DOD identify appropriate measures of effectiveness, develop a plan to demonstrate the extent to which it achieved intended results, and establish a target for

eliminating excess infrastructure in its initiating guidance, consistent with the selection criteria for a future BRAC round. Also, to improve the availability of cost and savings information to BRAC decision makers, GAO is recommending that, when planning a future BRAC round, DOD limit the practice of bundling potentially stand-alone realignments or closures into single recommendations; but if DOD determines that bundling multiple realignments or closures into one recommendation is appropriate, itemize the costs and savings associated with each major action in its report to the BRAC Commission. Furthermore, GAO is recommending that OSD develop a process to conduct a timely security review of all BRAC data during DOD's recommendation development process to resolve any data-security issues and better ensure that the BRAC Commission receives timely information for its independent review.

Finally, GAO's analysis of BRAC 2005 identified several opportunities where potential amendments to the BRAC statute could provide Congress with improved visibility over costs and savings expected from implementing BRAC recommendations and offer greater assurances about expected outcomes if future BRAC rounds are authorized. DOD's goals for BRAC 2005 emphasized transformation and jointness. Although reductions in excess infrastructure to generate cost savings remained an important goal for DOD, the extent and timing of potential costs and savings, including the number of years it would take for the savings to exceed costs, was included as "other" or secondary criteria. As a result, many BRAC recommendations were not expected to produce 20-year net savings. Also, the BRAC Commission added contingency clauses to some recommendations, which allowed some outcomes to be defined by events or decisions that could occur after Congress could have prevented the BRAC recommendations from becoming binding, if it so chose. Hence, Congress had limited visibility into the potential cost of those recommendations. GAO is suggesting several matters for Congress to consider for amending the BRAC statute if it decides to authorize future BRAC rounds. First, if cost savings are to be a goal of any future BRAC round, Congress could elevate the priority DOD and the BRAC Commission give to potential costs and savings as a selection criterion for making BRAC recommendations. Second, Congress could consider requiring OSD to formally establish targets that the department expects to achieve from a future BRAC process and require OSD to propose selection criteria as necessary to help achieve those targets. Finally, Congress could consider whether to limit or prohibit the BRAC Commission from adding a contingent element to any BRAC recommendation and, if it is to be permitted, under what conditions.

How GAO Conducted Its Work

For this report, GAO analyzed DOD's 2005 report to the BRAC Commission and the Commission's report to the President and reviewed BRAC policy memorandums, guidance, and other relevant documentation. To assess how DOD estimated BRAC costs and savings and any ways its methodology could be improved, GAO analyzed DOD's COBRA model and DOD's BRAC budget submissions to Congress. To assess OSD leadership over BRAC 2005 and opportunities to improve planning for future BRAC rounds, GAO interviewed officials from the 2005 BRAC Commission, the Office of the Deputy Under Secretary of Defense (Installations and Environment), the military services' BRAC offices, and officials working with the joint cross-service groups. Finally, to assess what legislative changes, if any, Congress may wish to make that could enhance oversight of any future round, GAO reviewed the goals of BRAC 2005 and the criteria used to develop and evaluate BRAC 2005 recommendations, in addition to interviewing officials from the 2005 BRAC Commission and the Office of the Deputy Under Secretary of Defense (Installations and Environment).

Agency Comments and GAO's Evaluation

In commenting on a draft of this report, DOD did not concur with five out of ten recommendations, in part because it stated that the intent of GAO's recommendations to establish targets and measures of effectiveness was to prioritize capacity reductions over military value. However, nothing in these recommendations precludes optimizing military value while still measuring effectiveness and setting capacity reduction targets. The military value analysis could identify which installations have greatest value while still permitting DOD to reduce excess capacity as appropriate. Thus, GAO continues to believe that implementing these recommendations would help improve the BRAC process.

A summary of BRAC 2005 lessons learned, for which GAO has made recommendations to OSD and matters for Congress to consider in authorizing any future BRAC rounds, is provided in the table below.

GAO Findings and Recommendations

- Some requirements were understated or not included in initial BRAC cost estimates, such as military construction and information technology requirements.
GAO is recommending that OSD improve the process for identifying these requirements as it develops initial cost estimates for a future BRAC.
- The standard factor for estimating information technology costs was understated.
GAO is recommending that OSD update the standard factor for this expense item.
- DOD did not consistently document its basis for military personnel savings estimates.
GAO is recommending that OSD update its guidance on how it will identify these savings for a future BRAC round.
- Some intended BRAC results were not tracked.
GAO is recommending that OSD identify appropriate measures of effectiveness and develop a plan to demonstrate the extent it achieved intended results for a future BRAC round.
- OSD did not establish a target for reducing excess infrastructure.
GAO is recommending that OSD establish a reduction target in its initiating guidance, consistent with the selection criteria for a future BRAC round.
- Bundling of multiple closures or realignments into a single recommendation limited visibility of costs and savings in OSD's report to the BRAC Commission.
GAO is recommending that OSD limit this practice, or itemize the costs and savings associated with each major action if OSD determines that bundling multiple realignments or closures into one recommendation is appropriate.
- A timely review of BRAC supporting data for potential security risks did not take place.
GAO is recommending that OSD develop a process for a future BRAC round to resolve any data-security issues so the BRAC Commission receives the supporting data in a timelier manner for its independent review.
- Cost savings was not a priority consideration in the BRAC statutory selection criteria nor was cost savings a priority when OSD established goals for the BRAC 2005 round.
If cost savings are to be a goal of any future BRAC round, GAO is suggesting that Congress consider amending a future BRAC statute by (1) elevating the priority DOD and the BRAC Commission give to potential costs and savings as a selection criterion for making BRAC recommendations, (2) requiring OSD to formally establish specific goals that the department expects to achieve from a future BRAC process, and (3) requiring OSD to propose selection criteria as necessary to help achieve those goals.
- Contingency clauses for some BRAC recommendations limited Congress's visibility of complete cost information and expected outcomes.
GAO is suggesting that Congress consider in a future BRAC statute whether to limit or prohibit the BRAC Commission from adding a contingent element to any BRAC recommendation and, if permitted, under what conditions.