



Highlights of [GAO-08-341T](#), a report to the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The Department of Defense (DOD) is currently implementing recommendations from the 2005 Base Realignment and Closure (BRAC) round, which is the fifth round undertaken by DOD since 1988. The 2005 round is, by GAO's assessment, the biggest, most complex, and costliest BRAC round ever, in part because, unlike previous rounds, the Secretary of Defense viewed the 2005 round as an opportunity not only to achieve savings but also to assist in transforming the department. GAO's testimony addresses (1) GAO's role in the BRAC process, and (2) how DOD's current cost and savings estimates to implement the 2005 recommendations compare to the 2005 Defense Base Closure and Realignment Commission's (the Commission) cost and savings estimates.

This testimony is based primarily on the report GAO issued yesterday (GAO-08-159) on the overall changes to DOD's cost and savings estimates for the 2005 BRAC round. To analyze these changes, GAO compared the Commission's estimates in its 2005 report to DOD's estimates in its fiscal year 2008 BRAC budget submission. This testimony is also based on several reports GAO has issued on the implementation of selected recommendations, and GAO's prior work assessing the 2005 decision-making process. GAO's work was performed in accordance with generally accepted government auditing standards.

To view the full product, including the scope and methodology, click on [GAO-08-341T](#). For more information, contact Brian J. Lepore (202) 512-4523 orlepore@gao.gov.

MILITARY BASE REALIGNMENTS AND CLOSURES

Estimated Costs Have Increased and Estimated Savings Have Decreased

What GAO Found

GAO has played two long-standing roles in the BRAC process. First, as requested by congressional committees in the 1988 round or mandated by law since 1990, GAO has served as an independent and objective observer of the BRAC process and has assessed and reported on DOD's decision-making processes leading up to proposed realignment and closure recommendations. GAO reported in its assessment of the 2005 round that DOD's decision-making process for developing its recommendations was generally logical, well documented, and reasoned. However, GAO identified some limitations with cost and savings estimates, some BRAC recommendations having lengthy payback periods, and some with limited savings relative to implementation costs. GAO's second role has focused on reviewing the implementation of realignment and closure actions once the BRAC recommendations became effective in November 2005. GAO has issued several reports on DOD's implementation of its 2005 BRAC recommendations. GAO will continue to review the implementation of the 2005 BRAC recommendations, including a final report to be issued within 1 year after the end of the 6-year BRAC implementation period, which ends in September 2011.

DOD plans to spend more and save less than originally estimated for the 2005 BRAC round. DOD's cost estimates to implement the 2005 recommendations, as reported in its fiscal year 2008 BRAC budget submission, have increased by 48 percent, from \$21 billion to \$31 billion, for the 6-year implementation period. Nearly two-thirds of the expected cost increase is due to increased military construction costs. For example, the expected military construction cost to close Fort Monmouth, New Jersey, has increased by more than \$550 million, largely because the Army decided to build new facilities instead of renovating existing facilities at one location and share existing facilities at another location. GAO believes there is potential for further cost increases due to uncertainty in whether the Army's new initiative designed to reduce construction costs will achieve the planned results. While projected costs have increased, projected net annual recurring savings have decreased about 5 percent, from \$4.2 billion to \$4.0 billion annually. DOD attributed the decrease in its savings estimate primarily to changes in initial assumptions or plans. GAO believes that DOD's reported savings estimates may be overstated by \$1.85 billion largely because the estimates include savings from military personnel entitlements without a corresponding reduction in end strength. As a result of the increases in costs and decreases in savings, GAO's analysis shows that accumulated savings are projected to offset accumulated costs in 2017 rather than 2013 as projected by the Commission. The time required for accumulated savings to offset accumulated costs would increase to 2025 with the exclusion of the expected savings from military personnel entitlements and Cannon Air Force Base, New Mexico, that GAO questions. While the overall payback period for DOD's BRAC recommendations is less than 20 years, the number of individual recommendations that are not expected to pay back within 20 years has increased from 30, as estimated by the Commission, to 73, based on DOD's fiscal year 2008 budget submission.