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AUG 03 2001

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

The Department of Defense proposes the enclosed Efficient Facilities Initiative of 2001 as part of its legislative program for the First Session of the 107th Congress and we urge its enactment. The legislation supports our continuing effort to reshape and restructure America's military forces to meet the needs and challenges of the 21st century.

This three-part effort authorizes the Secretary of Defense to recommend a single round of base closures and realignments to an independent commission in 2003, significant improvements to the existing base closure process, and a set of tools for the efficient operation of enduring military installations. The central component of this legislation is the proposed authorization of a new round of base closures and realignments in 2003. The legislation amends the previous Defense Base Closure and Realignment Act of 1990, (Public Law 101-510, as amended) which authorized base closure and realignment rounds in 1991, 1993, and 1995.

An additional round of base closures and realignments in 2003 will ultimately generate substantial and recurring savings. The savings will be applied to resource shortfalls in sustainment, modernization, and facility recapitalization. Moreover, additional base closures and realignments are essential to the Department's efforts to reshape its infrastructure to meet military operational needs. The Department can not afford to maintain excess infrastructure while modernizing its weapons and providing well-deserved increases in the benefits for our men and women in uniform.

The Efficient Facilities Initiative also proposes significant improvements to the existing base closure and realignment process. For example, it adds authority to harness the strength and creativity of the private sector to facilitate environmental restoration. Further, while using essentially the same process as has been used successfully before, the legislation would better ensure the primacy of military value as a factor in the selection and execution of base closure and realignment decisions. It also continues important authorities that allow the Secretary of Defense to stimulate economic redevelopment of the installation and the surrounding community.



Finally, in addition to authorizing a new round of base closures and realignments and improving the process under which that will occur, the Efficient Facilities Initiative also proposes a collection of innovative authorities for the Secretaries of the military departments to partner with local communities for the ownership, operation, or maintenance of those installations that will remain part of the enduring defense infrastructure.

The Office of Management and Budget advises that these proposals are in accord with the program of the President.

Sincerely,



William J. Haynes II

Enclosure
As Stated



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1600 DEFENSE PENTAGON
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AUG 03 2001

The Honorable Richard B. Cheney
President of the Senate
Washington, D.C. 20510

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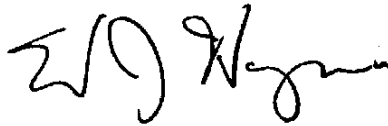
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Sincerely,

A handwritten signature in black ink, appearing to read "WJ Haynes II". The signature is written in a cursive style with a large, stylized initial "WJ".

William J. Haynes II

Enclosure
As Stated

SEC. XX. EFFICIENT FACILITIES INITIATIVE.

(a) **AUTHORITY TO CARRY OUT A BASE CLOSURE ROUND IN 2003**—(1) Section 2902 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended—

(A) in subsection (c)(1)(B) as follows:

- (i) in clause (ii) by striking "and" at the end thereof;
- (ii) in clause (iii) by striking the period at the end thereof and inserting a semicolon followed by "and"; and
- (iii) by inserting the following new clause (iv) at the end thereof;

"(iv) by no later than January 24, 2003, in the case of members of the Commission whose terms will expire at the end of the first session of the 108th Congress.";

(B) in subsection (c)(1)(C), by striking "or for 1995 in clause (iii) of such subparagraph" and inserting ", for 1995 in clause (iii) of that subparagraph, or for 2003 in clause (iv) of that subparagraph" in lieu thereof;

(C) in subsection (e) by striking "and 1995" and inserting "1995, and 2003" in lieu thereof;

(D) in subsection (k) by inserting the following new paragraph (4) at the end thereof:

"(4) If no funds are appropriated to the Commission by the end of the second session of the 107th Congress for the activities of the Commission in 2003, the Secretary may transfer to the Commission for purposes of its activities under this part in that year such funds as the Commission may require to carry out such activities. The Secretary may transfer funds under the preceding sentence from any funds available to the Secretary. Funds so transferred shall remain available to the Commission for such purposes until expended."; and

(E) in subsection (l) by striking "December 31, 1995" and inserting "December 31, 2003" in lieu thereof.

(2) Section 2903 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended—

(A) in subsection (a) as follows—

(i) in paragraph (1) by inserting "As part of the budget justification documents submitted to Congress in support of the budget for the Department of Defense for fiscal year 2003, the Secretary shall include a force-structure plan for the Armed Forces based on the assessment by the Secretary through the Quadrennial Defense Review of the probable threats to the national security during the next twenty years." at the end thereof; and

(ii) by adding at the end the following new paragraph (4):

"(4) The Secretary may revise the force-structure plan submitted in support of the 2003 budget, and submit such revised plan as part of the budget justification documents submitted to Congress in support of the budget for the Department of Defense for fiscal year 2004.";

(B) in subsection (b) as follows—

(i) in paragraph (1), by inserting "and by no later than December 31, 2001, for purposes of activities of the Commission under this part in 2003," immediately following "December 31, 1990,";

(ii) in paragraph (2)(A)--

(I) in the first sentence, by inserting "and by no later than February 15, 2002, for purposes of activities of the Commission under this part in 2003," immediately following "February 15, 1991,"; and

(II) in the second sentence, by inserting ", or enacted on or before March 31, 2002, in the case of criteria published and transmitted under the preceding sentence in 2001" immediately following "March 15, 1991";

(C) in subsection (c)(1) by striking "and March 1, 1995," and inserting "March 1, 1995, and March 14, 2003," in lieu thereof;

(D) in subsection (d) as follows—

(i) in paragraph (2)(A), by inserting "or by no later than July 7 in the case of recommendations in 2003," immediately following "pursuant to subsection (c),";

(ii) in paragraph (4), by inserting "or after July 7 in the case of recommendations in 2003," immediately following "under this subsection,"; and

(iii) in paragraph (5)(B), by inserting "or by no later than May 1 in the case of such recommendations in 2003," immediately following "such recommendations,"; and

(E) in subsection (e) as follows—

(i) in paragraph (1), by inserting "or by no later than July 22 in the case of recommendations in 2003," immediately following "under subsection (d),";

(ii) in the second sentence of paragraph (3), by inserting "or by no later than August 18 in the case of 2003," immediately following "the year concerned,"; and

(iii) in paragraph (5), by inserting "or by September 3 in the case of recommendations in 2003," immediately following "under this part,".

(3) Section 2909(a) of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended by striking "December 31, 1995," and inserting "December 31, 2003," in lieu thereof.

(4) Section 2905 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2867 note) is amended—

(A) in subsection (b)(7)(D)(ii)(I) by striking "that date" and inserting "the date of publication of such determination in a newspaper of general circulation in the communities in the vicinity of the installation under subparagraph (B)(i)(IV)" in lieu thereof;

(B) by inserting "or realignment" immediately following "closure" each place it appears in the following provisions:

(i) subsection (b)(3);

(ii) subsection (b)(5);
(iii) subsection (b)(7)(B)(iv); and
(iv) subsection (b)(7)(N);
(C) by inserting "or realigned" immediately following "closed" each place it appears in the following provisions:

- (i) subsection (b)(3)(C)(ii);
- (ii) subsection (b)(3)(D);
- (iii) subsection (b)(3)(E);
- (iv) subsection (b)(4)(A); and
- (v) subsection (b)(5)(A); and

(D) in subsection (e)(1)(B) by inserting ", or realigned or to be realigned," immediately following "closed or to be closed".

(5) Section 2910 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2867 note) is amended—

(A) in paragraph (10)(B) by inserting "or realignment" immediately following "closure" each place it appears; and

(B) by inserting "or realigned" immediately following "closed" each place it appears in the following provisions:

- (i) paragraph (9); and
- (ii) paragraph (10).

(b) IMPROVEMENTS TO THE BASE CLOSURE AND REALIGNMENT PROCESS—(1) Section 2901 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended by adding at the end the following new subsection:

"(c) CONGRESSIONAL FINDINGS.—The Congress finds

"(1) that the Department of Defense must comprehensively evaluate the continuing need for installations and other infrastructure world-wide, and how best to manage and organize its installations and other infrastructure in order to meet the needs of national security into the future; and

"(2) that military need must be the principal consideration for the selection of facilities to be closed or realigned."

(2) Section 2902 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended—

(A) in subsection (c)(1)(A) by striking "eight" and by inserting "nine" in lieu thereof.;

(B) in subsection (c)(2) by inserting between the words "should" and "consult" the following words: "place special emphasis on individuals representing a broad range of disciplines, with particular emphasis on those with military, logistical, industrial, installation management, real property management, or real estate development experience, and should"; and

(C) in subsection (i) by inserting the following new paragraph (7) at the end thereof:

"(7) The personnel costs associated with any detailee to the Commission shall be reimbursed by the Commission."

(3) Section 2903 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended—

(A) in subsection (b) by adding at the end the following new paragraph (3):

"(3) The selection criteria shall ensure that military value is the primary consideration in the selection of installations for closure and realignment.";

(B) in subsection (c) as follows:

(i) by renumbering paragraphs (1) through (6) as (3) through (8) respectively;

(ii) by inserting the following new paragraphs (1) and (2):

"(1) The Secretary shall direct a review of the installations of the Department based on the force-structure plan and the final criteria referred to in subsections (a) and (b). The review shall be comprehensive, and it shall include each and every type of facility or other infrastructure operated or substantially funded by the Department.

"(2) In conducting this review, the Secretary may consider such factors as:

"(A) the efficiencies that might result from combining the operations of one or more military department or Defense agency with those of another military department or defense agency on an installation;

"(B) the savings that might result from consolidation of activities;

"(C) the savings and efficiencies that might result from the privatization in place of Defense activities;

"(D) the savings to the Federal government that might result from collocating military department or Defense agency activities with those of another federal agency;

"(E) the savings that might result from the elimination or reduction in leased space and the relocation of activities to property owned by the United States and operated by the Department, or operated by another department or agency of the United States;

"(F) whether the additional cost of environmental remediation necessary for a reuse of the property over and above the costs of such remediation necessary to protect public health and the environment in the event the property is continued under the management and control of the Department of Defense substantially exceeds the value of the property; and

"(G) the possible need in the future to accommodate an increase in the numbers of personnel in the Armed Forces and the possible need to expand the area of test and training ranges, and the means to accommodate such potential needs by:

"(i) retaining all or a portion of an installation not currently needed for defense purposes;

"(ii) leasing such property to other users subject to cancellation of

the lease if the property is needed; and

"(iii) entering into partnerships with local communities to ensure that the use of a closed installation is both compatible with possible future needs for the installation and with the economic health of the local community.";

(iii) in paragraph (5) as renumbered

(I) by re-lettering subparagraphs (B) and (C) as (C) and (D) respectively and inserting the following new subparagraph (B):

"(B) The Secretary shall consider the anticipated continuing need for and continuing availability of installations worldwide. Specifically, in evaluating the need for domestic testing and training ranges, the Secretary shall assess restrictions on the use of foreign ranges and the possibility that the use of foreign ranges will be prohibited or restricted in the future."; and

(iv) in paragraph (8) as renumbered by striking "paragraph (5)(B)" and inserting "paragraph (7)(B)" in lieu thereof;
(C) in subsection (d)(2) as follows:

(i) in subparagraph (B) by inserting "and only if" immediately following "made by the Secretary if" in the first sentence;

(ii) in subparagraph (C) by striking "the Commission—" and all the follows to the end of the subparagraph and inserting the following new clauses (i) through (vi) in lieu thereof:

"(i) the Commission makes the determination required by subparagraph (B);

"(ii) the Commission determines that the change is consistent with the force-structure plan and final criteria referred to in subsection (c)(1);

"(iii) the Commission publishes a notice of the proposed change in the *Federal Register* not less than 45 days before transmitting its recommendations to the President pursuant to paragraph (2);

"(iv) the Commission conducts public hearings on the proposed change; and

"(v) the Commission invites the Secretary of Defense or his designated representative to testify at a public hearing or, at the Secretary's discretion, at a closed hearing on the proposed change." and

(iii) by re-lettering subparagraph (E) as subparagraph (F) and inserting the following new subparagraph (E):

"(E) In the case of a change not described in subparagraph (D) in the recommendations made by the Secretary, the Commission may make the change only if the Commission—

"(i) makes the determination required by paragraph 2(B);

"(ii) determines that the change is consistent with the force-structure plan and final selection criteria; and

"(iii) invites the Secretary of Defense or his designated representative to

testify at a public hearing, or at the Secretary's discretion, at a closed hearing on the proposed change."; and

(D) in subsection (d)(3) by inserting "thoroughly" immediately following "The Commission shall".

(4) Section 2904 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended by inserting the following new paragraph at the end thereof:

"(5) carry out the privatization in place of a military installation recommended for closure or realignment by the Commission in each such report after 2000 only if privatization in place is a method of closure or realignment of the installation specified in the recommendation of the Commission in such report and is determined to be the most cost effective method of implementation of the recommendation."

(5) Section 2905 of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2687 note) is amended—

(A) in subsection (a) by

(i) by striking "and" immediately following "performance of such activities,"; and

(ii) by inserting "and the implementation of any of the means referred to in section 2903(c) to meet the potential needs discussed in that provision," immediately following "transfer functions from a military installation being closed or realigned to another military installation,";

(B) in subsection (b)(4)(E)(iii) by striking the period at the end thereof and inserting "; provided, however, that a proportionate share of common area maintenance costs shall not be regarded as rental payments.";

(C) in subsection (b)(7) as follows:

(i) in subparagraph (B)(i)(I) by inserting "or for which the Department of Defense has a potential future use the Secretary determines is important" immediately following "for which the Department of Defense has a use";

(ii) in subparagraph (K)(iii) by striking "substantial" in the second sentence; and

(iii) in subparagraph (N) by striking "any deadline provided for under this paragraph" and inserting "any deadline provided for under this section" in lieu thereof;

(D) in subsection (e)(2) as follows:

(i) in subparagraph (A)

(I) by striking "the costs of all environmental restoration, waste management, and environmental compliance activities to be paid by the recipient of the property or facilities" and inserting "the costs of environmental restoration, waste management, and environmental compliance activities that would otherwise be paid by the Secretary"; and

(II) by striking "or" immediately following the semicolon at the

end thereof; and
(ii) by adding the following new subparagraphs (C) and (D) at the end thereof:

"(C) if such costs are higher than the fair market value of the property or facilities, the payment by the Secretary do not exceed the lesser of (i) the amount by which the costs to be paid by the recipient of the property or facilities are higher than the fair market value of the property or (ii) the amount by which the costs that would otherwise be paid by the Secretary are higher than the fair market value of the property; or

"(D) in the case where the transfer of property is to a redevelopment authority pursuant to subsection (b)(4), the payment to the redevelopment authority or to the agent of the redevelopment authority is no more than the amount that would otherwise have been paid by the Secretary for the environmental restoration, waste management, and environmental compliance."; and

(E) in subsection (e)(5) by inserting "except with respect to conditions or contamination not disclosed pursuant to paragraph (3)" immediately before the period at the end thereof.

(6) Section 2910(4) of the Defense Base Closure and Realignment Act of 1990 (part A of title XXIX of Public Law 101-510; 10 U.S.C. 2867 note) is amended by inserting "(A)" after "(4)" and by inserting the following new subparagraph at the end thereof:

"(B) The term 'military installation' also includes any facility under the jurisdiction of the Department of Energy or any other Federal agency that supports the mission of, or is located within, adjacent to, or operated in conjunction or coordination with, an installation under the jurisdiction of the Department of Defense within the meaning of subparagraph (A) above. The Secretary of Defense may not include such a facility in the published and transmitted list of military installations that the Secretary recommends for closure or realignment under section 2903(c) unless, after prior consultation, the head of the agency that has jurisdiction over the facility has concurred in writing with the Secretary's recommendation."

(c) TOOLS FOR THE EFFICIENT OPERATION OF MILITARY INSTALLATIONS.—(1) Chapter 159 of title 10, United States Code, is amended by adding at the end the following new section:

"Sec. 2697. Tools for the Efficient Operation of Military Installations.

"(a) PURPOSE.—The purpose of this section is to encourage more efficient operation of military installations through improved capital asset management and greater reliance on the public or private sector for less-costly base support services, where available.

"(b) AUTHORITY.—(1) Subject to paragraph (4), the Secretary of a Military Department may carry out, at any military installation under its control, an "Installation Efficiency Project" to improve mission effectiveness and reduce the cost of providing quality installation support.

"(2) The Secretary concerned may carry out an Installation Efficiency Project in consultation with the communities in the vicinity of the Installation to the extent the Secretary determines such consultation is necessary and appropriate.

"(3) The authority provided in this section is in addition to any other authority vested in or delegated to the Secretary concerned, and the Secretary may exercise any authority or combination of authorities provided under this section or elsewhere to carry out the purposes of the Installation Efficiency Project.

"(4) The Secretary concerned may not exercise any authority under this section until after the end of the 30-day period beginning on the date the Secretary submits to the appropriate committees of the Congress a master plan for the development of the Installation.

"(c) EFFICIENT PRACTICES.—(1) The Secretary concerned may convert services at or for the benefit of the Installation from accomplishment by military personnel or by Military Department civilian employees (appropriated fund or nonappropriated fund), to services performed by contract or provided as consideration for the lease, sale, or other conveyance or transfer of property.

"(2) Notwithstanding section 2462 of title 10, United States Code, a contract for services may be awarded based on "best value" if the Secretary concerned determines that the award will advance the purposes of a joint activity conducted under the Installation Efficiency Project and is in the best interest of the Military Department.

"(3) Notwithstanding section 2465 of title 10, United States Code, and that such services are generally funded by local and State taxes and provided without specific charge to the public at large, the Secretary concerned may contract for security guard functions and public services at or for the benefit of the Installation in exchange for such consideration, if any, the Secretary determines to be appropriate.

"(4)(A) The Secretary concerned may conduct joint activities with the communities in the vicinity of the Installation, the State, and any private parties or entities on or for the benefit of the Installation.

"(B) Payments or reimbursements received from participants for their share of direct and indirect costs of joint activities, including the costs of providing, operating, and maintaining facilities, shall be in an amount and type determined to be adequate and appropriate by the Secretary concerned.

"(C) Except as provided in subsection (i), such payments or reimbursements received by the Military Department shall be deposited into the Installation Efficiency Project Fund.

"(d) LEASE AUTHORITY.—(1) The Secretary concerned may lease real or personal property located on the Installation and not required at other installations to any lessee upon such terms and conditions as the Secretary considers appropriate and in the interest of the United States, if the Secretary determines that the lease would facilitate the purposes of the Installation Efficiency Project.

"(2) Consideration for a lease under this subsection shall be determined in accordance with subsection (g).

"(3) A lease under this subsection—

"(A) may be for such period as the Secretary concerned determines is necessary to accomplish the goals of the Installation Efficiency Project; and

"(B) may give the lessee the first right to purchase the property at fair market value if the lease is terminated to allow the United States to sell the property under any

other provision of law.

"(4)(A) The interest of a lessee of property leased under this subsection may be taxed by the State or local governments.

"(B) A lease under this subsection shall provide that, if and to the extent that the leased property is later made taxable by State or local governments under Federal law, the lease shall be renegotiated.

"(5) The Military Department may furnish a lessee with utilities, custodial services, and other base operation, maintenance, or support services performed by Military Department civilian or contract employees, in exchange for such consideration, payment, or reimbursement as the Secretary concerned determines appropriate.

"(6) Except as provided in subsection (i), all amounts received from leases under this subsection shall be deposited into the Installation Efficiency Project Fund.

"(7) A lease under this subsection shall not be subject to the following provisions of law:

"(A) Section 2667 of title 10, United States Code, other than subsection (b)(1) of that section.

"(B) Section 321 of the Act of June 30, 1932 (40 U.S.C. 303b).

"(C) The Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.).

"(e) PROPERTY DISPOSAL.—(1) The Secretary concerned may sell or other-wise convey or transfer real and personal property located at the Installation to the communities in the vicinity of the Installation or to another public or private party during the Installation Efficiency Project, upon such terms and conditions as the Secretary considers appropriate for purposes of the Installation Efficiency Project.

"(2) Consideration for a sale or other conveyance or transfer of property under this subsection shall be determined in accordance with subsection (g).

"(3) The sale or other conveyance or transfer of property under this subsection shall not be subject to the following provisions of law:

"(A) Sections 2693 and 2696 of title 10, United States Code.

"(B) The Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471 et seq.).

"(4) Except as provided in subsection (i), cash payments received as consideration for the sale or other conveyance or transfer of property under this subsection shall be deposited into the Installation Efficiency Project Fund.

"(f) LEASEBACK OF PROPERTY LEASED OR DISPOSED.—(1) The Secretary concerned may lease, sell, or otherwise convey or transfer real property at the Installation under subsections (d) and (e), as applicable, which will be retained for use by a Military Department or other Federal agency, if the lessee, purchaser, or other grantee or transferee of the property agrees to enter into a leaseback to the Military Department in connection with the lease, sale, or other conveyance or transfer of one or more portions or all of the property leased, sold, or otherwise conveyed or transferred, as applicable.

"(2) A leaseback of real property under this subsection shall be an operating lease for no more than 20 years unless the Secretary concerned determines that a longer term is appropriate.

"(3)(A) Consideration, if any, for real property leased under a leaseback entered into under this subsection shall be in such form and amount as the Secretary concerned considers appropriate.

"(B) The Secretary concerned may use funds in the Installation Efficiency Project

Fund or other funds appropriated or otherwise available to the Military Department for use at the Installation for payment of any such cash rent.

"(4) Notwithstanding any other provision of law, the Military Department or other Federal agency using the real property leased under a leaseback entered into under this subsection may construct and erect facilities on or otherwise improve the leased property using funds appropriated or otherwise available to the Military Department or other Federal agency for such purpose.

"(g) CONSIDERATION.—(1) The Secretary concerned shall determine the nature, value, and adequacy of consideration required or offered in exchange for a lease, sale, or other conveyance or transfer of real or personal property or for other actions taken under the Installation Efficiency Project.

"(2) Consideration may be in cash or in-kind or any combination thereof. In-kind consideration may include the following:

"(A) Real property.

"(B) Personal property.

"(C) Goods or services, including operation, maintenance, protection, repair, or restoration (including environmental restoration) of any property or facilities (including non-appropriated fund facilities).

"(D) Base operating support services.

"(E) Improvement of facilities under the control of the Military Department.

"(F) Provision of facilities, including office, storage, or other usable space, for use by the Military Department on or off the Installation.

"(G) Public services.

"(3) Consideration may not be for less than the fair market value.

"(h) INSTALLATION EFFICIENCY PROJECT FUND.—(1) There is established on the books of the Treasury a fund to be known as the "Installation Efficiency Project Fund" into which all cash rents, proceeds, payments, reimbursements, and other amounts from leases, sales, or other conveyances or transfers, joint activities, and all other actions taken under the Installation Efficiency Project shall be deposited, except as provided in subsection (i). Subject to paragraph (2), amounts deposited into the Installation Efficiency Project Fund shall be available without fiscal year limitation.

"(2) To the extent provided in advance in appropriations Acts, amounts in the Installation Efficiency Project Fund shall be available to the Secretary concerned to carry out activities under this section. The use of such amounts may be in addition to or in combination with other amounts appropriated for these purposes.

"(3) Subject to generally prescribed financial management regulations, the Secretary of Defense shall establish the structure of the Installation Efficiency Project Fund and such administrative policies and procedures as the Secretary of Defense considers necessary to account for and control deposits into and disbursements from the Installation Efficiency Project Fund effectively.

"(i) COMMISSARY SURCHARGE FUNDS AND NONAPPROPRIATED FUNDS.—(1) If any personal property, real property or facility acquired, constructed, or improved (in whole or in part) with commissary surcharge funds or nonappropriated funds is transferred, disposed of, leased or rented, or otherwise made available under this section, a portion of the proceeds received for such property shall be paid to the commissary surcharge trust fund or nonappropriated fund instrumentality in accordance with regulations prescribed by the Secretary

of Defense.

"(2) The amount so deposited shall be equal to the higher of the depreciated value or the market value, of the investment made with such funds in the acquisition, construction, or improvement of that particular personal property, real property or facility. The depreciated value of the investment shall be computed in accordance with regulations prescribed by the Secretary of Defense.

"(3) Any nonappropriated fund costs incurred through implementation of an "Installation Efficiency Project" will be reimbursed to the nonappropriated fund instrumentality. These costs may include but are not limited to severance pay and relocation expenses for nonappropriated fund employees and the participants' share of direct and indirect costs of joint activities.

"(j) FEDERAL AGENCIES.—(1)(A) Any Federal agency, its contractors, or its grantees shall pay rent, in cash or services, for the use of facilities or property at the Installation, in an amount and type determined to be adequate by the Secretary concerned, in the case of a Federal agency, with the concurrence of the head of the agency. (B) Such rent shall generally be the fair market rental of the property provided, but in any case shall be sufficient to compensate the Installation for the direct and overhead costs incurred by the Installation due to the presence of the tenant agency on the Installation.

"(2) Transfers of real or personal property at the Installation to other Federal agencies shall be at fair market value consideration. Such consideration may be paid in cash, by appropriation transfer, or in property, goods, or services.

"(3) Except as provided in subsection (i), amounts received from other Federal agencies, their contractors, or grantees, including any amounts paid by appropriation transfer, shall be deposited in the Installation Efficiency Project Fund

"(k) REPORTS TO CONGRESS.—(1) Section 2662 of title 10, United States Code, shall apply to transactions at the Installation during the Installation Efficiency Project.

"(l) LIMITATION.—None of the authorities in this section shall create any legal rights in any person or entity except rights embodied in leases, deeds, or contracts.

"(m) DEFINITIONS.—In this section:

"(1) The term "commissary surcharge funds" means funds received from the adjustment of, or surcharge on, selling prices at commissary stores fixed under section 2685 of title 10, United States Code.

"(2) The term "facility" means a building, structure, or other improvement to real property (except a military family housing unit as that term is used in subchapter IV of chapter 169 of title 10, United States Code).

"(3) The term "Installation" means the installation at which the Secretary concerned intends to carry out an Installation Efficiency Project.

"(4) The term "joint activity" means an activity conducted on or for the benefit of the Installation by the military Department, jointly with the communities in the vicinity of the Installation, the State, or any private entity, or any combination thereof.

"(5) The term "nonappropriated funds" means monies derived from sources other than congressional appropriations and commissary surcharge funds, primarily from the sale of goods and services to DoD military and civilian personnel and their family members that are used to support or provide Morale, Welfare and Recreation programs.

"(6) The term "nonappropriated fund instrumentality" means a Department of Defense organization that is supported, in whole or in part by nonappropriated funds. It acts in its own name to provide or assist Secretaries of the Military Departments in providing programs for

military personnel and authorized civilians. It is not incorporated under the law of any State or the District of Columbia, but has the legal status of an instrumentality of the United States. As a fiscal entity, it maintains custody of and control over its nonappropriated fund and may also administer appropriated resources to carry out its purposes.

"(7) The term "public services" means public services (including fire protection and police protection, but not public schools) that are funded by local and State taxes and provided without specific charge to the public at large.

"(n) EFFECTIVE DATE.—This section becomes effective immediately upon enactment of this Act."

(2) The table of sections at the beginning of such subchapter is amended by inserting after the item relating to section 2696 the following new item:

"2697. Tools for the Efficient Operation of Military Installations."

Sectional Analysis

This legislation represents the Department's Efficient Facilities Initiative. This legislation supports the Department's efforts to transform its facilities to meet the challenges of the new century. This Initiative has three major components: authorizes an additional round of base closures and realignments in 2003, pursuant to existing base closure laws; authorizes significant improvements to the existing base closure process; and authorizes a set of tools for the efficient operation of enduring military installations.

A central element of this Efficient Facilities Initiative (EFI) is the proposed authorization of a new round of base closures and realignments in 2003. The legislation amends the Defense Base Closure and Realignment Act of 1990, Public Law 101-510, as amended, which authorized base closure and realignment rounds in 1991, 1993, and 1995.

Between 1988 and 1995, the Department executed four base closure and realignment rounds, closing 97 of 495 major U.S. installations and altering the mission loading (called realigning) of many others. These actions generated an estimated net cumulative savings through FY01 of approximately \$15 billion, with annual recurring savings of about \$6 billion thereafter. An additional round of base closures and realignments in 2003 could generate about \$3 billion in annual recurring savings after implementation of the Commission recommendations, based on the savings associated with the 1993 and 1995 rounds. These savings could be applied to resource shortfalls in sustainment, modernization, and facility recapitalization. Other, less easily estimated indirect savings from efficiencies would be additive. An additional round would enhance the ability of a number of defense reform initiatives to increase operational effectiveness and support efficiency. Charting a clear future course for installations will allow for more cost-effective use of MILCON, RPM and O&M funds targeted towards enduring facilities.

It is important to emphasize that this effort is much more than a budget driven exercise, but rather is essential to re-shape and properly match installations' capabilities with changing military operations needs. Legislative authority is essential to rationalize the Department's management of its installations infrastructure. The Department cannot afford to maintain excess infrastructure while modernizing its weapons and increasing benefits. This infrastructure must also be re-shaped to match rapidly changing military operations concepts, and to improve installations support for readiness. Limited construction and maintenance funds should be

prioritized for enduring facilities. Strategies for privatization, competitive sourcing and housing will be better formulated once decisions are made to eliminate unnecessary infrastructure. While savings will be significant and sustained and reinvested for other priority needs, an equally if not more important message, is that rationalizing the base support structure is an integral part of the military transformations occurring in all Services.

Subsection (b) of this Initiative proposes a number of improvements to the existing base closure and realignment process. It adds authority to better harness the strength and creativity of the private sector to facilitate environmental restoration. Further, while using essentially the same process as has been used successfully before, the legislation would better ensure the primacy of military value in the selection and execution of base closure and realignment decisions. It also continues important authorities that allowed the Secretary of Defense to transfer property to the local redevelopment authority (LRA), without consideration, provided the LRA's reuse plan provides for the property to be used for job creation and the LRA uses the economic benefits from the property to reinvest in the economic redevelopment of the installation and the surrounding community.

Subsection (c) of this Initiative adds a new section for title 10, United States Code, that provides a number of specific authorities, which will permit the Military Departments to explore ways of supporting its missions and people at more effectively, more efficiently and at less cost while maintaining its operational readiness. It is a collection of innovative authorities for the secretaries of the military departments to partner with local communities for the ownership, operation, and maintenance of military installation. This concept has been tested at Brooks Air force Base in San Antonio, TX under a pilot program with promising success (Section 136 of the Military Construction Appropriations Act, 2001, Public Law 106-246). Our proposal would permanently authorize this program and make it available to all the military departments.